Ratings: Moody's: "Aaa"
Fitch: "AAA"
(See "RATINGS" and "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein)

OFFERING MEMORANDUM
Dated: June 26, 2018

NEW ISSUE: BOOK-ENTRY-ONLY

In the opinion of Bond Counsel (defined below), assuming continuing compliance by the District (defined below) after the date of initial delivery of the Bonds (defined below) with certain covenants contained in the Order (defined below) and subject to the matters set forth under "TAX MATTERS" herein, interest on the Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income of the owners thereof pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Bonds and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals or, except as described herein, corporations. See "TAX MATTERS" herein. Additionally, see "THE BONDS - Provisions Applicable to Term Rate Bonds - Rate Mode Changes after Initial Rate Period" identifying circumstances when an opinion of nationally recognized bond counsel is required as a condition for an interest mode conversion. Bond Counsel expresses no opinion as to the effect on the excludability from gross income for federal income tax purposes of any action requiring such an opinion.

$24,955,000
BURLESON INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Johnson and Tarrant Counties, Texas)
FIXED RATE AND VARIABLE RATE UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2018

Dated Date: July 1, 2018 (interest will accrue from the Delivery Date) **Due: February 1, as shown on the inside cover page**

The Burleson Independent School District Fixed Rate and Variable Rate Unlimited Tax School Building Bonds, Series 2018 (the "Bonds") are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Sections 45.001 and 45.003(b)(1), Texas Education Code, as amended, Chapter 1371, as amended, Texas Government Code ("Chapter 1371"), an election held in the District on May 6, 2017 and the order (the "Order") adopted by the Board of Trustees (the "Board") on June 11, 2018. As permitted by Chapter 1371, the Board has, in the Order, delegated to certain District officials and staff members the authority to establish final terms and effectuate the sale of the Bonds, which final terms are evidenced in an approval certificate (the "Approval Certificate") relating to the Bonds. The Approval Certificate was executed by the Chief Financial Officer of the District on June 26, 2018, which completed the sale of the Bonds. The Bonds are payable as to principal and interest from the proceeds of an ad valorem tax levied annually, without legal limit as to rate or amount, against all taxable property located within the Burleson Independent School District (the "District"). The District has received conditional approval from the Texas Education Agency for the Bonds to be guaranteed under the State of Texas Permanent School Fund Guarantee Program (hereinafter defined), which guarantee will automatically become effective when the Attorney General of Texas approves the Bonds; provided, however, the Permanent School Fund Guarantee is not effective with respect to the payment of the Purchase Price for mandatorily tendered Bonds. (See "THE BONDS – Permanent School Fund Guarantee" and "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").

The Bonds are multimodal interest rate bonds, with a portion thereof initially issued as serial bonds bearing interest at fixed rates from their date of initial delivery to the hereinafter-defined Underwriter, anticipated to occur on or about July 24, 2018 (the "Delivery Date"), through stated maturity (such Bonds, the "Fixed Rate Bonds"), and the remainder initially issued as a single term bond bearing interest at the Initial Rate (defined herein) from the Delivery Date through the July 31, 2022 conclusion of an initial interest rate period (the "Initial Rate Period") applicable thereto (such Bonds, the "Term Rate Bonds"). Interest on the Bonds is payable on February 1 and August 1 of each year, commencing February 1, 2019 and continuing through (i) stated maturity, with respect to the Fixed Rate Bonds, and (ii) the Conversion Date with respect to the Term Rate Bonds. Interest on the Bonds, except as provided below, will be calculated on the basis of a 360-day year of twelve 30-day months. The tables on page ii hereof identify the principal financial terms of the Bonds at their initial issuance.

No physical delivery of the Bonds will be made to the owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds (see "THE BONDS - Book-Entry-Only System" herein). The initial Paying Agent/Registrar and, with respect to the Term Rate Bonds (which are subject to mandatory tender, as described below), the Tender Agent for the Bonds is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. (See "THE BONDS – General Description").

The Term Rate Bonds are subject to mandatory tender, without the right of retention by the holders thereof, on August 1, 2022, which is the day following conclusion of the Initial Rate Period (the "Conversion Date"). On the Conversion Date, the District is required under the Order to cause the Term Rate Bonds to convert to a new interest rate mode or modes (during which such Bonds may bear interest at a new Term Rate or at Fixed Rates) and remarket and sell such Term Rate Bonds, upon mandatory tender, to new holders (using the proceeds of such remarketing to pay the then-existing holders the Purchase Price (defined herein) of such tendered Term Rate Bonds). Notwithstanding this obligation, the Term Rate Bonds are not, during the Initial Rate Period, subject to the benefit of a liquidity facility provided by a third party. Accordingly, a failure by the Remarketing Agent (defined herein) to remarket the Term Rate Bonds will result in the rescission of the notice of mandatory tender with respect thereto and the District not having any obligation to purchase such Term Rate Bonds on the Conversion Date. The occurrence of the foregoing will not result in an event of default under the Order or the Bonds. Until such time as the District redeems or remarkets Term Rate Bonds that have been unsuccessfully remarketed as described above, such Term Rate Bonds shall bear interest at the "Stepped Rate", which is defined herein to mean 7.00% per annum, calculated on the basis of twelve 30-day months and the number of days actually elapsed. (See "THE BONDS – Tender Provisions" herein.)

All tenders of Term Rate Bonds must be made to the Tender Agent at its designated office in Dallas, Texas. In the Order, the District has covenanted to identify and enter into a contract with a remarketing agent (the "Remarketing Agent") for the Term Rate Bonds prior to the commencement of the remarketing period applicable thereto. Bonds tendered for purchase on the initial Conversion Date will be bought, at the price of par plus accrued (but unpaid) interest (the "Purchase Price"), from the proceeds derived from the remarketing of the Bonds, if any; provided, however, that should the date for tender of the Bonds occur on an Interest Payment Date, the accrued interest portion of the Purchase Price is to be paid by the District and not from the proceeds of a remarketing of Term Rate Bonds.

Proceeds from the sale of the Bonds will be used for (i) the construction, acquisition and equipment of school buildings in the District, including the purchase of the necessary sites for school buildings, and (ii) paying the costs of issuing the Bonds. (See "THE BONDS - Authorization and Purpose").

The Bonds are offered for delivery when, as and if issued, and received by the initial purchaser named below (the "Underwriter") subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, San Antonio, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas. The Bonds are expected to be available for initial delivery through the services of DTC on or about July 24, 2018.

Citigroup

MATURITY SCHEDULE

CUSIP No. Prefix: 121403[1]

$5,270,000 Fixed Rate Bonds
(Serial Bonds; Interest Rates Fixed to Stated Maturity)

Stated Maturity (2/1)[2]	Principal Amount ($)	Interest Rate (%)	Initial Yield (%)	CUSIP No. Suffix[1]
2019	2,255,000	5.00	1.53	2W8
2020	3,015,000	5.00	1.70	2X6

(Interest Accrues from Delivery Date)

$19,685,000 Term Rate Bonds
(Term Bond; Term Interest Rate Applicable Through Initial Rate Period Expiration)

Stated Maturity (2/1)[3]	Expiration of Initial Rate Period	Mandatory Tender Date	Initial Term Interest Rate (%)[4]	Initial Yield (%)[5]	Stepped Rate (%)	CUSIP No. Suffix[1]
2047	July 31, 2022	August 1, 2022	2.50	2.35	7.00	2Y4

(Interest Accrues from Delivery Date)

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(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association and are included solely for the convenience of owners of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. None of the District, the Financial Advisor, or the Underwriter shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

(2) The Fixed Rate Bonds are not subject to redemption prior to stated maturity.

(3) The Term Rate Bonds are subject to redemption as described herein. The Term Rate Bonds are not subject to optional tender. On the Conversion Date, the Term Rate Bonds are subject to mandatory tender without right of retention. (See "THE BONDS – Redemption" and "THE BONDS – Tender Provisions" herein.)

(4) Represents Initial Rate applicable to Term Rate Bonds during the Initial Interest Period.

(5) Initial Yield calculated to Mandatory Tender Date.

BURLESON INDEPENDENT SCHOOL DISTRICT

BOARD OF TRUSTEES

Name	Date Initially Elected	Current Term Expires (November)	Occupation
Andy Pickens, President	2011	2019	Human Resources Manager
Pat Worrell, Vice President	2009	2021	Retired Educator
Staci Eisner, Secretary	2004	2021	Real Estate Development
Michael Ancy, Member	2007	2019	Senior Account Manager
Jerri Hoaldridge McNair, Member	2018	2021	Retired Educator
Shawn Minor, Member	2010	2019	National Accounts Director
Ryan Richardson, Member	2014	2020	Vice President of Star Bank

APPOINTED OFFICIALS

Name	Position	Length of Education Service	Length of Service with District
Dr. Bret Jimerson	Superintendent	13 Years	5 Years
Brenda Mize	Chief Financial Officer	11 Years	11 Years

CONSULTANTS AND ADVISORS

Norton Rose Fulbright US LLP, San Antonio, Texas	Bond Counsel
SAMCO Capital Markets, Inc., Plano, Texas	Financial Advisor
Weaver and Tidwell, L.L.P., Fort Worth, Texas	Certified Public Accountants

For additional information, contact:

Dr. Bret Jimerson
Superintendent
Burleson ISD
1160 SW Wilshire Blvd.
Burleson, Texas 76028
(817) 245-1022

Brian Grubbs / Doug Whitt / Robert White
SAMCO Capital Markets, Inc.
5800 Granite Parkway, Suite 210
Plano, Texas 75024
(214) 765-1470
(214) 765-1414 (Fax)

USE OF INFORMATION IN OFFERING MEMORANDUM

This Offering Memorandum, which includes the cover page, and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Offering Memorandum, and, if given or made, such other information or representations must not be relied upon.

The Underwriter has provided the following sentence for inclusion in this Offering Memorandum. The Underwriter has reviewed the information in the Offering Memorandum pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

The information set forth herein has been obtained from the District and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor or the Underwriter. This Offering Memorandum contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Offering Memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein. See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM – PSF Continuing Disclosure Undertaking" and "CONTINUING DISCLOSURE OF INFORMATION" for a description of the Texas Education Agency's ("TEA") and the District's undertakings to provide certain information on a continuing basis.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THE BONDS HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

NONE OF THE DISTRICT, ITS FINANCIAL ADVISOR, OR THE UNDERWRITER MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFERING MEMORANDUM REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM DESCRIBED UNDER "BOOK-ENTRY-ONLY SYSTEM" OR THE AFFAIRS OF THE TEA DESCRIBED UNDER "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM", AS SUCH INFORMATION WAS PROVIDED BY THE DEPOSITORY TRUST COMPANY AND THE TEA, RESPECTIVELY.

THIS OFFERING MEMORANDUM CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM THE FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS.

The agreements of the District and others related to the Bonds are contained solely in the contracts described herein. Neither this Offering Memorandum nor any other statement made in connection with the offer or sale of the Bonds is to be construed as constituting an agreement with the purchaser of the Bonds. INVESTORS SHOULD READ THE ENTIRE OFFERING MEMORANDUM, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

TABLE OF CONTENTS

SELECTED DATA FROM THE OFFERING MEMORANDUM

The selected data is subject in all respects to the more complete information and definitions contained or incorporated in this Offering Memorandum. The offering of the Bonds to potential investors is made only by means of this entire Offering Memorandum. No person is authorized to detach this page from this Offering Memorandum or to otherwise use it without the entire Offering Memorandum.

The District	The Burleson Independent School District (the "District") is a political subdivision of the State of Texas located in Johnson and Tarrant Counties, Texas. The District is governed by a seven-member Board of Trustees (the "Board"). Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent of Schools who is the chief administrative officer of the District. Support services are supplied by consultants and advisors.
Term Rate Bonds	A portion of the Bonds (the "Term Rate Bonds") will initially bear interest at an Initial Rate during the Initial Rate Period, at the rate determined by the Underwriter, which will be in effect from the Delivery Date (as defined in the Order, but anticipated to occur on or about July 24, 2018) through July 31, 2022, with interest being payable on each February 1 and August 1, beginning February 1, 2019, at a rate of 2.50% calculated on the basis of a 360-day year of twelve 30-day months. Thereafter, the Term Rate Bonds will convert to a Term Mode of like duration and bear interest at a Term Rate determined by the Remarketing Agent; provided, however, that the interest rate mode for the Term Rate Bonds may be (a) changed from time to time to a Term Mode during which the Term Rate Bonds bear interest at a Term Rate for a period of different duration or (b) converted to a Fixed Rate until stated maturity or (as applicable, if at all) prior redemption (as such terms are defined and described herein). (See "THE BONDS – Provisions Applicable to Term Rate Bonds – Rate Mode Changes after Initial Rate Period" herein.) The Stepped Rate for the Bonds is 7.00%. (See "THE BONDS – Provisions Applicable to Term Rate Bonds – Tender Provisions" herein.)
Fixed Rate Bonds	A portion of the Bonds (the "Fixed Rate Bonds") will bear interest from the Delivery Date with such interest being payable on February 1 and August 1, beginning February 1, 2019, until stated maturity.
Paying Agent/Registrar and Tender Agent	The initial Paying Agent/Registrar and Tender Agent for the Bonds is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. The District intends to use the Book-Entry-Only System of DTC. (See "BOOK-ENTRY-ONLY SYSTEM.")
Security	The Bonds will constitute direct obligations of the District, payable as to principal and interest from ad valorem taxes levied annually against all taxable property located within the District, without legal limitation as to rate or amount.
Redemption	After the Initial Rate Period and prior to conversion to a Fixed Rate, the Term Rate Bonds are subject to optional and mandatory redemption at par, on the dates and in the manner, as described herein. In addition, and at all times that the Bonds bear interest at the Initial Rate or at a Term Rate (including during the Initial Rate Period), the Bonds are subject to redemption, on any date and in whole (but not in part), at the District's option upon the occurrence of a hereinafter-defined Extraordinary Event, at the redemption price of par plus accrued interest to such date of redemption. (See "THE BONDS – Redemption – Optional Redemption of Term Rate Bonds" and "– Extraordinary Optional Redemption of Term Rate Bonds".) **The Fixed Rate Bonds and the Term Rate Bonds, during the Initial Rate Period (except as described above, upon the occurrence of an Extraordinary Event), are not subject to optional redemption.**
Permanent School Fund Guarantee	The District has received conditional approval from the Texas Education Agency for the payment of the scheduled debt service on (but not the Purchase Price of) the Bonds to be guaranteed under the Permanent School Fund Guarantee Program, which guarantee will automatically become effective when the Attorney General of Texas approves the Bonds. (See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM.")
Ratings	The Bonds are rated "Aaa" by Moody's Investors Service, Inc. ("Moody's") and "AAA" by Fitch Ratings, Inc. ("Fitch") based upon the guaranteed repayment thereof under the Permanent School Fund Guarantee Program of the TEA. The District's unenhanced, underlying ratings, including the Bonds, are "Aa3" by Moody's and "AA-" by Fitch. (See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "RATINGS" herein.)
Tax Matters	In the opinion of Bond Counsel for the District, interest on the Bonds is excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein including the alternative minimum tax on corporations. (See "TAX MATTERS" and "Appendix C - Form of Legal Opinion of Bond Counsel.")
Payment Record	The District has never defaulted on the payment of its bonded indebtedness.
Legal Opinion	Delivery of the Bonds is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by Norton Rose Fulbright US LLP, San Antonio, Texas, Bond Counsel. (See "Appendix C – Form of Legal Opinion of Bond Counsel").
Delivery	When issued, anticipated to occur on or about July 24, 2018.

INTRODUCTORY STATEMENT

This Offering Memorandum, including Appendices A, B and D, has been prepared by the Burleson Independent School District (the "District"), a political subdivision of the State of Texas (the "State") located in Johnson and Tarrant Counties, Texas, in connection with the offering by the District of its Fixed Rate and Variable Rate Unlimited Tax School Building Bonds, Series 2018 (the "Bonds").

All financial and other information presented in this Offering Memorandum has been provided by the District from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the District. No representation is made that past experience, as is shown by such financial and other information, will necessarily continue or be repeated in the future.

There follows in this Offering Memorandum descriptions of the Bonds and the order adopted on June 11, 2018 by the Board of Trustees of the District (the "Board") authorizing the issuance of the Bonds (the "Order") and certain other information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained upon request by writing the Burleson Independent School District, 1160 SW Wilshire Boulevard, Burleson, Texas 76028 and, during the offering period, from the Financial Advisor, SAMCO Capital Markets, Inc., 5800 Granite Parkway, Suite 210, Plano, Texas 75024, by electronic mail or upon payment of reasonable copying, mailing, and handling charges.

This Offering Memorandum speaks only as of its date, and the information contained herein is subject to change. A copy of this Final Offering Memorandum pertaining to the Bonds will be deposited with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA) system. See "CONTINUING DISCLOSURE OF INFORMATION" herein for a description of the District's undertaking to provide certain information on a continuing basis.

WHILE THE TERMS OF THE HEREINAFTER-DEFINED FIXED RATE BONDS ARE ESTABLISHED THROUGH THEIR RESPECTIVE STATED MATURITY, THE HEREINAFTER-DEFINED TERM RATE BONDS ARE SUBJECT TO CONVERSION AND REMARKETING INTO A SUBSEQUENT INTEREST RATE MODE AND PERIOD AT THE TIMES AND UPON THE CONDITIONS DESCRIBED IN THE ORDER FOLLOWING A MANDATORY TENDER FOR PURCHASE OF SUCH TERM RATE BONDS. THIS OFFERING MEMORANDUM DESCRIBES THE TERM RATE BONDS ONLY IN THEIR INITIAL INTEREST RATE PERIOD AND IS, THEREFORE, NOT INTENDED TO PROVIDE INFORMATION WITH RESPECT TO THE TERM RATE BONDS AFTER CONVERSION TO ANY NEW INTEREST RATE MODE OR INTEREST RATE PERIOD (INCLUDING ANY SUBSEQUENT TERM RATE PERIOD). PURCHASERS OF THE BONDS SHOULD NOT RELY ON THIS OFFERING MEMORANDUM FOR INFORMATION CONCERNING ANY INTEREST RATE MODE PERIOD FOR THE TERM RATE BONDS OTHER THAN IN THEIR INITIAL INTEREST RATE PERIOD.

THE BONDS

Authorization and Purpose

The Bonds are being issued in the principal amount of $24,955,000 pursuant to the Constitution and general laws of the State of Texas, particularly Sections 45.001 and 45.003(b)(1), Texas Education Code, as amended, Chapter 1371, as amended, Texas Government Code ("Chapter 1371"), an election held in the District on May 6, 2017 (the "Election") and the Order adopted by the Board of Trustees on June 11, 2018. As permitted by Chapter 1371, the Board has, in the Order, delegated certain District officials and staff members (each, a "Designated Financial Officer") the authority to establish final terms and effectuate the sale of the Bonds, which final sale terms are evidenced in an approval certificate (the "Approval Certificate"). The Approval Certificate was executed by the Chief Financial Officer of the District on June 26, 2018, which completed the sale of the Bonds. The Bonds are payable as to principal and interest from the proceeds of an ad valorem tax levied annually, without legal limit as to rate or amount, against all taxable property located within the District. Proceeds from the sale of the Bonds will be used for (i) the construction, acquisition and equipment of school buildings in the District, including the purchase of the necessary sites for school buildings, and (ii) paying the costs of issuing the Bonds.

General Description

The Bonds are multimodal interest rate bonds, with a portion thereof initially issued as serial bonds bearing interest at fixed rates from their date of initial delivery to the Underwriter (the "Delivery Date") through their respective stated maturity (such Bonds, the "Fixed Rate Bonds"), and the remainder initially issued as a single term bond bearing interest at an initial term rate of 2.50% (the "Initial Rate") that is effective from the Delivery Date through conclusion of an initial interest rate period that concludes on July 31, 2022 (the "Initial Rate Period"; such Bonds, the "Term Rate Bonds"). Interest on the Bonds is payable on February 1 and August 1 of each year, commencing February 1, 2019 and continuing through (i) stated maturity, with respect to the Fixed Rate Bonds, and (ii) the hereinafter defined Conversion Date with respect to the Term Rate Bonds. The Fixed Rate Bonds are not subject to conversion of interest rate convention, tender, or redemption prior to stated maturity. The Term Rate Bonds are not subject to tender prior to the expiration of the Initial Rate Period; however, upon expiration of their Initial Rate Period, the Term Rate Bonds are subject to mandatory tender, without right of retention by the owners thereof, at which time the Term Rate Bonds will be remarketed and sold to new holders into a successive interest rate period, with the proceeds thereof used to pay the Purchase Price (defined herein) of such tendered Term Rate Bonds. (See "THE BONDS – Provisions Applicable to Term Rate Bonds" herein.)

The Bonds are issued in denominations of $5,000. Interest on the Bonds, except with respect to the Term Rate Bonds when bearing interest at a Stepped Rate (defined below) as further described below under the subcaption "THE BONDS – Provisions Applicable to Term Rate Bonds – Mandatory Tender", will be calculated on the basis of a 360-day year of twelve 30-day months. The tables on page ii hereof identify the principal financial terms of the Bonds at their initial issuance. Interest on the Bonds will be paid by check, sent by first class mail, to the owner of record on the Record Date (defined herein) or by such other customary banking arrangement acceptable to the Paying Agent/Registrar (defined herein) requested by and at the risk and expense of the owner. The Bonds will be issued as Book-Entry-Only securities through The Depository Trust Company ("DTC"). Use of the DTC Book-Entry-Only System will affect the timing and receipt of payment of interest on and principal of the Bonds. (See "BOOK-ENTRY-ONLY-SYSTEM" herein.)

Provisions Applicable to Term Rate Bonds

Initial Rate and Initial Rate Period. As stated above, the Term Rate Bonds will bear interest at the Initial Rate for the duration of the Initial Rate Period. Immediately after conclusion of the Initial Rate Period, on their mandatory tender date (which date is also referred to and defined as the "Conversion Date"), the Term Rate Bonds will be converted to a new interest rate mode and period and remarketed to new holders, all pursuant to and subject to the terms of the Order (which provisions are summarized below).

Rate Mode Changes after Initial Rate Period. Following the Initial Rate Period, the Term Rate Bonds may be converted, in whole or in part, into (i) a new interest period of at least one year in duration and during which such remarketed Bonds will bear interest at a term rate (such term rate of interest, a “Term Rate”; such duration during which remarketed Bonds bear interest at a Term Rate, the “Term Rate Period”) or (ii) an interest rate period during which such remarketed Bonds bear interest at fixed rates through the earlier of stated maturity or (as and if applicable) prior redemption (such fixed rates of interest, the “Fixed Rates”; such duration during which remarketed Bonds bear interest at Fixed Rates, the “Fixed Rate Period”). Term Rates and Fixed Rates, as applicable, will be determined by the Remarketing Agent and the District in accordance with the Order and as described below. A conversion of any Term Rate Bonds to a Fixed Rate Period is irreversible and such converted Bonds will remain in the Fixed Rate Period, bearing interest at the applicable Fixed Rates, through the earlier of stated maturity or (as and if applicable) prior redemption.

The Paying Agent/Registrar is required to give notice to the owners of the Term Rate Bonds of the conversion to a new interest rate mode at least 30 days prior to the Conversion Date. Each notice of a change between interest rate modes will be sent by first class mail to each owner’s address as it appears in the registration books of the Paying Agent/Registrar and will state: (a) the effective date and the type of interest rate mode to which the change will be made; (b) the date by which the Remarketing Agent will determine the new interest rate or rates; and (c) that the Term Rate Bonds will be subject to mandatory tender on the effective date of the change in the interest rate mode and the procedure for such tender.

Any conversion to a new interest mode and period will be conditioned on delivery of an opinion of nationally recognized bond counsel to the effect that the conversion will not adversely affect the excludability of interest on such Bonds from gross income of the owners thereof for federal income tax purposes if such conversion results in a reissuance of the remarketed Bonds under applicable federal tax law. The opinion of Bond Counsel expresses no opinion as to the effect on excludability from gross income for federal income tax purposes of any action taken which requires the receipt of an opinion of a nationally recognized bond counsel.

Bonds in the Initial Rate Period or a subsequent Term Rate Period cannot be converted to a new interest rate mode and period until conclusion of the then-existing interest rate period (which conversion will take place on the interest payment date immediately succeeding conclusion of the then-existing interest rate period).

Any owner of Bonds who may be unable to take timely action on any notice should consider whether to make arrangements for another person to act in his or her stead.

Determination of Interest Rates. During each interest rate period (each, a “Rate Period”) after the Initial Rate Period, the rate of interest on those Bonds that then-remain outstanding (the “Remarketed Bonds”) will be the rate that the Remarketing Agent determines, in conjunction with the District and under prevailing market conditions on the date of such determination, would result in the market value of the Remarketed Bonds being not less than 100% of the principal amount thereof. The date of such determination is defined herein as the “Rate Determination Date”.

The determination by the Remarketing Agent of the rate or rates of interest to be borne by the Remarketed Bonds will be conclusive and binding on the holders of the Remarketed Bonds, the District, the Paying Agent/Registrar and the Tender Agent. Failure by the Paying Agent/Registrar to give notice to the Bondholders, or any defect therein, will not affect the interest rate borne by the Remarketed Bonds or the rights of the owners thereof. In no event will the interest rate borne by any Bonds, including the Remarketed Bonds, exceed the “Highest Rate”, which (as provided in the Order) is the lesser of 8.00% and the maximum net effective interest rate permitted under Chapter 1204, Texas Government Code, as amended.

Tender Provisions. *No Optional Tender*. The Term Rate Bonds are not subject to optional tender.

Mandatory Tender. The Term Rate Bonds are required to be tendered for purchase to the Tender Agent, without the right of retention, on August 1, 2022 (which is the day immediately following the conclusion of the Initial Rate Period and has been previously defined herein as the Conversion Date).

Payment of the Purchase Price (defined in the Order to mean, with respect to each Term Rate Bond (or any portion thereof) tendered for purchase, the par amount thereof, plus accrued but unpaid interest thereon to the date of purchase) of Term Rate Bonds to be purchased upon mandatory tender as described herein will be made by the Tender Agent at its Corporate Trust Office or by wire transfer in immediately available funds.

If the Term Rate Bonds are not converted and remarketed to new purchasers on the Conversion Date, the District shall have no obligation to purchase the Term Rate Bonds tendered on such date, the failed conversion and remarketing shall not constitute an event of default under the Order or the Term Rate Bonds, the mandatory tender will be deemed to have been rescinded for that date with respect to the Term Rate Bonds subject to such failed remarketing only, and such Term Rate Bonds (i) will continue to be Outstanding, (ii) will be purchased upon the availability of funds to be received from the subsequent remarketing of such Term Rate Bonds, (iii) will bear interest at the Stepped Rate during the Stepped Rate Period, (iv) will be subject to redemption and mandatory tender for purchase on any date during the Stepped Rate Period upon which a conversion occurs (which shall occur at the District’s discretion upon delivery of at least one day’s notice to the holders of Term Rate Bonds bearing interest at the Stepped Rate), and (v) will be deemed to continue in the Initial Rate Period for all other purposes of the Order, though bearing interest during such time at the Stepped Rate until remarketed or redeemed in accordance with the terms of the Order. In the event of a failed conversion and remarketing as described above, the District has covenanted in the Order to cause the Term Rate Bonds to be converted and remarketed on the earliest reasonably practicable date on which they can be sold at not less than par, in such interest rate mode or modes as the District directs, at a rate not exceeding the Highest Rate. The Order provides that the Stepped Rate means a rate per annum equal to 7.00%, calculated on the basis of twelve 30 day months and the number of days actually elapsed.

Interest on any Term Rate Bond that is not tendered on the Conversion Date, but for which there has been irrevocably deposited with the Tender Agent an amount sufficient to pay the Purchase Price thereof, will cease to accrue on the Conversion Date. Thereafter, the owner of such Term Rate Bond will not be entitled to any payment other than the Purchase Price for such Term Rate Bond from money held by the Tender Agent for such payment, and such Term Rate Bond will not otherwise be outstanding or entitled to the benefits of the Order. On the Conversion Date, the Tender Agent will authenticate and deliver substitute Term Rate Bonds in lieu of such untendered Term Rate Bonds.

Remarketing and Purchase. The Remarketing Agent is required, at a minimum, to use its best efforts to sell such Term Rate Bonds at a price equal to not less than 100% of the principal amount thereof plus accrued interest, if any, on the forthcoming Conversion Date or as quickly as possible thereafter.

The Purchase Price of Term Rate Bonds tendered for purchase is required to be paid by the Tender Agent from money derived from the remarketing of such Term Rate Bonds by the Remarketing Agent. If sufficient funds are not available for the purchase of all tendered Term Rate Bonds, no purchase will be consummated.

Conversion to Fixed Rate. The Order provides that, at the option of the District, the Term Rate Bonds may be converted in whole or in part to Bonds bearing interest at Fixed Rates on the Conversion Date. In the event of a partial conversion, the Paying Agent/Registrar shall select by lot or other customary random method the Term Rate Bonds to be converted to Bonds bearing interest at Fixed Rates. Solely and exclusively with respect to the Remarketing Agent's setting of Fixed Rates on the Term Rate Bonds to be converted to Bonds bearing interest at Fixed Rates on the Conversion Date, the Remarketing Agent, in consultation with and subject to the approval of the District, shall determine the rates for such converted Term Rate Bonds that will cause such Term Rate Bonds to have a market value, net of costs of issuance and remarketing fees, at least equal to the principal amount of converted Term Rate Bonds. In addition, the District may seek competitive bids to determine the interest rates on Term Rate Bonds converted to Bonds bearing interest at Fixed Rates.

To exercise its option, the District must deliver to the Paying Agent/Registrar and the Tender Agent written notice at least 45 calendar days prior to the interest payment date on which the Fixed Rate mode is to become effective (the "Fixed Rate Conversion Date"). The Term Rate Bonds converted to Bonds bearing interest at Fixed Rates on a Fixed Rate Conversion Date shall mature, be subject to redemption and have the same terms and features (other than being subject to mandatory tender for purchase) as set forth in the Order with respect to Term Rate Bonds bearing interest at the Initial Rate. Notwithstanding the previous sentence, in connection with a conversion of Term Rate Bonds to Bonds bearing interest at Fixed Rates, the District may elect, at its sole option, to provide for serial maturities, revised redemption provisions and other terms applicable to the pricing of the Term Rate Bonds on and after the Fixed Rate Conversion Date.

The Paying Agent/Registrar is required to give notice by mail to all owners of the conversion of Term Rate Bonds to Bonds bearing interest at Fixed Rates not less than 30 calendar days prior to the Fixed Rate Conversion Date. Such notice is required to (a) specify the Fixed Rate Conversion Date and the date by which the District will determine the Fixed Rates; and (b) state that the Bonds will be subject to mandatory tender for purchase on the Fixed Rate Conversion Date without the right of the owners to retain their Bonds.

Tender Agent. The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, will serve as the initial tender agent (the "Tender Agent"), for the Bonds. All notices and Bonds required to be delivered to the Tender Agent shall be delivered to The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, Attn: Mr. Stephen Jager, 2001 Bryan Street, 11^{th} Floor, Dallas, Texas 75201. In the event that the Book-Entry-Only System herein is discontinued and registered bonds are issued, all notices and Bonds are required to be delivered to 2001 Bryan Street, 11^{th} Floor, Dallas, Texas 75201.

Remarketing Agent and Remarketing Agreement. In the Order, the District has covenanted to identify and enter into a contract with a qualified financial institution to serve as remarketing agent for the Term Rate Bonds (the "Remarketing Agent") prior to the commencement of the remarketing of the Term Rate Bonds, and to retain such Remarketing Agent for so long, as required by the provisions of the Order. The District anticipates identifying the initial Remarketing Agent for the Term Rate Bonds at or about the time the Board, prior to the expiration of the Initial Rate Period, adopts the order authorizing the remarketing of the Bonds from the Initial Rate Period into a subsequent interest rate period and mode. The offering memorandum prepared by the District in conjunction with such remarketing of the Term Rate Bonds will describe the terms of the agreement between the District and the Remarketing Agent, serving the District in such capacity.

Redemption

Redemption of Fixed Rate Bonds. The Fixed Rate Bonds are not subject to optional redemption prior to Stated Maturity.

Optional Redemption of Term Rate Bonds. The Term Rate Bonds are not subject to optional redemption during the Initial Rate Period (except upon the occurrence of an Extraordinary Event, as described below), but are subject to redemption, at the District's option, on the first Interest Payment Date immediately succeeding the conclusion of the Initial Rate Period (which is also the Conversion Date).

Extraordinary Optional Redemption of Term Rate Bonds. Upon the occurrence of an Extraordinary Event, the Term Rate Bonds are subject to redemption prior to Stated Maturity, at the option of the District, on any date, in whole but not in part, in principal amounts of $5,000 or any integral multiple thereof, at the price of par plus accrued interest to such date of redemption.

The term "Extraordinary Event" shall mean the occurrence of (i) passage of legislation by either house of the United States Congress, the effect of which (if enrolled) would be to impose, directly or indirectly, federal income taxation upon interest received on obligations of the general character of the Bonds, or (ii) the execution by the President of the United States of an executive order that imposes, directly or indirectly, federal income taxation upon interest received on obligations of the general character of the Bonds.

Upon the occurrence of an Extraordinary Event, the District anticipates issuing tax-exempt refunding bonds prior to the effective date of such legislation and exercising the right to redeem and refund the Bonds with the proceeds of the refunding bonds.

Notice of Redemption. The Paying Agent/Registrar is required to cause notice of any redemption of Term Rate Bonds to be mailed to each owner of Term Rate Bonds to be redeemed at the respective addresses appearing in the registration books for the Term Rate Bonds. Notice of redemption is required to be mailed at least 30 days prior to the redemption date; (ii) identify the Term Rate Bonds to be redeemed; (iii) specify the redemption date and the redemption price; and (iv) state that (a) on the redemption date the Term Rate Bonds called for redemption will be payable at the corporate trust office of the Paying Agent/Registrar and (b) from the redemption date interest will cease to accrue. If notice of redemption is given as described above and if due provision for the payment of the redemption price is made, then the Term Rate Bonds that are to be redeemed thereby will automatically be deemed to have been redeemed prior to their scheduled maturities and will not bear interest after the redemption date, nor will they be regarded as being outstanding except for the right of the owner thereof to receive the redemption price from the Paying Agent/Registrar.

A notice of mandatory tender delivered in connection with the remarketing of any then outstanding Term Rate Bonds shall also serve as notice of redemption if any such Bonds will be redeemed on a Conversion Date.

Scheduled Mandatory Redemption. The Term Rate Bonds are subject to mandatory redemption prior to stated maturity as follows:

Mandatory Redemption

Date	Amount
February 1, 2042	$2,735,000
February 1, 2043	2,930,000
February 1, 2044	3,145,000
February 1, 2045	3,375,000
February 1, 2046	3,620,000
February 1, 2047	3,880,000

The principal amount of Term Rate Bonds required to be redeemed pursuant to the operation of such mandatory redemption provisions shall be reduced, at the option of the District, by the principal amount of any Term Rate Bonds which, at least 50 days prior to the mandatory redemption date (1) shall have been defeased or acquired by the District and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the District with money in the Interest and Sinking Fund, or (3) shall have been redeemed pursuant to the optional redemption provisions set forth above and not theretofor credited against a mandatory redemption requirement.

Special Mandatory Redemption. While the Term Rate Bonds are Outstanding and accruing interest at the Initial Rate, the District may, at its discretion and in accordance with and as permitted by the Order, budget for such fiscal year and levy taxes for the payment of interest on the Term Rate Bonds based on an interest rate on the Term Rate Bonds equal to the actual rate borne thereby or up to the Highest Rate per annum. At the end of the fiscal year in which the District levies a tax based on the interest rate on the Term Rate Bonds being equal to a rate of interest other than the actual rate borne by the Term Rate Bonds up to the Highest Rate, the District shall determine whether the interest paid on the Term Rate Bonds in such fiscal year is less than the amount of revenue collected. If in such circumstance the amount of interest paid on the Term Rate Bonds is less than the amount collected, the District shall cause the difference between the amount budgeted at the assumed interest rate and the amount paid on the Term Rate Bonds ("Excess Interest Funds") to be allocated and appropriated for the payment of the mandatory redemption of Term Rate Bonds on the first February 1 next following the end of such fiscal year; provided the amount of such Excess Interest Funds is equal to or greater than $100,000. In each fiscal year when the amount of Excess Interest Funds is equal to or greater than $100,000, the District shall cause Term Rate Bonds in a principal amount equivalent to the Excess Interest Funds to be redeemed on the February 1 next following the end of such fiscal year at the redemption price of par plus accrued interest to the date of redemption. The mandatory redemption of Term Rate Bonds in accordance with the provisions of this paragraph shall be in addition to the amount of Term Rate Bonds to be mandatorily redeemed as set forth in the schedule above in the years shown.

On or before December 15 of each year preceding each mandatory redemption date the Term Rate Bonds are to be mandatorily redeemed, the District will notify the Paying Agent/Registrar in writing of the principal amount of such Term Rate Bonds to be mandatorily redeemed with Excess Interest Funds on the following February 1, and instruct the Paying Agent/Registrar to select by lot or other customary random selection method the Term Rate Bonds or portions thereof to be redeemed.

Notice of Redemption. As discussed under "THE BONDS – Redemption – Notice of Redemption", all notices of redemption shall (i) specify the date of redemption for the Term Rate Bonds, (ii) identify the Term Rate Bonds to be redeemed and, in the case of a portion of the principal amount to be redeemed, the principal amount thereof to be redeemed, (iii) state the redemption price, (iv) state the Term Rate Bonds, or the portion of the principal amount thereof, to be redeemed, shall become due and payable on the redemption date specified, and the interest thereof, or on the portion of the principal amount thereof to be redeemed, shall cease to accrue from and after the redemption date, and (v) specify the payment of the redemption price for the Term Rate Bonds, or the principal amount thereof to be redeemed, shall be made at the designated corporate trust office of the Paying Agent/Registrar only upon presentation and surrender thereof by the registered owner. If a Term Rate Bond is subject by its terms to redemption and has been called for redemption and notice of redemption thereof has been duly given or waived, as provided in the Order, such Term Rate Bonds (or the principal amount thereof to be redeemed) so called for redemption shall become due and payable, and on the redemption date designated in such notice, interest on such Term Rate Bonds (or the principal amount thereof to be redeemed) called for redemption shall cease to accrue and such Bonds shall not be deemed to be outstanding.

ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN AND THE TERM RATE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY TERM RATE BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH TERM RATE BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

DTC Redemption Provision. The Paying Agent/Registrar, so long as a book-entry system is used for the Term Rate Bonds, will send any notice of redemption of Term Rate Bonds, or other notices with respect to the Bonds, only to DTC (or any successor securities depository for the Bonds). Any failure by DTC to advise any Direct Participant (defined herein), or of any Direct Participant or Indirect Participant (defined herein) to notify the Beneficial Owner (defined herein), will not affect the validity of the redemption of the Term Rate Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Term Rate Bonds by the District will reduce the outstanding principal amount of such Term Rate Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Term Rate Bonds held for the account of Direct Participants in accordance with its rules or other agreements with Direct Participants and then Direct Participants and Indirect Participants may implement a redemption of such Term Rate Bonds from the Beneficial Owners. Any such selection of Term Rate Bonds to be redeemed will not be governed by the Order and will not be conducted by the District or Paying Agent/Registrar. Neither the District nor the Paying Agent/Registrar will have any responsibility to Direct Participants, Indirect Participants, or the persons for whom Direct Participants act as nominees, with respect to the payments on the Term Rate Bonds or the providing of notice to Direct Participants, Indirect Participants, or Beneficial Owners of the selection of portions of the Term Rate Bonds for redemption. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Security

The Bonds are direct obligations of the District and are payable as to both principal and interest from ad valorem taxes levied annually on all taxable property within the District, without legal limitation as to rate or amount. The District has received conditional approval from the Texas Education Agency for the payment of the Bonds to be guaranteed under the State of Texas Permanent School Fund Guarantee Program (hereinafter defined), which guarantee will automatically become effective when the Attorney General of Texas approves the Bonds; provided, however, the Permanent School Fund Guarantee is not effective with respect to the payment of the Purchase Price for mandatorily tendered Bonds. (See "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS", "CURRENT PUBLIC SCHOOL FINANCE SYSTEM", and "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").

Permanent School Fund Guarantee

In connection with the sale of the Bonds, the District has received conditional approval from the Commissioner of Education for the guarantee of the Bonds under the Permanent School Fund Guarantee Program (Chapter 45, Subchapter C, of the Texas Education Code, as amended). Subject to meeting certain conditions discussed under the heading "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein, the Bonds will be absolutely and unconditionally guaranteed by the corpus of the Permanent School Fund of the State of Texas; provided, however, the Permanent School Fund Guarantee is not effective with respect to the payment of the Purchase Price for mandatorily tendered Bonds. In the event of a payment default by the District, registered owners will receive all payments due from the corpus of the Permanent School Fund.

In the event the District defeases any of the Bonds, the payment of such defeased Bonds will cease to be guaranteed by the Permanent School Fund Guarantee. See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "REGISTERED OWNERS' REMEDIES" herein.

Legality

The Bonds are offered when, as and if issued, subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, San Antonio, Texas, Bond Counsel. (See "LEGAL MATTERS" and "Appendix C - Form of Legal Opinion of Bond Counsel").

Payment Record

The District has never defaulted on the payment of its bonded indebtedness.

Amendments

The District may amend the Order without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the District may, with the written consent of the holders of a majority in aggregate principal amount of the Bonds then outstanding, amend, add to, or rescind any of the provisions of the Order; except that, without the consent of the registered owners of all of the Bonds then outstanding, no such amendment, addition, or rescission may (1) extend the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount, thereof, the redemption price, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount of Bonds required to be held by Holders for consent to any such amendment, addition or rescission.

Defeasance

The Order provides for the defeasance of the Bonds when the payment of the principal of and premium, if any, on the Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption or otherwise), is provided by irrevocably depositing with the Paying Agent/Registrar or other authorized escrow agent, in trust (1) money sufficient to make such payment, (2) Government Obligations (defined below) that mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds, or (3) a combination of money and Government Obligations sufficient to make such payment. The sufficiency of deposits hereinbefore described shall be certified by an independent certified accountant, the District's Financial Advisor, the Paying Agent/Registrar, or some other qualified financial institution as specified in the Order. The District has additionally reserved the right in the Order, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Obligations for the Government Obligations originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the District money in excess of the amount required for such defeasance. The Order provides that "Government Obligations" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of their acquisition or purchase by the District, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and, on the date of their acquisition or purchase by the District, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, or (d) any additional securities and obligations hereafter authorized by Texas law as eligible for use to accomplish the discharge of obligations such as the Bonds. There is no assurance that the ratings for U.S. Treasury securities acquired to defease any Bonds, or those for any other Government Obligations, will be maintained at any particular rating category. Further, there is no assurance that current Texas law will not be amended in a manner that expands or contracts the list of permissible defeasance securities (such list consisting of those securities identified in clauses (a) through (c) above), or any rating requirement thereon, that may be purchased with defeasance proceeds relating to the Bonds ("Defeasance Proceeds"), though the District has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Order does not contractually limit such permissible defeasance securities and expressly recognizes the ability of the District to use lawfully available Defeasance Proceeds to defease all or any portion of the Bonds, registered owners of Bonds are deemed to have consented to the use of Defeasance Proceeds to purchase such other defeasance securities, defeasance securities may not be of the same investment quality as those currently identified Texas law as permissible defeasance securities.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment of the Bonds have been made as described above, all rights of the District to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, the District has the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption at an earlier date those Bonds which have been defeased to their maturity date, if the District (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption, (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements, and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Defeasance will automatically cancel the Permanent School Fund Guarantee with respect to those defeased Bonds.

Sources and Uses of Funds

The proceeds from the sale of the Bonds will be applied approximately as follows:

Sources		
Par Amount of Bonds	$	24,955,000.00
Original Issue Reoffering Premium		301,299.95
Total Sources of Funds	$	25,256,299.95
Uses		
Deposit to Construction Fund	$	25,000,000.00
Costs of Issuance		162,000.00
Underwriter's Discount		92,651.84
Deposit to Interest and Sinking Fund		1,648.11
Total Uses of Funds	$	25,256,299.95

REGISTERED OWNERS' REMEDIES

If the District defaults in the payment, when due, of principal or interest, or redemption price of the Bonds when due, or if it fails to make payments into any fund or funds created in the Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Order, and the State fails to honor the Permanent School Fund Guarantee as hereinafter discussed, the failure to perform which materially, adversely affects the rights of the owners, including but not limited to, their prospective ability to be repaid in accordance with the Order any registered owner may seek a writ of mandamus from a court of proper jurisdiction to compel the District to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Bonds or the Order and the District's obligations are not uncertain or disputed as well as to enforce the rights of payment under the Permanent School Fund Guarantee. The issuance of a writ of mandamus is controlled by equitable principles, and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Order does not provide for the appointment of a trustee to represent the interest of the owners upon any failure of the District to perform in accordance with the terms of the Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court has ruled in *Tooke v. City of Mexia,* 197 S.W.3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Chapter 1371, which pertains to the issuance of public securities by issuers such as the District, permits the District to waive sovereign immunity in the proceedings authorizing the issuance of the Bonds. Notwithstanding its reliance upon the provisions of Chapter 1371 in connection with the issuance of the Bonds (see "THE BONDS – Authorization and Purpose" herein), the District has not waived the defense of sovereign immunity with respect thereto. Because it is unclear whether the Texas Legislature has effectively waived the District's sovereign immunity from a suit for money damages, bondholders may not be able to bring such a suit against the District for breach of the Bonds or Order covenants. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein for a description of the procedures to be followed for payment of the Bonds by the Permanent School Fund in the event the District fails to make a payment on the Bonds when due. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Order and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors and by general principles of equity which permit the exercise of judicial discretion.

See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein for a description of the procedures to be followed for payment of the Bonds by the Permanent School Fund in the event the District fails to make a payment on the Bonds when due. Initially, the only registered owner of the Bonds will be Cede & Co., as DTC's nominee. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the duties of DTC with regard to ownership of Bonds.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC (defined below) while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Offering Memorandum. The District, the Financial Advisor and the Underwriter believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The District and the Underwriter cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption notices or other notices to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption notices or other notices to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Offering Memorandum. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the United States Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. All payments, with respect to the Bonds, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor Securities depository). In that event, Bond certificates will be printed and delivered to bond holders.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District, the Financial Advisor and the Underwriter believe to be reliable, but none of the District, the Financial Advisor or the Underwriter take any responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Offering Memorandum

In reading this Offering Memorandum it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Offering Memorandum to registered owners should be read to include the person for which the Direct or Indirect Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Order will be given only to DTC.

Effect of Termination of Book-Entry-Only System

In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the District, printed Bonds will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Order and summarized under "REGISTRATION, TRANSFER AND EXCHANGE" below.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar for the Bonds is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. In the Order, the District covenants to maintain and provide a Paying Agent/Registrar until the Bonds are duly paid.

Successor Paying Agent/Registrar

Provision is made in the Order for replacing the Paying Agent/Registrar. If the District replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the District shall be a commercial bank, trust company, financial institution or other entity duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District has agreed to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Initial Registration

Definitive Bonds will be initially registered and delivered only to CEDE & CO., the nominee of DTC pursuant to the Book-Entry-Only System described herein.

Future Registration

In the event the Book-Entry-Only System is discontinued, the Bonds will be printed and delivered to the beneficial owners thereof and thereafter may be transferred, registered and assigned on the registration books only upon presentation and surrender of the Bonds to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar in lieu of the Bond or Bonds being transferred or exchanged at the corporate trust office of the Paying Agent/Registrar, or sent by United States mail, first class postage prepaid to the new registered owner. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Bonds to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in authorized denominations and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer.

Record Date For Interest Payment

The record date ("Record Date") for determining the party to whom the interest payable on a Bond on any interest payment date means the close of business on the fifteenth calendar day of the next preceding month. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each registered owner of a Bond appearing on the books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Limitation on Transfer of Bonds

Neither the District nor the Paying Agent/Registrar are required (1) to make any transfer or exchange during a period beginning at the opening of business 45 days before the day of the first mailing of a notice of redemption of Bonds and ending at the close of business on the day of such mailing, or (2) to transfer or exchange any Bonds so selected for redemption when such redemption is scheduled to occur within 45 calendar days; provided however, that such limitation of transfer is not applicable to an exchange by the registered owner of the uncalled balance of a Bond.

Replacement Bonds

If any Bond is mutilated, destroyed, stolen or lost, a new Bond in the same principal amount as the Bond so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Bond, such new Bond will be delivered only upon surrender and cancellation of such mutilated Bond. In the case of any Bond issued in lieu of and substitution for a Bond which has been destroyed, stolen or lost, such new Bond will be delivered only (a) upon filing with the District and the Paying Agent/Registrar a certificate to the effect that such Bond has been destroyed, stolen or lost and proof of the ownership thereof, and (b) upon furnishing the District and the Paying Agent/Registrar with indemnity satisfactory to them. The person requesting the authentication and delivery of a new Bond must pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

AD VALOREM TAX PROCEDURES

Property Tax Code and County Wide Appraisal District

The Texas Property Tax Code (the "Tax Code") provides for county-wide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board responsible for appraising property for all taxable units within the county. The Johnson and Tarrant County Appraisal Districts (collectively, the "Appraisal District") are responsible for appraising property within the District as of January 1 of each year. The appraisal values set by the Appraisal District are subject to review and change by the respective Appraisal Review Board (the "Appraisal Review Board") which is appointed by the respective Appraisal District's Board of Directors. Such appraisal rolls, as approved by the respective Appraisal Review Board, are used by the District in establishing its tax roll and tax rate.

Property Subject to Taxation by the District

Except for certain exemptions provided by State law, all real and certain tangible personal property with a tax situs in the District is subject to taxation by the District. Principal categories of exempt property (including certain exemptions which are subject to local option by the District) include property owned by the State or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain improvements to real property and certain tangible personal property located in designated reinvestment zones on which the District has agreed to abate ad valorem taxes; certain household goods, family supplies and personal effects; farm products owned by the producers; certain property of a nonprofit corporation used in scientific research and educational activities benefiting a college or university; and designated historic sites. Other principal categories of exempt property include tangible personal property not held or used for production of income; solar and windpowered energy devices; most individually owned automobiles; $10,000 State mandated exemption to residential homesteads of persons ages 65 or over or disabled; a State mandated exemption up to a maximum of $12,000 for real or personal property of disabled veterans or the surviving spouse (so long as the surviving spouse remains unmarried) or children of an individual who died while on active duty in the armed forces; a State mandated $25,000 in market value exemption for all residential homesteads (see "Residential Homestead Exemptions" below); and certain classes of intangible property. The Tax Code provides that a disabled veteran who receives from the United States Department of Veterans Affairs or its successor 100% disability compensation due to a service-connected disability and a rating of 100% disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead. Furthermore, the surviving spouse of a deceased veteran who had received a disability rating of 100% is entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries. In addition, except for increases attributable to certain improvements, the District is prohibited by State law from increasing the total ad valorem tax on the residence homestead of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for an exemption based on the age or disability of the owner. The freeze on ad valorem taxes on the homesteads of persons 65 years of age or older and the disabled is also transferable to a different residence homestead. Also, a surviving spouse of a taxpayer who qualifies for the freeze on ad valorem taxes is entitled to the same exemption so long as (i) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (ii) the surviving spouse was 55 or older when the deceased spouse died and (iii) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse. Pursuant to a constitutional amendment approved by the voters on May 12, 2007, legislation was enacted to reduce the school property tax limitation imposed by the freeze on taxes paid on residence homesteads of persons 65 years of age or over or of disabled persons to correspond to reductions in local school district tax rates from the 2005 tax year to the 2006 tax year and from the 2006 tax year to the 2007 tax year (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - Overview" herein). The school property tax limitation provided by the constitutional amendment and enabling legislation apply to the 2007 and subsequent tax years. Owners of agricultural and open space land, under certain circumstances, may request valuation of such land on the basis of productive capacity rather than market value. Article VIII, Section 1-j of the Texas Constitution provides for an exemption from ad valorem taxation for "freeport property," which is defined as goods detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Taxing units that took action prior to April 1, 1990 may continue to tax freeport property and decisions to continue to tax freeport property may be reversed in the future. However, decisions to exempt freeport property are not subject to reversal. Article VIII, Section 1-l, provides for the exemption from ad valorem taxation of certain property used to control the pollution of air, water, or land. A person is entitled to an exemption from taxation of all or part of real and personal property that the person owns and that is used wholly or partly as a facility, device or method for the control of air, water or land pollution. Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of "goods-in-transit." "Goods-in-transit", defined by the Tax Code as personal property acquired or imported into Texas and transported to another location in the State or outside of the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory. The Tax Code provision permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax goods-in-transit during the following tax year. A taxpayer may receive only one of the freeport or goods-in-transit exemptions for tangible personal property. Senate Bill 1, passed by the 82nd Texas Legislature, 1st Called Session, requires again that the governmental entities take affirmative action prior to January 1 of the first tax year in which the governing body proposes to tax good-in-transit to continue its taxation of good-in-transit in the 2012 tax year and beyond. See "THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT" and "APPENDIX A – FINANCIAL INFORMATION OF THE DISTRICT - ASSESSED VALUATION" for a schedule of the amount of exemptions granted by the District.

A city or county may create a tax increment financing zone ("TIF") within the city or county with defined boundaries and establish a base value of taxable property in the TIF at the time of its creation. Overlapping taxing units, including school districts, may agree with the city or county to contribute all or part of future ad valorem taxes levied and collected against the "incremental value" (taxable value in excess of the base value) of taxable real property in the TIF to pay or finance the costs of certain public improvements in the TIF, and such taxes levied and collected for and on behalf of the TIF are not available for general use by such contributing taxing units. Prior to September 1, 2001, school districts were allowed to enter into tax abatement agreements to encourage economic development. Under such agreements, a property owner agrees to construct certain improvements on its property. The school district in turn agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. Effective September 1, 2001, school districts may not enter into tax abatement agreements under the general statute that permits cities and counties to initiate tax abatement agreements. In addition, credit will not be given by the Commissioner of Education in determining a district's property value wealth per student for (1) the appraisal value, in excess of the "frozen" value, of property that is located in a TIF created after May 31, 1999 (except in certain limited circumstances where the city creating the TIF gave notice prior to May 31, 1999 to all other taxing units that levy ad valorem taxes in the TIF of its intention to create the TIF and the TIF was created and had its final project and financing plan approved by the municipality prior to August 31, 1999) or (2) for the loss of value of abated property under any abatement agreement entered into after May 31, 1993.

Notwithstanding the foregoing, in 2001 the Legislature enacted legislation known as the Texas Economic Development Act, which provides incentives for certain school districts to grant limitations on appraised property values and provide ad valorem tax credits to certain corporations and limited liability companies to encourage economic development within the district. Generally, during the last eight years of the ten-year term of a tax limitation agreement, the school district may only levy and collect ad valorem taxes for maintenance and operation purposes on the agreed-to limited appraised property value. The taxpayer is entitled to a tax credit from the school district for the amount of taxes imposed during the first two years of the tax limitation agreement on the appraised value of the property above the agreed-to limited value. Additional State funding is provided to a school district for each year of such tax limitation in the amount of the tax credit provided to the taxpayer. During the first two years of a tax limitation agreement, the school district may not adopt a tax rate that exceeds the district's rollback tax rate (see "AD VALOREM TAX PROCEDURES – Public Hearing and Rollback Tax Rate").

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. In determining the market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of pricing information in either the standard edition of the Annual Energy Outlook or, if the most recently published edition of the Annual Energy Outlook was published before December 1 of the preceding calendar year, the Short-Term Energy Outlook report published in January of the current calendar year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Tax Code are based on one hundred percent (100%) of market value, except as described below, and no assessment ratio can be applied.

State law requires the appraised value of a residence homestead to be based solely on the property's value as a residence homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a residence homestead for a tax year to an amount that would not exceed the lesser of (1) the property's market value in the most recent tax year in which the market value was determined by the appraisal district or (2) the sum of (a) 10% of the property's appraised value in the preceding tax year, plus (b) the property's appraised value the preceding tax year, plus (c) the market value of all new improvements to the property.

Article VIII of the Texas Constitution and the Tax Code permit land designated for agricultural use (Section 1-d), open space or timberland (Section 1-d-1) to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. Landowners wishing to avail themselves of the agricultural use designation must apply for the designation, and the appraiser is required by the Tax Code to act on each claimant's right to the designation individually. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes for previous years based on the new value, including three years for agricultural use and five years for agricultural open-space land and timberland prior to the loss of the designation. The same land may not be qualified under both Section 1-d and Section 1-d-1.

The Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three years. The District, at its expense, has the right to obtain from the Appraisal District current estimates of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimates of appraisal values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses to formally include such values on its appraisal rolls.

Residential Homestead Exemptions

Under Section 1-b, Article VIII of the Texas Constitution and State law, the governing body of a political subdivision, at its option, may grant an exemption of not less than $3,000 of the market value of the residence homestead of persons 65 years of age or older or the disabled from all ad valorem taxes thereafter levied by the political subdivision.

Once authorized, such exemption may be repealed or decreased or increased in amount (i) by the governing body of the political subdivision or (ii) by a favorable vote of a majority of the qualified voters at an election called by the governing body of the political subdivision, which election must be called upon receipt of a petition signed by at least 20% of the number of qualified voters who voted in the preceding election of the political subdivision. In the case of a decrease, the amount of the exemption may not be reduced to less than $3,000 of the market value.

The surviving spouse of an individual who qualifies for the foregoing exemption for the residence homestead of a person 65 or older (but not the disabled) is entitled to an exemption for the same property in an amount equal to that of the exemption for which the deceased spouse qualified if (i) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (ii) the surviving spouse was at least 55 years of age at the time of the death of the individual's spouse and (iii) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse.

Section 11.131 of the Texas Tax Code states that a disabled veteran who receives from the United States Department of Veterans Affairs or its successor 100% disability compensation due to a service-connected disability and a rating of 100% disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead. Furthermore, the surviving spouse of a deceased veteran who had received a disability rating of 100% is entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until the surviving spouse remarries.

A partially disabled veteran or the surviving spouse of a partially disabled veteran, if such spouse has not remarried since the death of the disabled veteran and the property was the residence homestead of the surviving spouse when the disabled veteran died and remains the residence homestead of the surviving spouse, is entitled to an exemption equal to the percentage of the veteran's disability, if the residence was donated to the disabled veteran by a charitable organization at no cost to the disabled veteran, or at some cost to the disabled veteran in the form of a cash payment, a mortgage, or both in an aggregate amount that is not more than 50% of the good faith estimate of the market value of the residence homestead made by the charitable organization as of the date the donation is made. Such exemption is transferable to a different property of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

Also, the surviving spouse of a member of the armed forces who is killed in action is entitled to a property tax exemption for all or part of the market value of such surviving spouse's residence homestead, if the surviving spouse has not remarried since the service member's death and said property was the service member's residence homestead at the time of death. Such exemption is transferable to a different property of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

The surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to a property tax exemption for all or part of the market value of such surviving spouse's residence homestead, if the surviving spouse has not remarried since the first responder's death and said property was the first responder's residence homestead at the time of death. Such exemption is transferable to a different property of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

In addition to any other exemptions provided by the Tax Code, the governing body of a political subdivision, at its option, may grant an exemption of up to 20% of the market value of residence homesteads, with a minimum exemption of $5,000.

In the case of residence homestead exemptions granted under Section 1-b, Article VIII, ad valorem taxes may continue to be levied against the value of homesteads exempted where ad valorem taxes have previously been pledged for the payment of debt if cessation of the levy would impair the obligation of the contract by which the debt was created. Voters in the State approved a constitutional amendment on November 3, 2015 increasing the mandatory homestead exemption for school districts from $15,000 to $25,000, and requiring that the tax limitation for taxpayers who are age 65 and older or disabled be reduced to reflect the additional exemption.

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a petition for review in district court within 45 days after notice is received that a final order has been entered. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party, or through binding arbitration, if requested by the taxpayer. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Tax Code.

Levy and Collection of Taxes

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. By the later of September 30th or 60 days after the certified appraisal roll is delivered to the District, the rate of taxation must be set by the Board based upon the valuation of property within the District as of the preceding January 1 and the amount required to be raised for debt service and maintenance and operations purposes. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty from six percent (6%) to twelve percent (12%) of the amount of the tax, depending on the time of payment, and accrues interest at the rate of one percent (1%) per month. If the tax is not paid by the following July 1, an additional penalty of up to twenty percent (20%) may under certain circumstances be imposed by the District. The Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances.

Public Hearing and Rollback Tax Rate

In setting its annual tax rate, the governing body of a school district generally cannot adopt a tax rate exceeding the district's "rollback tax rate" without approval by a majority of the voters voting at an election approving the higher rate. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures and (2) a rate for debt service. The rollback tax rate for a school district is the lesser of (A) the sum of (1) the product of the district's "State Compression Percentage" for that year multiplied by $1.50, (2) the rate of $0.04, (3) any rate increase above the rollback tax rate in prior years that were approved by voters, and (4) the district's current debt rate, or (B) the sum of (1) the district's effective maintenance and operations tax rate, (2) the product of the district's State Compression Percentage for that year multiplied by $0.06; and (3) the district's current debt rate (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Funding for School Districts" for a description of the "State Compression Percentage"). If for the preceding tax year a district adopted an M&O (defined herein) tax rate that was less than its effective M&O tax rate for that preceding tax year, the district's rollback tax for the current year is calculated as if the district had adopted an M&O tax rate for the preceding tax year equal to its effective M&O tax rate for that preceding tax year.

The "effective maintenance and operations tax rate" for a school district is the tax rate that, applied to the current tax values, would provide local maintenance and operating funds, when added to State funds to be distributed to the district pursuant to Chapter 42 of the Texas Education Code for the school year beginning in the current tax year, in the same amount as would have been available to the district in the preceding year if the funding elements of wealth equalization and State funding for the current year had been in effect for the preceding year.

Section 26.05 of the Tax Code provides that the governing body of a taxing unit is required to adopt the annual tax rate for the unit before the later of September 30 or the 60th day after the date the certified appraisal roll is received by the taxing unit, and a failure to adopt a tax rate by such required date will result in the tax rate for the taxing unit for the tax year to be the lower of the effective tax rate calculated for that tax year or the tax rate adopted by the taxing unit for the preceding tax year. Before adopting its annual tax rate, a public meeting must be held for the purpose of adopting a budget for the succeeding year. A notice of public meeting to discuss budget and proposed tax rate must be published in the time, format and manner prescribed in Section 44.004 of the Texas Education Code. Section 44.004(e) of the Texas Education Code provides that a person who owns taxable property in a school district is entitled to an injunction restraining the collection of taxes by the district if the district has not complied with such notice requirements or the language and format requirements of such notice as set forth in Section 44.004(b), (c) and (d) , and, if applicable, Subsection (i), and if such failure to comply was not in good faith. Section 44.004(e) further provides the action to enjoin the collection of taxes must be filed before the date the district delivers substantially all of its tax bills. A district may adopt its budget after adopting a tax rate for the tax year in which the fiscal year covered by the budget begins if the district elects to adopt its tax rate before receiving the certified appraisal roll. A district that adopts a tax rate before adopting its budget must hold a public hearing on the proposed tax rate followed by another public hearing on the proposed budget rather than holding a single hearing on the two items.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property. The District has no lien for unpaid taxes on personal property but does have a lien for unpaid taxes upon real property, which lien is discharged upon payment. On January 1 of each year, such tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The District's tax lien is on a parity with the tax liens of other such taxing units. A tax lien on real property taxes takes priority over the claims of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien. The automatic stay in bankruptcy will prevent the automatic attachment of tax liens with respect to post-petition tax years unless relief is sought and granted by the bankruptcy judge. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

Except with respect to taxpayers who are 65 years of age or older, at any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights, or by bankruptcy proceedings which restrict the collection of taxpayer debts. Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT

The Appraisal Districts have the responsibility for appraising property in the District as well as other taxing units in Johnson and Tarrant Counties, Texas. The Appraisal Districts are governed by a board of directors appointed by members of the governing bodies of various political subdivisions within Johnson and Tarrant Counties, Texas.

Property within the District is assessed as of January 1 of each year, taxes become due October 1 of the same year and become delinquent on February 1 of the following year.

The District does not tax personal property not used in the production of income, such as personal automobiles.

The District does not collect an additional 20% penalty to defray attorney costs in the collection of delinquent taxes over and above the penalty automatically assessed under the Tax Code.

The District's taxes are collected by the Johnson County Tax Assessor.

The District does not allow split payments and does not give discounts for early payment of taxes.

The District does not participate in a tax increment financing zone. The District has not granted any tax abatements.

The District does not grant a portion of the additional local option exemption of up to 20% of the market value of residence homesteads.

The District grants a State mandated $25,000 general residence homestead exemption.

The District grants a State mandated $10,000 residence homestead exemption for persons 65 years of age or older and the disabled.

The District grants a State mandated residence homestead exemption for disabled veterans.

The District has granted a local option, additional exemption for persons who are 65 years of age or older and disabled persons above the amount of the State mandated exemption.

Ad valorem taxes are not levied by the District against the exempt value of residence homesteads for the payment of debt.

The District has granted the freeport exemption. The District has taken action to continue to tax goods-in-transit.

Charges for penalties and interest on the unpaid balance of delinquent taxes are as follows:

Date	Penalty	Interest	Cumulative Total
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July	12	6	18

After July, penalty remains at 12%, and interest increases at the rate of 1% each month. In addition, State law allows that, if an account is delinquent in July, an amount up to 20% attorney's collection fee may be added to the total tax penalty and interest charge.

STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS

Litigation Relating to the Texas Public School Finance System

On seven occasions in the last thirty years, the Texas Supreme Court (the "Court") has issued decisions assessing the constitutionality of the Texas public school finance system (the "Finance System"). The litigation has primarily focused on whether the Finance System, as amended by the Texas Legislature (the "Legislature") from time to time (i) met the requirements of article VII, section 1 of the Texas Constitution, which requires the Legislature to "establish and make suitable provision for the support and maintenance of an efficient system of public free schools," or (ii) imposed a statewide ad valorem tax in violation of article VIII, section 1-e of the Texas Constitution because the statutory limit on property taxes levied by school districts for maintenance and operation purposes had allegedly denied school districts meaningful discretion in setting their tax rates. In response to the Court's previous decisions, the Legislature enacted multiple laws that made substantive changes in the way the Finance System is funded in efforts to address the prior decisions declaring the Finance System unconstitutional.

On May 13, 2016, the Court issued its opinion in the most recent school finance litigation, *Morath v. The Texas Taxpayer & Student Fairness Coal.*, 490 S.W.3d 826 (Tex. 2016) ("*Morath*"). The plaintiffs and intervenors in the case had alleged that the Finance System, as modified by the Legislature in part in response to prior decisions of the Court, violated article VII, section 1 and article VIII, section 1-e of the Texas Constitution. In its opinion, the Court held that "[d]espite the imperfections of the current school funding regime, it meets minimum constitutional requirements." The Court also noted that:

> Lawmakers decide if laws pass, and judges decide if those laws pass muster. But our lenient standard of review in this policy-laden area counsels modesty. The judicial role is not to second-guess whether our system is optimal, but whether it is constitutional. Our Byzantine school funding "system" is undeniably imperfect, with immense room for improvement. But it satisfies minimum constitutional requirements.

Possible Effects of Changes in Law on District Bonds

The Court's decision in *Morath* upheld the constitutionality of the Finance System but noted that the Finance System was "undeniably imperfect". While not compelled by the *Morath* decision to reform the Finance System, the Legislature could enact future changes to the Finance System. Any such changes could benefit or be a detriment to the District. If the Legislature enacts future changes to, or fails adequately to fund the Finance System, or if changes in circumstances otherwise provide grounds for a challenge, the Finance System could be challenged again in the future. In its 1995 opinion in *Edgewood Independent School District v. Meno*, 917 S.W.2d 717 (Tex. 1995), the Court stated that any future determination of unconstitutionality "would not, however, affect the district's authority to levy the taxes necessary to retire previously issued bonds, but would instead require the Legislature to cure the system's unconstitutionality in a way that is consistent with the Contract Clauses of the U.S. and Texas Constitutions" (collectively, the "Contract Clauses"), which prohibit the enactment of laws that impair prior obligations of contracts.

Although, as a matter of law, the Bonds, upon issuance and delivery, will be entitled to the protections afforded previously existing contractual obligations under the Contract Clauses, the District can make no representations or predictions concerning the effect of future legislation, or any litigation that may be associated with such legislation, on the District's financial condition, revenues or operations. While the enactment of future legislation to address school funding in Texas could adversely affect the financial condition, revenues or operations of the District, the District does not anticipate that the security for payment of the Bonds, specifically, the District's obligation to levy an unlimited debt service tax and any Permanent School Fund guarantee of the Bonds would be adversely affected by any such legislation. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM".

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

Overview

The following language constitutes only a summary of the Finance System as it is currently structured. For a more complete description of school finance and fiscal management in the State, reference is made to Chapters 41 through 46 of the Texas Education Code, as amended.

Funding for school districts in the State is provided primarily from State and local sources. State funding for all school districts is provided through a set of funding formulas comprising the "Foundation School Program", as well as two facilities funding programs. Generally, the Finance System is designed to promote wealth equalization among school districts by balancing State and local sources of funds available to school districts. In particular, because districts with relatively high levels of property wealth per student can raise more local funding, such districts receive less State aid, and in some cases, are required to disburse local funds to equalize their overall funding relative to other school districts. Conversely, because districts with relatively low levels of property wealth per student have limited access to local funding, the Finance System is designed to provide more State funding to such districts. Thus, as a school district's property wealth per student increases, State funding to the school district is reduced. As a school district's property wealth per student declines, the Finance System is designed to increase that district's State funding. The Finance System provides a similar equalization system for facilities funding wherein districts with the same tax rate for debt service raise the same amount of combined State and local funding. Facilities funding for debt incurred in prior years is expected to continue in future years; however, State funding for new school facilities has not been consistently appropriated by the Texas Legislature, as further described below.

Local funding is derived from collections of ad valorem taxes levied on property located within each district's boundaries. School districts are authorized to levy two types of property taxes: a limited M&O tax to pay current expenses and an unlimited interest and sinking fund ("I&S") tax to pay debt service on bonds. Generally, under current law, M&O tax rates are subject to a statutory maximum rate of $1.17 per $100 of taxable value for most school districts (although a few districts can exceed the $1.17 limit as a result of authorization approved in the 1960s). Current law also requires school districts to demonstrate their ability to pay debt service on outstanding indebtedness through the levy of an ad valorem tax at a rate of not to exceed $0.50 per $100 of taxable property at the time bonds are issued. Once bonds are issued, however, districts may levy a tax to pay debt service on such bonds unlimited as to rate or amount (see "TAX RATE LIMITATIONS" herein). As noted above, because property values vary widely among school districts, the amount of local funding generated by the same tax rate is also subject to wide variation among school districts.

Local Funding for School Districts

The primary source of local funding for school districts is collections from ad valorem taxes levied against taxable property located in each school district. Prior to reform legislation that became effective during the 2006-2007 fiscal year (the "Reform Legislation"), the maximum M&O tax rate for most school districts was generally limited to $1.50 per $100 of taxable value. At the time the Reform Legislation was enacted, the majority of school districts were levying an M&O tax rate of $1.50 per $100 of taxable value. The Reform Legislation required each school district to "compress" its tax rate by an amount equal to the "State Compression Percentage". The State Compression Percentage is set by legislative appropriation for each State fiscal biennium or, in the absence of legislative appropriation, by the Commissioner. For the 2018-19 State fiscal biennium, the State Compression Percentage has been set at 66.67%, effectively setting the maximum compressed M&O tax rate for most school districts at $1.00 per $100 of taxable value. School districts are permitted, however, to generate additional local funds by raising their M&O tax rate by up to $0.04 above the compressed tax rate without voter approval (for most districts, up to $1.04 per $100 of taxable value). In addition, if the voters approve a tax rate increase through a local referendum, districts may, in general, increase their M&O tax rate up to a maximum M&O tax rate of $1.17 per $100 of taxable value and receive State equalization funds for such taxing effort (see "AD VALOREM TAX PROCEDURES – Public Hearing and Rollback Tax Rate"). Elections authorizing the levy of M&O taxes held in certain school districts under older laws, however, may subject M&O tax rates in such districts to other limitations (See "TAX RATE LIMITATIONS" herein).

State Funding for School Districts

State funding for school districts is provided through the Foundation School Program, which provides each school district with a minimum level of funding (a "Basic Allotment") for each student in average daily attendance ("ADA"). The Basic Allotment is calculated for each school district using various weights and adjustments based on the number of students in average daily attendance and also varies depending on each district's compressed tax rate. This Basic Allotment formula determines most of the allotments making up a district's basic level of funding, referred to as "Tier One" of the Foundation School Program. The basic level of funding is then "enriched" with additional funds known as "Tier Two" of the Foundation School Program. Tier Two provides a guaranteed level of funding for each cent of local tax effort that exceeds the compressed tax rate (for most districts, M&O tax rates above $1.00 per $100 of taxable value). The Finance System also provides an Existing Debt Allotment ("EDA") to subsidize debt service on eligible outstanding school district bonds, an Instructional Facilities Allotment ("IFA") to subsidize debt service on newly issued bonds, and a New Instructional Facilities Allotment ("NIFA") to subsidize operational expenses associated with the opening of a new instructional facility. IFA primarily addresses the debt service needs of property-poor school districts. In 2017, the 85th Texas Legislature appropriated funds in the amount of $1,378,500,000 for the 2018-19 State fiscal biennium for the EDA, IFA, and NIFA.

Tier One and Tier Two allotments represent the State's share of the cost of M&O expenses of school districts, with local M&O taxes representing the district's local share. EDA and IFA allotments supplement a school district's local I&S taxes levied for debt service on eligible bonds issued to construct, acquire and improve facilities. Tier One and Tier Two allotments and existing EDA and IFA allotments are generally required to be funded each year by the Texas Legislature. Since future-year IFA awards were not funded by the Texas Legislature for the 2018-19 State fiscal biennium and debt service assistance on school district bonds that are not yet eligible for EDA is not available, debt service on new bonds issued by districts to construct, acquire and improve facilities must be funded solely from local I&S taxes.

Tier One allotments are intended to provide all districts a basic level of education necessary to meet applicable legal standards. Tier Two allotments are intended to guarantee each school district that is not subject to the wealth transfer provisions described below an opportunity to supplement that basic program at a level of its own choice; however, Tier Two allotments may not be used for the payment of debt service or capital outlay.

As described above, the cost of the basic program is based on an allotment per student known as the "Basic Allotment". For the 2018-19 State fiscal biennium, the Basic Allotment is $5,140 for each student in average daily attendance. The Basic Allotment is then adjusted for all districts by several different weights to account for inherent differences between school districts. These weights consist of (i) a cost adjustment factor intended to address varying economic conditions that affect teacher hiring known as the "cost of education index", (ii) district-size adjustments for small and mid-size districts, and (iii) an adjustment for the sparsity of the district's student population. The cost of education index, district-size and population sparsity adjustments, as applied to the Basic Allotment, create what is referred to as the "Adjusted Allotment". The Adjusted Allotment is used to compute a "regular program allotment", as well as various other allotments associated with educating students with other specified educational needs.

Tier Two supplements the basic funding of Tier One and provides two levels of enrichment with different guaranteed yields (i.e., guaranteed levels of funding by the State) depending on the district's local tax effort. The first six cents of tax effort that exceeds the compressed tax rate (for most districts, M&O tax rates ranging from $1.00 to $1.06 per $100 of taxable value) will, for most districts, generate the a guaranteed yield of $99.41 and $106.28 per cent per weighted student in average daily attendance ("WADA") in the 2017-18 and 2018-19 State fiscal years, respectively. The second level of Tier Two is generated by tax effort that exceeds the district's compressed tax rate plus six cents (for most districts eligible for this level of funding, M&O tax rates ranging from $1.06 to $1.17 per $100 of taxable value) and has a guaranteed yield per cent per WADA of $31.95 for the 2018-19

State fiscal biennium. Property-wealthy school districts that have an M&O tax rate that exceeds the district's compressed tax rate plus six cents are subject to recapture above this tax rate level at the equivalent wealth per student of $319,500 (see "Wealth Transfer Provisions" below).

Previously, a district with a compressed tax rate below $1.00 per $100 of taxable value (known as a "fractionally funded district") received a Basic Allotment which was reduced proportionately to the degree that the district's compressed tax rate fell short of $1.00. Beginning in the 2017-2018 fiscal year, the compressed tax rate of a fractionally funded district now includes the portion of such district's current M&O tax rate in excess of the first six cents above the district's compressed tax rate until the district's compressed tax rate is equal to the state maximum compressed tax rate of $1.00. Thus, for fractionally funded districts, each eligible one cent of M&O tax levy above the district's compressed tax rate plus six cents will have a guaranteed yield based on Tier One funding instead of the Tier Two yield, thereby reducing the penalty against the Basic Allotment.

In addition to the operations funding components of the Foundation School Program discussed above, the Foundation School Program provides a facilities funding component consisting of the Instructional Facilities Allotment (IFA) program and the Existing Debt Allotment (EDA) program. These programs assist school districts in funding facilities by, generally, equalizing a district's I&S tax effort. The IFA guarantees each awarded school district a specified amount per student (the "IFA Guaranteed Yield") in State and local funds for each cent of tax effort to pay the principal of and interest on eligible bonds issued to construct, acquire, renovate or improve instructional facilities. The guaranteed yield per cent of local tax effort per student in ADA has been $35 since this program first began in 1997. New awards of IFA are only available if appropriated funds are allocated for such purpose by the State Legislature. To receive an IFA award, in years where the State Legislature allocates appropriated funds for new IFA awards, a school district must apply to the Commissioner in accordance with rules adopted by the Commissioner before issuing the bonds to be paid with IFA state assistance. The total amount of debt service assistance over a biennium for which a district may be awarded is limited to the lesser of (1) the actual debt service payments made by the district in the biennium in which the bonds are issued; or (2) the greater of (a) $100,000 or (b) $250 multiplied by the number of students in ADA. The IFA is also available for lease-purchase agreements and refunding bonds meeting certain prescribed conditions. Once a district receives an IFA award for bonds, it is entitled to continue receiving State assistance for such bonds without reapplying to the Commissioner. The guaranteed level of State and local funds per student per cent of local tax effort applicable to the bonds may not be reduced below the level provided for the year in which the bonds were issued. The 85th State Legislature did not appropriate any funds for new IFA awards for the 2018-2019 State fiscal biennium; however, awards previously granted in years the State Legislature did appropriate funds for new IFA awards will continue to be funded. State financial assistance is provided for certain existing eligible debt issued by school districts through the EDA program. The EDA guaranteed yield (the "EDA Yield") was the same as the IFA Guaranteed Yield ($35 per cent of local tax effort per student in ADA). The 85th Texas Legislature changed the EDA Yield to the lesser of (i) $40 or a greater amount for any year provided by appropriation; or (ii) the amount that would result in a total additional EDA of $60 million more than the EDA to which districts would have been entitled to if the EDA Yield were $35. The yield for the 2017-2018 fiscal year is approximately $37. The portion of a district's local debt service rate that qualifies for EDA assistance is limited to the first 29 cents of debt service tax (or a greater amount for any year provided by appropriation by the Texas Legislature). In general, a district's bonds are eligible for EDA assistance if (i) the district made payments on the bonds during the final fiscal year of the preceding State fiscal biennium, or (ii) the district levied taxes to pay the principal of and interest on the bonds for that fiscal year. Each biennium, access to EDA funding is determined by the debt service taxes collected in the final year of the preceding biennium. A district may not receive EDA funding for the principal and interest on a series of otherwise eligible bonds for which the district receives IFA funding.

A district may also qualify for a NIFA allotment, which provides assistance to districts for operational expenses associated with opening new instructional facilities. The 85th Texas Legislature appropriated funds in the amount of $23,750,000 for each of the 2017-18 and 2018-19 State fiscal years for NIFA allotments.

2006 Legislation

Since the enactment of the Reform Legislation in 2006, most school districts in the State have operated with a "target" funding level per student ("Target Revenue") that is based upon the "hold harmless" principles embodied in the Reform Legislation. This system of Target Revenue was superimposed on the Foundation School Program and made existing funding formulas substantially less important for most school districts. The Reform Legislation was intended to lower M&O tax rates in order to give school districts "meaningful discretion" in setting their M&O tax rates, while holding school districts harmless by providing them with the same level of overall funding they received prior to the enactment of the Reform Legislation. To make up for this shortfall, the Reform Legislation authorized Additional State Aid for Tax Reduction ("ASATR") for each school district in an amount equal to the difference between the amount that each district would receive under the Foundation School Program and the amount of each district's Target Revenue funding level. However, in subsequent legislative sessions, the Texas Legislature has gradually reduced the reliance on ASATR by increasing the funding formulas, and beginning with the 2017-18 school year, the statutes authorizing ASATR are repealed (eliminating revenue targets and ASATR funding).

2017 Legislation

The 85th Texas Legislature, including the regular session which concluded on May 29, 2017 and the special session which concluded on August 15, 2017, did not enact substantive changes to the Finance System. However, certain bills during the regular session and House Bill 21, which was passed during the special session and signed by the Governor on August 16, 2017, revised certain aspects of the formulas used to determine school district entitlements under the Finance System. In addition to amounts previously discussed, the 85th Texas Legislature additionally appropriated funds to (i) establish a Financial Hardship Transition Program, which provides grants ("Hardship Grants") to those districts which were heavily reliant on ASATR funding, and (ii) provide an Adjustment for Rapid Decline in Taxable Value of Property ("DPV Decline Adjustment") for districts which experienced a decline in their tax base of more than four percent for tax years 2015 and 2016. A district may receive either a Hardship Grant or a DPV Decline Adjustment, but cannot receive both. In a case where a district would have been eligible to receive funding under both programs, the district will receive the greater of the two amounts.

Wealth Transfer Provisions

Some districts have sufficient property wealth per student in WADA ("wealth per student") to generate their statutory level of funding through collections of local property taxes alone. Districts whose wealth per student generates local property tax collections in excess of their statutory level of funding are referred to as "Chapter 41" districts because they are subject to the wealth equalization provisions contained in Chapter 41 of the Texas Education Code. Chapter 41 districts may receive State funds for certain competitive grants and a few programs that remain outside the Foundation School Program. Otherwise, Chapter 41 districts are not eligible to receive State funding. Furthermore, Chapter 41 districts must exercise certain options in order to reduce their wealth level to equalized wealth levels of funding, as determined by formulas set forth in the Reform Legislation. For most Chapter 41 districts, this equalization process entails paying the portion of the district's local taxes collected in excess of the equalized wealth levels of funding to the State (for redistribution to other school districts) or directly to other school districts with a wealth per student that does not generate local funds sufficient to meet the statutory level of funding, a process known as "recapture".

The equalized wealth levels that subject Chapter 41 districts to recapture for the 2018-2019 State fiscal biennium are set at (i) $514,000 per student in WADA with respect to that portion of a district's M&O tax effort that does not exceed its compressed tax rate (for most districts, the first $1.00 per $100 of taxable value) and (ii) $319,500 per WADA with respect to that portion of a district's M&O tax effort that is beyond its compressed rate plus $.06 (for most districts, M&O taxes levied above $1.06 per $100 in taxable value). So long as the State's equalization program under Chapter 42 of the Texas Education Code is funded to provide tax revenue equivalent to that raised by the Austin Independent School District on the first six pennies of tax effort that exceed the compressed tax rate, then M&O taxes levied above $1.00 but at or below $1.06 per $100 of taxable value ("Golden Pennies") are not subject to the wealth equalization provisions of Chapter 41. Because funding at the Austin Independent School District level is currently being provided to school districts under Chapter 42 of the Texas Education Code, no recapture is currently associated with the Golden Pennies. Chapter 41 districts with a wealth per student above the lower equalized wealth level but below the higher equalized wealth level must equalize their wealth only with respect to the portion of their M&O tax rate, if any, in excess of $1.06 per $100 of taxable value. Under Chapter 41, a district has five options to reduce its wealth per student so that it does not exceed the equalized wealth levels: (1) a district may consolidate by agreement with one or more districts to form a consolidated district; all property and debt of the consolidating districts vest in the consolidated district; (2) a district may detach property from its territory for annexation by a property-poor district; (3) a district may purchase attendance credits from the State; (4) a district may contract to educate nonresident students from a property-poor district by sending money directly to one or more property-poor districts; or (5) a district may consolidate by agreement with one or more districts to form a consolidated taxing district solely to levy and distribute either M&O taxes or both M&O taxes and I&S taxes. A Chapter 41 district may also exercise any combination of these remedies. Options (3), (4) and (5) require prior approval by the Chapter 41 district's voters.

A district may not adopt a tax rate until its effective wealth per student is at or below the equalized wealth level. If a district fails to exercise a permitted option, the Commissioner must reduce the district's property wealth per student to the equalized wealth level by detaching certain types of property from the district and annexing the property to a property-poor district or, if necessary, consolidate the district with a property-poor district. Provisions governing detachment and annexation of taxable property by the Commissioner do not provide for assumption of any of the transferring district's existing debt. The Commissioner has not been required to detach property in the absence of a district failing to select another wealth-equalization option.

THE SCHOOL FINANCE SYSTEM AS APPLIED TO THE BURLESON INDEPENDENT SCHOOL DISTRICT

The District's wealth per student for the 2017-18 school year is less than the equalized wealth value. Accordingly, the District has not been required to exercise one of the permitted wealth equalization options. As a district with wealth per student less than the equalized wealth value, the District may benefit in the future by agreeing to accept taxable property or funding assistance from or agreeing to consolidate with a property-rich district to enable such district to reduce its wealth per student to the permitted level.

A district's wealth per student must be tested for each future school year and, if it exceeds the maximum permitted level, must be reduced by exercise of one of the permitted wealth equalization options. Accordingly, if the District's wealth per student should exceed the maximum permitted level in future school years, it will be required each year to exercise one or more of the wealth reduction options. If the District were to consolidate (or consolidate its tax base for all purposes) with a property-poor district, the outstanding debt of each district could become payable from the consolidated district's combined property tax base, and the District's ratio of taxable property to debt could become diluted. If the District were to detach property voluntarily, a portion of its outstanding debt (including the Bonds) could be assumed by the district to which the property is annexed, in which case timely payment of the Bonds could become dependent in part on the financial performance of the annexing district.

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

The information below concerning the State Permanent School Fund and the Guarantee Program for school district bonds has been provided by the Texas Education Agency (and is not guaranteed as to accuracy or completeness by, and is not construed as a representation by the District, the Financial Advisor, or the Underwriter).

This disclosure statement provides information relating to the program (the "Guarantee Program") administered by the Texas Education Agency (the "TEA") with respect to the Texas Permanent School Fund guarantee of tax-supported bonds issued by Texas school districts and the guarantee of revenue bonds issued by or for the benefit of Texas charter districts. The Guarantee Program was authorized by an amendment to the Texas Constitution in 1983 and by Subchapter C of Chapter 45 of the Texas Education Code, as amended (the "Act"). While the Guarantee Program applies to bonds issued by or for both school districts and charter districts, as described below, the Act and the program rules for the two types of districts have some distinctions. For convenience of description and reference, those aspects of the Guarantee Program that are applicable to school district bonds and to charter district bonds are referred to herein as the "School District Bond Guarantee Program" and the "Charter District Bond Guarantee Program," respectively.

Some of the information contained in this Section may include projections or other forward-looking statements regarding future events or the future financial performance of the Texas Permanent School Fund (the "PSF" or the "Fund"). Actual results may differ materially from those contained in any such projections or forward-looking statements.

History and Purpose

The PSF was created with a $2,000,000 appropriation by the Texas Legislature (the "Legislature") in 1854 expressly for the benefit of the public schools of Texas. The Constitution of 1876 stipulated that certain lands and all proceeds from the sale of these lands should also constitute the PSF. Additional acts later gave more public domain land and rights to the PSF. In 1953, the U.S. Congress passed the Submerged Lands Act that relinquished to coastal states all rights of the U.S. navigable waters within state boundaries. If the state, by law, had set a larger boundary prior to or at the time of admission to the Union, or if the boundary had been approved by Congress, then the larger boundary applied. After three years of litigation (1957-1960), the U. S. Supreme Court on May 31, 1960, affirmed Texas' historic three marine leagues (10.35 miles) seaward boundary. Texas proved its submerged lands property rights to three leagues into the Gulf of Mexico by citing historic laws and treaties dating back to 1836. All lands lying within that limit belong to the PSF. The proceeds from the sale and the mineral-related rental of these lands, including bonuses, delay rentals and royalty payments, become the corpus of the Fund. Prior to the approval by the voters of the State of an amendment to the constitutional provision under which the Fund is established and administered, which occurred on September 13, 2003 (the "Total Return Constitutional Amendment"), and which is further described below, the PSF had as its main sources of revenues capital gains from securities transactions and royalties from the sale of oil and natural gas. The Total Return Constitutional Amendment provides that interest and dividends produced by Fund investments will be additional revenue to the PSF. The State School Land Board ("SLB") maintains the land endowment of the Fund on behalf of the Fund and is authorized to manage the investments of the capital gains, royalties and other investment income relating to the land endowment. The SLB is a three member board, the membership of which consists of the Commissioner of the Texas General

Land Office (the "Land Commissioner") and two citizen members, one appointed by the Governor and one by the Texas Attorney General (the "Attorney General"). As of August 31, 2017, the General Land Office (the "GLO") managed approximately 21% of the PSF, as reflected in the fund balance of the PSF at that date.

The Texas Constitution describes the PSF as "permanent." Prior to the approval by Total Return Constitutional Amendment, only the income produced by the PSF was to be used to complement taxes in financing public education.

On November 8, 1983, the voters of the State approved a constitutional amendment that provides for the guarantee by the PSF of bonds issued by school districts. On approval by the State Commissioner of Education (the "Commissioner"), bonds properly issued by a school district are fully guaranteed by the corpus of the PSF. See "The School District Bond Guarantee Program."

In 2011, legislation was enacted that established the Charter District Bond Guarantee Program as a new component of the Guarantee Program. That legislation authorized the use of the PSF to guarantee revenue bonds issued by or for the benefit of certain open-enrollment charter schools that are designated as "charter districts" by the Commissioner. On approval by the Commissioner, bonds properly issued by a charter district participating in the Program are fully guaranteed by the corpus of the PSF. As described below, the implementation of the Charter District Bond Guarantee Program was deferred pending receipt of guidance from the Internal Revenue Service (the "IRS") which was received in September 2013, and the establishment of regulations to govern the program, which regulations became effective on March 3, 2014. See "The Charter District Bond Guarantee Program."

State law also permits charter schools to be chartered and operated by school districts and other political subdivisions, but bond financing of facilities for school district-operated charter schools is subject to the School District Bond Guarantee Program, not the Charter District Bond Guarantee Program.

While the School District Bond Guarantee Program and the Charter District Bond Guarantee Program relate to different types of bonds issued for different types of Texas public schools, and have different program regulations and requirements, a bond guaranteed under either part of the Guarantee Program has the same effect with respect to the guarantee obligation of the Fund thereto, and all guaranteed bonds are aggregated for purposes of determining the capacity of the Guarantee Program (see "Capacity Limits for the Guarantee Program"). The Charter District Bond Guarantee Program as enacted by State law has not been reviewed by any court, nor has the Texas Attorney General been requested to issue an opinion, with respect to its constitutional validity.

The sole purpose of the PSF is to assist in the funding of public education for present and future generations. Prior to the adoption of the Total Return Constitutional Amendment, all interest and dividends produced by Fund investments flowed into the Available School Fund (the "ASF"), where they are distributed to local school districts and open-enrollment charter schools based on average daily attendance. Any net gains from investments of the Fund accrue to the corpus of the PSF. Prior to the approval by the voters of the State of the Total Return Constitutional Amendment, costs of administering the PSF were allocated to the ASF. With the approval of the Total Return Constitutional Amendment, the administrative costs of the Fund have shifted from the ASF to the PSF. In fiscal year 2017 distributions to the ASF amounted to an estimated $212.49 per student and the total amount distributed to the ASF was $1,056.4 million.

Audited financial information for the PSF is provided annually through the PSF Comprehensive Annual Financial Report (the "Annual Report"), which is filed with the Municipal Securities Rulemaking Board ("MSRB"). The Annual Report includes the Message of the Executive Administrator of the Fund (the "Message") and the Management's Discussion and Analysis ("MD&A"). The Annual Report for the year ended August 31, 2017, when filed with the MSRB in accordance with the PSF undertaking and agreement made in accordance with Rule 15c2-12 ("Rule 15c2-12") of the federal Securities and Exchange Commission (the "SEC"), as described below, is hereby incorporated by reference into this disclosure. Information included herein for the year ended August 31, 2017 is derived from the audited financial statements of the PSF, which are included in the Annual Report when it is filed and posted. Reference is made to the Annual Report for the complete Message and MD&A for the year ended August 31, 2017 and for a description of the financial results of the PSF for the year ended August 31, 2017, the most recent year for which audited financial information regarding the Fund is available. The 2017 Annual Report speaks only as of its date and the TEA has not obligated itself to update the 2017 Annual Report or any other Annual Report. The TEA posts each Annual Report, which includes statistical data regarding the Fund as of the close of each fiscal year, the most recent disclosure for the Guarantee Program, the Statement of Investment Objectives, Policies and Guidelines of the Texas Permanent School Fund, which is codified at 19 Texas Administrative Code, Chapter 33 (the "Investment Policy"), monthly updates with respect to the capacity of the Guarantee Program (collectively, the "Web Site Materials") on the TEA web site at http://tea.texas.gov/Finance_and_Grants/Permanent_School_Fund/ and with the MSRB at www.emma.msrb.org. Such monthly updates regarding the Guarantee Program are also incorporated herein and made a part hereof for all purposes. In addition to the Web Site Materials, the Fund is required to make quarterly filings with the SEC under Section 13(f) of the Securities Exchange Act of 1934. Such filings, which consist of a list of the Fund's holdings of securities specified in Section 13(f), including exchange-traded (e.g., NYSE) or NASDAQ-quoted stocks, equity options and warrants, shares of closed-end investment companies and certain convertible debt securities, is available from the SEC at www.sec.gov/edgar.shtml. A list of the Fund's equity and fixed income holdings as of August 31 of each year is posted to the TEA web site and filed with the MSRB. Such list excludes holdings in the Fund's securities lending program. Such list, as filed, is incorporated herein and made a part hereof for all purposes.

The Total Return Constitutional Amendment

The Total Return Constitutional Amendment approved a fundamental change in the way that distributions are made to the ASF from the PSF. The Total Return Constitutional Amendment requires that PSF distributions to the ASF be determined using a total-return-based formula instead of the current-income-based formula, which was used from 1964 to the end of the 2003 fiscal year. The Total Return Constitutional Amendment provides that the total amount distributed from the Fund to the ASF: (1) in each year of a State fiscal biennium must be an amount that is not more than 6% of the average of the market value of the Fund, excluding real property (the "Distribution Rate"), on the last day of each of the sixteen State fiscal quarters preceding the Regular Session of the Legislature that begins before that State fiscal biennium (the "Distribution Measurement Period"), in accordance with the rate adopted by: (a) a vote of two-thirds of the total membership of the State Board of Education ("SBOE"), taken before the Regular Session of the Legislature convenes or (b) the Legislature by general law or appropriation, if the SBOE does not adopt a rate as provided by clause (a); and (2) over the ten-year period consisting of the current State fiscal year and the nine preceding state fiscal years may not exceed the total return on all investment assets of the Fund over the same ten-year period (the "Ten Year Total Return"). In April 2009, the Attorney General issued a legal opinion, Op. Tex. Att'y Gen. No. GA-0707 (2009) ("GA-0707"), at the request of the Chairman of the SBOE with regard to certain matters pertaining to the Distribution Rate and the determination of the Ten Year Total Return. In GA-0707 the Attorney General opined, among other advice, that (i) the Ten Year Total Return should be calculated on an annual basis, (ii) a contingency plan adopted by the SBOE, to permit monthly transfers equal in aggregate to the annual Distribution Rate to be halted and subsequently made up if such transfers temporarily exceed the Ten Year Total Return, is not prohibited by State law, provided that such contingency plan applies only within a fiscal year time basis, not on a biennium basis, and (iii) that the amount distributed from the Fund in a fiscal year may not exceed 6% of the average of the market value of the Fund or the Ten Year Total Return. In accordance with GA-0707, in the event that the Ten Year Total Return is exceeded during a fiscal year, transfers to the ASF will be halted. However, if the Ten Year Total Return subsequently increases during that biennium, transfers may be resumed, if the SBOE has provided for that contingency, and made in full during the remaining period of the biennium, subject to the limit of 6% in any one fiscal year. Any shortfall in the transfer that results from such events from one biennium may not be paid over to the ASF in a subsequent biennium as the SBOE would make a separate payout determination for that subsequent biennium.

In determining the Distribution Rate, the SBOE has adopted the goal of maximizing the amount distributed from the Fund in a manner designed to preserve “intergenerational equity.” Intergenerational equity is the maintenance of purchasing power to ensure that endowment spending keeps pace with inflation, with the ultimate goal being to ensure that current and future generations are given equal levels of purchasing power in real terms. In making this determination, the SBOE takes into account various considerations, and relies upon its staff and external investment consultant, which undertake analysis for long-term projection periods that includes certain assumptions. Among the assumptions used in the analysis are a projected rate of growth of the average daily scholastic attendance State-wide, the projected contributions and expenses of the Fund, projected returns in the capital markets and a projected inflation rate.

See “2011 Constitutional Amendment” below for a discussion of the historic and current Distribution Rates, and a description of amendments made to the Texas Constitution on November 8, 2011 that may affect Distribution Rate decisions.

Since the enactment of a prior amendment to the Texas Constitution in 1964, the investment of the Fund has been managed with the dual objectives of producing current income for transfer to the ASF and growing the Fund for the benefit of future generations. As a result of this prior constitutional framework, prior to the adoption of the 2004 asset allocation policy the investment of the Fund historically included a significant amount of fixed income investments and dividend-yielding equity investments, to produce income for transfer to the ASF.

With respect to the management of the Fund’s financial assets portfolio, the single most significant change made to date as a result of the Total Return Constitutional Amendment has been new asset allocation policies adopted from time to time by the SBOE. The SBOE generally reviews the asset allocations during its summer meeting in even numbered years. The first asset allocation policy adopted by the SBOE following the Total Return Constitutional Amendment was in February 2004, and the policy was reviewed and modified or reaffirmed in the summers of each even-numbered year, most recently in 2018. The Fund’s investment policy provides for minimum and maximum ranges among the components of each of the asset classifications: equities, fixed income and alternative asset investments. The 2004 asset allocation policy decreased the fixed income target from 45% to 25% of Fund investment assets and increased the allocation for equities from 55% to 75% of investment assets. Subsequent asset allocation policies have continued to diversify Fund assets, and have added an alternative asset allocation to the fixed income and equity allocations. The alternative asset allocation category includes real estate, real return, absolute return and private equity components. Alternative asset classes diversify the SBOE-managed assets and are not as correlated to traditional asset classes, which is intended to increase investment returns over the long run while reducing risk and return volatility of the portfolio. The most recent asset allocation, from 2016, which was reviewed and reaffirmed in June 2018, is as follows: (i) an equity allocation of 35% (consisting of U.S. large cap equities targeted at 13%, international equities at 14% and emerging international equities at 3%) and U.S. small/mid cap equities at 5%), (ii) a fixed income allocation of 19% (consisting of a 12% allocation for core bonds and a 7% allocation for emerging market debt in local currency) and (iii) an alternative asset allocation of 46% (consisting of a private equity allocation of 13%, a real estate allocation of 10%, an absolute return allocation of 10%, a risk parity allocation of 7% and a real return allocation of 6%). The 2016 asset allocation decreased U.S. large cap equities and international equities by 3% and 2%, respectively, and increased the allocations for private equity and real estate by 3% and 2%, respectively.

For a variety of reasons, each change in asset allocation for the Fund, including the 2016 modifications, have been implemented in phases, and that approach is likely to be carried forward when and if the asset allocation policy is again modified. At August 31, 2017, the Fund’s financial assets portfolio was invested as follows: 43.16% in public market equity investments; 12.86% in fixed income investments; 9.99% in absolute return assets; 7.02% in private equity assets; 7.40% in real estate assets; 6.83% in risk parity assets; 5.44% in real return assets; 6.99% in emerging market debt; and 0.31% in unallocated cash.

Following on previous decisions to create strategic relationships with investment managers in certain asset classes, in September 2015 and January 2016, the SBOE approved the implementation of direct investment programs in private equity and absolute return assets, respectively, which has continued to reduce administrative costs with respect to those portfolios. The Attorney General has advised the SBOE in Op. Tex. Att’y Gen. No. GA-0998 (2013) (“GA-0998”), that the PSF is not subject to requirements of certain State competitive bidding laws with respect to the selection of investments. In GA-0998, the Attorney General also advised that the SBOE generally must use competitive bidding for the selection of investment managers and other third party providers of investment services, such as record keeping and insurance, but excluding certain professional services, such as accounting services, as State law prohibits the use of competitive bidding for specified professional services. GA-0998 provides guidance to the SBOE in connection with the direct management of alternative investments through investment vehicles to be created by the SBOE, in lieu of contracting with external managers for such services, as has been the recent practice of the PSF. The PSF staff and the Fund’s investment advisor are tasked with advising the SBOE with respect to the implementation of the Fund's asset allocation policy, including the timing and manner of the selection of any external managers and other consultants.

In accordance with the Texas Constitution, the SBOE views the PSF as a perpetual institution, and the Fund is managed as an endowment fund with a long-term investment horizon. Under the total-return investment objective, the Investment Policy provides that the PSF shall be managed consistently with respect to the following: generating income for the benefit of the public free schools of Texas, the real growth of the corpus of the PSF, protecting capital, and balancing the needs of present and future generations of Texas school children. As described above, the Total Return Constitutional Amendment restricts the annual pay-out from the Fund to the total-return on all investment assets of the Fund over a rolling ten-year period. State law provides that each transfer of funds from the PSF to the ASF is made monthly, with each transfer to be in the amount of one-twelfth of the annual distribution. The heavier weighting of equity securities and alternative assets relative to fixed income investments has resulted in greater volatility of the value of the Fund. Given the greater weighting in the overall portfolio of passively managed investments, it is expected that the Fund will reflect the general performance returns of the markets in which the Fund is invested.

The asset allocation of the Fund’s financial assets portfolio is subject to change by the SBOE from time to time based upon a number of factors, including recommendations to the SBOE made by internal investment staff and external consultants, changes made by the SBOE without regard to such recommendations and directives of the Legislature. Fund performance may also be affected by factors other than asset allocation, including, without limitation, the general performance of the securities markets in the United States and abroad; political and investment considerations including those relating to socially responsible investing; economic impacts relating to domestic and international climate change; development of hostilities in and among nations; cybersecurity issues that affect the securities markets, economic activity and investments, in general, application of the prudent person investment standard, which may eliminate certain investment opportunities for the Fund; management fees paid to external managers and embedded management fees for some fund investments; and limitations on the number and compensation of internal and external investment staff, which is subject to legislative oversight. The Guarantee Program could also be impacted by changes in State or federal law or the implementation of new accounting standards.

Management and Administration of the Fund

The Texas Constitution and applicable statutes delegate to the SBOE the authority and responsibility for investment of the PSF's financial assets. In investing the Fund, the SBOE is charged with exercising the judgment and care under the circumstances then prevailing which persons of ordinary prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income therefrom as well as the probable safety of their capital. The SBOE has adopted a "Statement of Investment Objectives, Policies, and Guidelines of the Texas Permanent School Fund," which is codified in the Texas Administrative Code beginning at 19 TAC section 33.1.

The Total Return Constitutional Amendment provides that expenses of managing the PSF are to be paid "by appropriation" from the PSF. In January 2005, at the request of the SBOE, the Attorney General issued a legal opinion, Op. Tex. Att'y Gen. No. GA-0293 (2005), that the Total Return Constitutional Amendment requires that SBOE expenditures for managing or administering PSF investments, including payments to external investment managers, be paid from appropriations made by the Legislature, but that the Total Return Constitutional Amendment does not require the SBOE to pay from such appropriated PSF funds the indirect management costs deducted from the assets of a mutual fund or other investment company in which PSF funds have been invested.

Texas law assigns control of the Fund's land and mineral rights to the three-member SLB, which consists of the elected Commissioner of the GLO, an appointee of the Governor, and an appointee of the Attorney General. Administrative duties related to the land and mineral rights reside with the GLO, which is under the guidance of the Commissioner of the GLO. In 2007, the Legislature established the real estate special fund account of the PSF (the "Real Estate Account") consisting of proceeds and revenue from land, mineral or royalty interest, real estate investment, or other interest, including revenue received from those sources, that is set apart to the PSF under the Texas Constitution and laws, together with the mineral estate in riverbeds, channels, and the tidelands, including islands. The investment of the Real Estate Account is subject to the sole and exclusive management and control of the SLB and the Land Commissioner, who is also the head of the GLO. The 2007 legislation presented constitutional questions regarding the respective roles of the SBOE and the SLB relating to the disposition of proceeds of real estate transactions to the ASF, among other questions. Amounts in the investment portfolio of the PSF are taken into account by the SBOE for purposes of determining the Distribution Rate. An amendment to the Texas Constitution was approved by State voters on November 8, 2011, which permits the SLB to make transfers directly to the ASF, see "2011 Constitutional Amendment" below.

The SBOE contracts with its securities custodial agent to measure the performance of the total return of the Fund's financial assets. A consultant is typically retained for the purpose of providing consultation with respect to strategic asset allocation decisions and to assist the SBOE in selecting external fund management advisors. The SBOE also contracts with financial institutions for custodial and securities lending services. Like other State agencies and instrumentalities that manage large investment portfolios, the PSF has implemented an incentive compensation plan that may provide additional compensation for investment personnel, depending upon the criteria relating to the investment performance of the Fund.

As noted above, the Texas Constitution and applicable statutes make the SBOE responsible for investment of the PSF's financial assets. By law, the Commissioner is appointed by the Governor, with Senate confirmation, and assists the SBOE, but the Commissioner can neither be hired nor dismissed by the SBOE. The Executive Administrator of the Fund is also hired by and reports to the Commissioner. Moreover, although the Fund's Executive Administrator and his staff implement the decisions of and provide information to the School Finance/PSF Committee of the SBOE and the full SBOE, the SBOE can neither select nor dismiss the Executive Administrator. TEA's General Counsel provides legal advice to the Executive Administrator and to the SBOE. The SBOE has also engaged outside counsel to advise it as to its duties over the Fund, including specific actions regarding the investment of the PSF to ensure compliance with fiduciary standards, and to provide transactional advice in connection with the investment of Fund assets in non-traditional investments.

Capacity Limits for the Guarantee Program

The capacity of the Fund to guarantee bonds under the Guarantee Program is limited in two ways: by State law (the "State Capacity Limit") and by regulations and a notice issued by the IRS (the "IRS Limit"). Prior to May 20, 2003, the State Capacity Limit was equal to two times the lower of cost or fair market value of the Fund's assets, exclusive of real estate. During the 78th Regular Session of the Legislature in 2003, legislation was enacted that increased the State Capacity Limit by 25%, to two and one half times the lower of cost or fair market value of the Fund's assets as estimated by the SBOE and certified by the State Auditor, and eliminated the real estate exclusion from the calculation. Prior to the issuance of the IRS Notice (defined below), the capacity of the program under the IRS Limit was limited to two and one-half times the lower of cost or fair market value of the Fund's assets adjusted by a factor that excluded additions to the Fund made since May 14, 1989. During the 2007 Texas Legislature, Senate Bill 389 ("SB 389") was enacted providing for additional increases in the capacity of the Guarantee Program, and specifically providing that the SBOE may by rule increase the capacity of the Guarantee Program from two and one-half times the cost value of the PSF to an amount not to exceed five times the cost value of the PSF, provided that the increased limit does not violate federal law and regulations and does not prevent bonds guaranteed by the Guarantee Program from receiving the highest available credit rating, as determined by the SBOE. SB 389 further provides that the SBOE shall at least annually consider whether to change the capacity of the Guarantee Program. From 2005 through 2009, the Guarantee Program twice reached capacity under the IRS Limit, and in each instance the Guarantee Program was closed to new bond guarantee applications until relief was obtained from the IRS. The most recent closure of the Guarantee Program commenced in March 2009 and the Guarantee Program reopened in February 2010 on the basis of receipt of the IRS Notice.

On December 16, 2009, the IRS published Notice 2010-5 (the "IRS Notice") stating that the IRS will issue proposed regulations amending the existing regulations to raise the IRS limit to 500% of the total cost of the assets held by the PSF as of December 16, 2009. In accordance with the IRS Notice, the amount of any new bonds to be guaranteed by the PSF, together with the then outstanding amount of bonds previously guaranteed by the PSF, must not exceed the IRS limit on the sale date of the new bonds to be guaranteed. The IRS Notice further provides that the IRS Notice may be relied upon for bonds sold on or after December 16, 2009, and before the effective date of future regulations or other public administrative guidance affecting funds like the PSF.

On September 16, 2013, the IRS published proposed regulations (the "Proposed IRS Regulations") that, among other things, would enact the IRS Notice. The preamble to the Proposed IRS Regulations provides that issuers may elect to apply the Proposed IRS Regulations, in whole or in part, to bonds sold on or after September 16, 2013, and before the date that final regulations become effective.

On July 18, 2016, the IRS issued final regulations enacting the IRS Notice (the "Final IRS Regulations"). The Final IRS Regulations are effective for bonds sold on or after October 17, 2016. The IRS Notice, the Proposed IRS Regulations and the Final IRS Regulations establish a static capacity for the Guarantee Program based upon the cost value of Fund assets on December 16, 2009 multiplied by five. On December 16, 2009, the cost value of the Guarantee Program was $23,463,730,608 (estimated and unaudited), thereby producing an IRS Limit of approximately $117.3 billion. The State Capacity Limit is determined on the basis of the cost value of the Fund from time to time multiplied by the capacity multiplier determined annually by the SBOE, but not to exceed a multiplier of five. The capacity of the Guarantee Program will be limited to the lower of the State Capacity Limit or the IRS Limit. On May 21, 2010, the SBOE modified the regulations that govern the School District Bond Guarantee Program (the "SDBGP Rules"), and increased the State Law Capacity to an amount equal to three times the cost value of the PSF. Such modified regulations, including the revised capacity rule, became effective on July 1, 2010. The SDBGP Rules provide that the Commissioner may reduce the multiplier to maintain the AAA credit rating of the Guarantee Program, but provide that any changes to the multiplier made by the Commissioner are to be ratified or rejected by the SBOE at the next meeting following the change. See "Valuation of the PSF and Guaranteed Bonds," below.

At its September 2015 meeting, the SBOE voted to modify the SDBGP Rules and the CDBGP Rules to increase the State Law Capacity from 3 times the cost value multiplier to 3.25 times. At that meeting, the SBOE also approved a new 5% capacity reserve for the Charter District Bond Guarantee Program. The change to the State Law Capacity became effective on February 1, 2016. At its November 2016 meeting, the SBOE again voted to increase the State Law Capacity and, in accordance with applicable requirements for the modification of SDBGP and CDBGP Rules, a second and final vote to approve the increase in the State Law Capacity occurred on February 3, 2017. As a result, the State Law Capacity increased from 3.25 times the cost value multiplier to 3.50 times effective March 1, 2017 and increased again to 3.75 times effective September 1, 2017; however, as described under "2017 Legislative Changes to the Charter District Bond Guarantee Program," the SBOE took action at its Winter 2018 meeting to rollback of a portion of the multiplier increase, which became effective in late March 2018. Based upon the cost basis of the Fund at August 31, 2017, the State Law Capacity increased from $97,933,360,905 on August 31, 2016 to $111,568,711,072 on August 31, 2017.

Since July 1991, when the SBOE amended the Guarantee Program Rules to broaden the range of bonds that are eligible for guarantee under the Guarantee Program to encompass most Texas school district bonds, the principal amount of bonds guaranteed under the Guarantee Program has increased sharply. In addition, in recent years a number of factors have caused an increase in the amount of bonds issued by school districts in the State. See the table "Permanent School Fund Guaranteed Bonds" below. Effective September 1, 2009, the Act provides that the SBOE may annually establish a percentage of the cost value of the Fund to be reserved from use in guaranteeing bonds. The capacity of the Guarantee Program in excess of any reserved portion is referred to herein as the "Capacity Reserve." The SDBGP Rules provide for a minimum Capacity Reserve for the overall Guarantee Program of no less than 5%, and provide that the amount of the Capacity Reserve may be increased by a majority vote of the SBOE. The CDBGP Rules provide for an additional 5% reserve of CDBGP capacity. The Commissioner is authorized to change the Capacity Reserve, which decision must be ratified or rejected by the SBOE at its next meeting following any change made by the Commissioner. The current Capacity Reserve is noted in the monthly updates with respect to the capacity of the Guarantee Program on the TEA web site at http://tea.texas.gov/Finance_and_Grants/Permanent_School_Fund/, which are also filed with the MSRB.

Based upon historical performance of the Fund, the legal restrictions relating to the amount of bonds that may be guaranteed has generally resulted in a lower ratio of guaranteed bonds to available assets as compared to many other types of credit enhancements that may be available for Texas school district bonds and charter district bonds. However, changes in the value of the Fund due to changes in securities markets, investment objectives of the Fund, an increase in bond issues by school districts in the State or legal restrictions on the Fund, the implementation of the Charter District Bond Guarantee Program, or an increase in the calculation base of the Fund for purposes of making transfers to the ASF, among other factors, could adversely affect the ratio of Fund assets to guaranteed bonds and the growth of the Fund in general. It is anticipated that the issuance of the IRS Notice and the Proposed IRS Regulations will likely result in a substantial increase in the amount of bonds guaranteed under the Guarantee Program. The implementation of the Charter School Bond Guarantee Program is also expected to increase the amount of guaranteed bonds.

The Act requires that the Commissioner prepare, and the SBOE approve, an annual report on the status of the Guarantee Program (the Annual Report). The State Auditor audits the financial statements of the PSF, which are separate from other State financial statements.

The School District Bond Guarantee Program

The School District Bond Guarantee Program requires an application be made by a school district to the Commissioner for a guarantee of its bonds. If the conditions for the School District Bond Guarantee Program are satisfied, the guarantee becomes effective upon approval of the bonds by the Attorney General and remains in effect until the guaranteed bonds are paid or defeased, by a refunding or otherwise.

In the event of default, holders of guaranteed school district bonds will receive all payments due from the corpus of the PSF. Following a determination that a school district will be or is unable to pay maturing or matured principal or interest on any guaranteed bond, the Act requires the school district to notify the Commissioner not later than the fifth day before the stated maturity date of such bond or interest payment. Immediately following receipt of such notice, the Commissioner must cause to be transferred from the appropriate account in the PSF to the Paying Agent/Registrar an amount necessary to pay the maturing or matured principal and interest. Upon receipt of funds for payment of such principal or interest, the Paying Agent/Registrar must pay the amount due and forward the canceled bond or evidence of payment of the interest to the State Comptroller of Public Accounts (the "Comptroller"). The Commissioner will instruct the Comptroller to withhold the amount paid, plus interest, from the first State money payable to the school district. The amount withheld pursuant to this funding "intercept" feature will be deposited to the credit of the PSF. The Comptroller must hold such canceled bond or evidence of payment of the interest on behalf of the PSF. Following full reimbursement of such payment by the school district to the PSF with interest, the Comptroller will cancel the bond or evidence of payment of the interest and forward it to the school district. The Act permits the Commissioner to order a school district to set a tax rate sufficient to reimburse the PSF for any payments made with respect to guaranteed bonds, and also sufficient to pay future payments on guaranteed bonds, and provides certain enforcement mechanisms to the Commissioner, including the appointment of a board of managers or annexation of a defaulting school district to another school district.

If a school district fails to pay principal or interest on a bond as it is stated to mature, other amounts not due and payable are not accelerated and do not become due and payable by virtue of the district's default. The School District Bond Guarantee Program does not apply to the payment of principal and interest upon redemption of bonds, except upon mandatory sinking fund redemption, and does not apply to the obligation, if any, of a school district to pay a redemption premium on its guaranteed bonds. The guarantee applies to all matured interest on guaranteed school district bonds, whether the bonds were issued with a fixed or variable interest rate and whether the interest rate changes as a result of an interest reset provision or other bond order provision requiring an interest rate change. The guarantee does not extend to any obligation of a school district under any agreement with a third party relating to guaranteed bonds that is defined or described in State law as a "bond enhancement agreement" or a "credit agreement," unless the right to payment of such third party is directly as a result of such third party being a bondholder.

In the event that two or more payments are made from the PSF on behalf of a district, the Commissioner shall request the Attorney General to institute legal action to compel the district and its officers, agents and employees to comply with the duties required of them by law in respect to the payment of guaranteed bonds.

Generally, the SDBGP Rules limit guarantees to certain types of notes and bonds, including, with respect to refunding bonds issued by school districts, a requirement that the bonds produce debt service savings, and that bonds issued for capital facilities of school districts must have been voted as unlimited tax debt of the issuing district. The Guarantee Program Rules include certain accreditation criteria for districts applying for a guarantee of their bonds, and limit guarantees to districts that have less than the amount of annual debt service per average daily attendance that represents the 90th percentile of annual debt service per average daily attendance for all school districts, but such limitation will not apply to school districts that have enrollment growth of at least 25% over the previous five school years. The SDBGP Rules are codified in the Texas Administrative Code at 19 TAC section 33.65, and are available at http://ritter.tea.state.tx.us/rules/tac/chapter033/ch033a.html#33.65.

The Charter District Bond Guarantee Program

The Charter District Bond Guarantee Program became effective March 3, 2014. The SBOE published final regulations in the Texas Register that provide for the administration of the Charter District Bond Guarantee Program (the "CDBGP Rules"). The CDBGP Rules are codified at 19 TAC section 33.67, and are available at http://ritter.tea.state.tx.us/rules/tac/chapter033/ch033a.html#33.67.

The Charter District Bond Guarantee Program has been authorized through the enactment of amendments to the Act, which provide that a charter holder may make application to the Commissioner for designation as a "charter district" and for a guarantee by the PSF under the Act of bonds issued on behalf of a charter district by a non-profit corporation. If the conditions for the Charter District Bond Guarantee Program are satisfied, the guarantee becomes effective upon approval of the bonds by the Attorney General and remains in effect until the guaranteed bonds are paid or defeased, by a refunding or otherwise.

As of February 21, 2018 (the most recent date for which data is available), the percentage of students enrolled in open-enrollment charter schools (excluding charter schools authorized by school districts) to the total State scholastic census was approximately 5.5%. As of late June, 2018, there were 185 active open-enrollment charter schools in the State and there were 747 charter school campuses operating under such charters (though as of such date, 38 of such campuses have not begun serving students for various reasons). Section 12.101, Texas Education Code, as amended by the Legislature in 2013, limits the number of charters that the Commissioner may grant to 215 charters as of the end of fiscal year 2014, with the number increasing in each fiscal year thereafter through 2019 to a total number of 305 charters. While legislation limits the number of charters that may be granted, it does not limit the number of campuses that may operate under a particular charter. For information regarding the capacity of the Guarantee Program, see "Capacity Limits for the Guarantee Program." The Act provides that the Commissioner may not approve the guarantee of refunding or refinanced bonds under the Charter District Bond Guarantee Program in a total amount that exceeds one-half of the total amount available for the guarantee of charter district bonds under the Charter District Bond Guarantee Program.

In accordance with the Act, the Commissioner may not approve charter district bonds for guarantee if such guarantees will result in lower bond ratings for public school district bonds that are guaranteed under the School District Bond Guarantee Program. To be eligible for a guarantee, the Act provides that a charter district's bonds must be approved by the Attorney General, have an unenhanced investment grade rating from a nationally recognized investment rating firm, and satisfy a limited investigation conducted by the TEA.

The Charter District Bond Guarantee Program does not apply to the payment of principal and interest upon redemption of bonds, except upon mandatory sinking fund redemption, and does not apply to the obligation, if any, of a charter district to pay a redemption premium on its guaranteed bonds. The guarantee applies to all matured interest on guaranteed charter district bonds, whether the bonds were issued with a fixed or variable interest rate and whether the interest rate changes as a result of an interest reset provision or other bond resolution provision requiring an interest rate change. The guarantee does not extend to any obligation of a charter district under any agreement with a third party relating to guaranteed bonds that is defined or described in State law as a "bond enhancement agreement" or a "credit agreement," unless the right to payment of such third party is directly as a result of such third party being a bondholder.

The Act provides that immediately following receipt of notice that a charter district will be or is unable to pay maturing or matured principal or interest on a guaranteed bond, the Commissioner is required to instruct the Comptroller to transfer from the Charter District Reserve Fund to the district's paying agent an amount necessary to pay the maturing or matured principal or interest. If money in the Charter District Reserve Fund is insufficient to pay the amount due on a bond for which a notice of default has been received, the Commissioner is required to instruct the Comptroller to transfer from the PSF to the district's paying agent the amount necessary to pay the balance of the unpaid maturing or matured principal or interest. If a total of two or more payments are made under the Charter District Bond Guarantee Program on charter district bonds and the Commissioner determines that the charter district is acting in bad faith under the program, the Commissioner may request the Attorney General to institute appropriate legal action to compel the charter district and its officers, agents, and employees to comply with the duties required of them by law in regard to the guaranteed bonds. As is the case with the School District Bond Guarantee Program, the Act provides a funding "intercept" feature that obligates the Commissioner to instruct the Comptroller to withhold the amount paid with respect to the Charter District Bond Guarantee Program, plus interest, from the first State money payable to a charter district that fails to make a guaranteed payment on its bonds. The amount withheld will be deposited, first, to the credit of the PSF, and then to restore any amount drawn from the Charter District Reserve Fund as a result of the non-payment.

The CDBGP Rules provide that the PSF may be used to guarantee bonds issued for the acquisition, construction, repair, or renovation of an educational facility for an open-enrollment charter holder and equipping real property of an open-enrollment charter school and/or to refinance promissory notes executed by an open-enrollment charter school, each in an amount in excess of $500,000 the proceeds of which loans were used for a purposes described above (so-called new money bonds) or for refinancing bonds previously issued for the charter school that were approved by the attorney general (so-called refunding bonds). Refunding bonds may not be guaranteed under the Charter District Bond Guarantee Program if they do not result in a present value savings to the charter holder.

The CDBGP Rules provide that an open-enrollment charter holder applying for charter district designation and a guarantee of its bonds under the Charter District Bond Guarantee Program satisfy various provisions of the regulations, including the following: It must (i) have operated at least one open-enrollment charter school with enrolled students in the State for at least three years; (ii) agree that the bonded indebtedness for which the guarantee is sought will be undertaken as an obligation of all entities under common control of the open-enrollment charter holder, and that all such entities will be liable for the obligation if the open-enrollment charter holder defaults on the bonded indebtedness, provided, however, that an entity that does not operate a charter school in Texas is subject to this provision only to the extent it has received state funds from the open-enrollment charter holder; (iii) have had completed for the past three years an audit for each such year that included unqualified or unmodified audit opinions; and (iv) have received an investment grade credit rating within the last year. Upon receipt of an application for guarantee under the Charter District Bond Guarantee Program, the Commissioner is required to conduct an investigation into the financial status of the applicant charter district and of the accreditation status of all open-enrollment charter schools operated under the charter, within the scope set forth in the CDBGP Rules. Such financial investigation must establish that an applying charter district has a historical debt service coverage ratio, based on annual debt service, of at least 1.1 for the most recently completed fiscal year, and a projected debt service coverage ratio, based on projected revenues and expenses and maximum annual debt service, of at least 1.2. The failure of an open-enrollment charter holder to comply with the Act or the applicable regulations, including by making any material misrepresentations in the charter holder's application for charter district designation or guarantee under the Charter District Bond Guarantee Program, constitutes a material violation of the open-enrollment charter holder's charter.

Beginning in July 2015, TEA began limiting new guarantees under the Charter District Bond Guarantee Program to conform to the Act and, subsequently, with CDBGP Rules that require the maintenance of a capacity reserve for the Charter District Bond Guarantee Program. Following the increase in the Program multiplier in February 2016 and the update of the percentage of students enrolled in open-enrollment charter schools to the total State scholastic census in March 2016, some new capacity became available under the Charter District Bond Guarantee Program, but that capacity was quickly exhausted. In accordance with the action of the SBOE on February 3, 2017, additional capacity for the Charter District Bond Guarantee Program became effective in two increments, implemented on March 1, 2017 and on September 1, 2017 (as described under "2017 Legislative Changes to the Charter District Bond Guarantee Program," an item to reverse the September 1, 2017 increase in the Program multiplier was approved by the SBOE at its Winter 2018 meeting). In addition, legislation enacted during the Legislature's 2017 regular session modifies the manner of calculating the capacity of the Charter District Bond Guarantee Program (the "CDBGP Capacity"), which further increases the amount of the CDBGP Capacity, beginning with State fiscal year 2018, but that provision of the law does not increase overall Program capacity, it merely allocates capacity between the School District Bond Guarantee Program and the Charter District Bond Guarantee Program. See "Capacity Limits for the Guarantee Program" and "2017 Legislative Changes to the Charter District Bond Guarantee Program." Other factors that could increase the CDBGP Capacity include Fund investment performance, future increases in the Guarantee Program multiplier, changes in State law that govern the calculation of the CDBGP Capacity, as described below, growth in the relative percentage of students enrolled in open-enrollment charter schools to the total State scholastic census, legislative and administrative changes in funding for charter districts, changes in level of school district or charter district participation in the Program, or a combination of such circumstances.

2017 Legislative Changes to the Charter District Bond Guarantee Program

The CDBGP Capacity is established by the Act. During the 85th Texas Legislature, which concluded on May 29, 2017, Senate Bill 1480 ("SB 1480") was enacted. The complete text of SB 1480 can be found at http://www.capitol.state.tx.us/tlodocs/85R/billtext/pdf/SB01480F.pdf#navpanes=0. SB 1480 modified how the CDBGP Capacity will be established under the Act effective as of September 1, 2017, and made other substantive changes to the Act that affects the Charter District Bond Guarantee Program. Prior to the enactment of SB 1480, the CDBGP Capacity was calculated as the State Capacity Limit less the amount of outstanding bond guarantees under the Guarantee Program multiplied by the percentage of charter district scholastic population relative to the total public school scholastic population. As of August 31, 2017, the amount of outstanding bond guarantees represented 66.57% of the State Capacity Limit for the Guarantee Program. SB 1480 amended the CDBGP Capacity calculation so that the State Capacity Limit is multiplied by the percentage of charter district scholastic population relative to the total public school scholastic population prior to the subtraction of the outstanding bond guarantees, thereby potentially substantially increasing the CDBGP Capacity. However, certain provisions of SB 1480, described below, and other additional factors described herein, could result in less than the maximum amount of the potential increase provided by SB 1480 being implemented by the SBOE or otherwise used by charter districts. Still other factors used in determining the CDBGP Capacity, such as the percentage of the charter district scholastic population to the overall public school scholastic population, could, in and of itself, increase the CDBGP Capacity, as that percentage has grown from 3.53% in September, 2012 to 5.5% in February 2018, representing a cumulative growth during that period of 56%. TEA is unable to predict how the ratio of charter district students to the total State scholastic population will change over time.

SB 1480 provides that the implementation of the new method of calculating the CDBGP Capacity will begin with the State fiscal year that commences September 1, 2021 (the State's fiscal year 2022). However, for the intervening four fiscal years, beginning with fiscal year 2018, SB 1480 provides that the SBOE may establish a CDBGP Capacity that increases the amount of charter district bonds that may be guaranteed by up to a cumulative 20% in each fiscal year (for a total maximum increase of 80% in fiscal year 2021) as compared to the capacity figure calculated under the Act as of January 1, 2017. However, SB 1480 provides that in making its annual determination of the magnitude of an increase for any year, the SBOE may establish a lower (or no) increase if the SBOE determines that an increase in the CDBGP Capacity would likely result in a negative impact on the bond ratings for the Bond Guarantee Program (see "Ratings of Bonds Guaranteed Under the Guarantee Program") or if one or more charter districts default on payment of principal or interest on a guaranteed bond, resulting in a negative impact on the bond ratings of the Bond Guarantee Program. The provisions of SB 1480 that provide for discretionary, incremental increases in the CDBGP expire September 1, 2022. If the SBOE makes a determination for any year based upon the potential ratings impact on the Bond Guarantee Program and modifies the increase that would otherwise be implemented under SB 1480 for that year, the SBOE may also make appropriate adjustments to the schedule for subsequent years to reflect the modification, provided that the CDBGP Capacity for any year may not exceed the limit provided in the schedule set forth in SB 1480. In September 2017 and June 2018, the SBOE authorized the full 20% increase in the amount of charter district bonds that may be guaranteed for fiscal years 2018 and 2019, respectively, which increases the relative capacity of the Charter District Bond Guarantee Program to the School District Bond Guarantee Program for those fiscal years.

Taking into account the enactment of SB 1480 and the increase in the CDBGP Capacity effected thereby, at Winter 2018 meeting the SBOE approved the second of two required readings amending the SDBGP Rules to rollback the multiplier from 3.75 times market value to 3.50 times, and the rollback became effective in late March 2018.

In addition to modifying the manner of determining the CDBGP Capacity, SB 1480 provides that the Commissioner, in making a determination as to whether to approve a guarantee for a charter district, may consider any additional reasonable factor that the Commissioner determines to be necessary to protect the Bond Guarantee Program or minimize risk to the PSF, including: (1) whether the charter district had an average daily attendance of more than 75 percent of its student capacity for each of the preceding three school years, or for each school year of operation if the charter district has not been in operation for the preceding three school years; (2) the performance of the charter district under certain performance criteria set forth in

Education Code Sections 39.053 and 39.054; and (3) any other indicator of performance that could affect the charter district's financial performance. Also, SB 1480 provides that the Commissioner's investigation of a charter district application for guarantee may include an evaluation of whether the charter district bond security documents provide a security interest in real property pledged as collateral for the bond and the repayment obligation under the proposed guarantee. The Commissioner may decline to approve the application if the Commissioner determines that sufficient security is not provided. The Act and the CDBGP Rules previously required the Commissioner to make an investigation of the accreditation status and certain financial criteria for a charter district applying for a bond guarantee, which remain in place.

Since the initial authorization of the Charter District Bond Guarantee Program, the Act has established a bond guarantee reserve fund in the State treasury (the "Charter District Reserve Fund"). Formerly, the Act provided that each charter district that has a bond guaranteed must annually remit to the Commissioner, for deposit in the Charter District Reserve Fund, an amount equal to 10 percent of the savings to the charter district that is a result of the lower interest rate on its bonds due to the guarantee by the PSF. SB 1480 modified the Act insofar as it pertains to the Charter District Reserve Fund. Effective September 1, 2017, the Act provides that a charter district that has a bond guaranteed must remit to the Commissioner, for deposit in the Charter District Reserve Fund, an amount equal to 20 percent of the savings to the charter district that is a result of the lower interest rate on the bond due to the guarantee by the PSF. The amount due shall be paid on receipt by the charter district of the bond proceeds. However, the deposit requirement will not apply if the balance of the Charter District Reserve Fund is at least equal to three percent (3.00%) of the total amount of outstanding guaranteed bonds issued by charter districts. As of August 31, 2017, the Charter District Reserve Fund represented approximately 0.23% of the guaranteed charter district bonds. SB 1480 also authorized the SBOE to manage the Charter District Reserve Fund in the same manner as it manages the PSF. Previously, the Charter District Reserve Fund was held by the Comptroller, but effective April 1 2018, the management of the Reserve Fund was transferred to the PSF division of TEA, where it will be held and invested as a non-commingled fund under the administration of the PSF staff.

Charter District Risk Factors

Open-enrollment charter schools in the State may not charge tuition and, unlike school districts, charter districts have no taxing power. Funding for charter district operations is largely from amounts appropriated by the Legislature. The amount of such State payments a charter district receives is based on a variety of factors, including the enrollment at the schools operated by a charter district. The overall amount of education aid provided by the State for charter schools in any year is also subject to appropriation by the Legislature. The Legislature may base its decisions about appropriations for charter schools on many factors, including the State's economic performance. Further, because some public officials, their constituents, commentators and others have viewed charter schools as controversial, political factors may also come to bear on charter school funding, and such factors are subject to change.

Other than credit support for charter district bonds that is provided to qualifying charter districts by the Charter District Bond Guarantee Program, under current law, open-enrollment charter schools generally do not receive a dedicated funding allocation from the State to assist with the construction and acquisition of new facilities. However, during the 85th Regular Session of the Legislature in 2017, legislation was enacted that, for the first time, provided a limited appropriation in the amount of $60 million for the 2018-2019 biennium for charter districts having an acceptable performance rating. A charter district that receives funding under this program may use the funds to lease or pay property taxes imposed on an instructional facility; to pay debt service on bonds that financed an instructional facility; or for any other purpose related to the purchase, lease, sale, acquisition, or maintenance of an instructional facility. Charter schools generally issue revenue bonds to fund facility construction and acquisition, or fund facilities from cash flows of the school. Some charter districts have issued non-guaranteed debt in addition to debt guaranteed under the Charter District Bond Guarantee Program, and such non-guaranteed debt is likely to be secured by a deed of trust covering all or part of the charter district's facilities. In March 2017, the TEA began requiring charter districts to provide the TEA with a lien against charter district property as a condition to receiving a guarantee under the Charter District Bond Guarantee Program. However, charter district bonds issued and guaranteed under the Charter District Bond Guarantee Program prior to the implementation of the new requirement did not have the benefit of a security interest in real property, although other existing debts of such charter districts that are not guaranteed under the Charter District Bond Guarantee Program may be secured by real property that could be foreclosed on in the event of a bond default.

The maintenance of a State-granted charter is dependent upon on-going compliance with State law and TEA regulations, and TEA monitors compliance with applicable standards. TEA has a broad range of enforcement and remedial actions that it can take as corrective measures, and such actions may include the loss of the State charter, the appointment of a new board of directors to govern a charter district, the assignment of operations to another charter operator, or, as a last resort, the dissolution of an open-enrollment charter school.

As described above, the Act includes a funding "intercept" function that applies to both the School District Bond Guarantee Program and the Charter District Bond Guarantee Program. However, school districts are viewed as the "educator of last resort" for students residing in the geographical territory of the district, which makes it unlikely that State funding for those school districts would be discontinued, although the TEA can require the dissolution and merger into another school district if necessary to ensure sound education and financial management of a school district. That is not the case with a charter district, however, and open-enrollment charter schools in the State have been dissolved by TEA from time to time. If a charter district that has bonds outstanding that are guaranteed by the Charter District Bond Guarantee Program should be dissolved, debt service on guaranteed bonds of the district would continue to be paid to bondholders in accordance with the Charter District Bond Guarantee Program, but there would be no funding available for reimbursement of the PSF by the Comptroller for such payments. As described under "The Charter District Bond Guarantee Program," the Act establishes a Charter District Reserve Fund, which could in the future be a significant reimbursement resource for the PSF. At May 31, 2018, the Charter District Reserve Fund contained $5,104,222.

Potential Impact of Hurricane Harvey on the PSF

Hurricane Harvey struck coastal Texas on August 26, 2017, resulting in historic levels of rainfall. The Governor designated the impacted area for disaster relief, and TEA believes that the storm impacted more than 1.3 million students enrolled in some 157 school districts, and approximately 58,000 students in 27 charter schools in the designated area. Many of the impacted school districts and two charter districts have bonds guaranteed by the PSF. It is possible that the affected districts will need to borrow to repair or replace damaged facilities, which could require increased bond issuance and applications to the TEA for PSF bond guarantees. In addition, the storm damage and any lingering economic damage in the area could adversely affect the tax base (for school districts) and credit quality of school districts and charter districts with bonds that are or will be guaranteed by the PSF.

The TEA, members of the Legislature and the Governor, among others, have stated that they are developing programs to provide financial assistance to affected school districts and charter districts, particularly with regard to funding assistance for facility repairs and construction and to offset tax base and/or revenue loss to affected districts. The composition of any final programs that may be implemented cannot be predicted, and are likely to be subject to future State legislative and administrative actions, available amounts of federal and private disaster relief for affected schools, and other factors. TEA has initiated programs designed to hold school districts and charter districts harmless for the loss of State funding associated with declines in average daily attendance for fiscal year 2018. In the past, storm damage has caused multiple year impacts to affected schools with respect to both attendance figures and tax base (for school districts). In June 2018 TEA received results of a survey of tax appraisal districts in the area affected by the hurricane with respect to the impact of the hurricane on the tax rolls of affected school districts. In aggregate, the tax rolls of affected districts appear to have increased slightly for fiscal 2018 over 2017, but the increases were at a lower rate than had been anticipated in the State's general appropriation act for the biennium. TEA notes that as of June 2018 the negative effect of the hurricane on the average daily attendance of districts in the affected area appears to have been less than TEA had initially anticipated.

Many of the school districts and two charter districts in the designated disaster area have bonds guaranteed by the PSF. TEA notes that no district has applied for financial exigency or failed to timely pay bond payments as a result of the hurricane or otherwise. The PSF is managed to maintain liquidity for any draws on the program. Moreover, as described under "The School District Bond Guarantee Program" and "The Charter District Bond Guarantee Program," both parts of the Bond Guarantee Program operate in accordance with the Act as "intercept" programs, providing liquidity for guaranteed bonds, and draws on the PSF are required to be restored from the first State money payable to a school district or a charter district that fails to make a guaranteed payment on its bonds.

Ratings of Bonds Guaranteed Under the Guarantee Program

Moody's Investors Service, Inc., S&P Global Ratings and Fitch Ratings, Inc. rate bonds guaranteed by the PSF "Aaa," "AAA" and "AAA," respectively. Not all districts apply for multiple ratings on their bonds, however. See "RATINGS" herein.

Valuation of the PSF and Guaranteed Bonds

Permanent School Fund Valuations

Fiscal Year Ended 8/31	Book Value[(1)]	Market Value[(1)]
2013	$25,599,296,902	$33,163,242,374
2014	27,596,692,541	38,445,519,225
2015	29,081,052,900	36,196,265,273
2016	30,128,037,903	37,279,799,335
2017[(2)]	31,870,581,428	41,438,672,573

[(1)] SLB managed assets are included in the market value and book value of the Fund. In determining the market value of the PSF from time to time during a fiscal year, the TEA uses current, unaudited values for TEA managed investment portfolios and cash held by the SLB. With respect to SLB managed assets shown in the table above, market values of land and mineral interests, internally managed real estate, investments in externally managed real estate funds and cash are based upon information reported to the PSF by the SLB. The SLB reports that information to the PSF on a quarterly basis. The valuation of such assets at any point in time is dependent upon a variety of factors, including economic conditions in the State and nation in general, and the values of these assets, and, in particular, the valuation of mineral holdings administered by the SLB, can be volatile and subject to material changes from period to period.

[(2)] At August 31, 2017, mineral assets, sovereign and other lands and internally managed discretionary real estate, external discretionary real estate investments, domestic equities, and cash managed by the SLB had book values of approximately $13.43 million, $247.64 million, $2,797.05 million, $4.71 million, and $3,399.05 million, respectively, and market values of approximately $1,870.22 million, $651.40 million, $2,788.02 million, $2.09 million, and $3,399.05 million, respectively. At May 31, 2018, the PSF had a book value of $33,178,779,673 and a market value of $43,191,172,031. May 31, 2018 values are based on unaudited data, which is subject to adjustment.

Permanent School Fund Guaranteed Bonds

At 8/31	Principal Amount[(1)]
2013	$55,218,889,156
2014	58,364,350,783
2015	63,955,449,047
2016	68,303,328,445
2017	74,266,090,023[(2)]

[(1)] Represents original principal amount; does not reflect any subsequent accretions in value for compound interest bonds (zero coupon securities). The amount shown excludes bonds that have been refunded and released from the Guarantee Program. The TEA does not maintain records of the accreted value of capital appreciation bonds that are guaranteed under the Guarantee Program.

[(2)] As of August 31, 2017 (the most recent date for which such data is available), the TEA expected that the principal and interest to be paid by school districts over the remaining life of the bonds guaranteed by the Guarantee Program was $117,195,729,512, of which $42,929,639,489 represents interest to be paid. As shown in the table above, at August 31, 2017, there were $74,266,090,023 in principal amount of bonds guaranteed under the Guarantee Program and based on the cost value of the Fund at August 31, 2017 the capacity of the Guarantee Program at that date was $111,568,711,072. The Program capacity at August 31, 2017 takes into account the increases in the cost value multiplier effective February 1, 2016 and March 1, 2017, which cumulatively increased the multiplier from 3 times to 3.50 times, but does not take into account the September 1, 2017 increase in the multiplier to 3.75 (which was subsequently reduced back to 3.50). Using the IRS Limit, which is the lower of the two federal and State capacity limits of Program capacity, of $117,318,653,038, at August 31, 2017 98.28% of Program capacity was available to the School District Bond Guarantee Program and 1.72% was available to the Charter District Bond Guarantee Program.

Permanent School Fund Guaranteed Bonds by Category[1]

	School District Bonds		Charter District Bonds		Totals	
Fiscal Year Ended 8/31	No. of Issues	Principal Amount	No. of Issues	Principal Amount	No. of Issues	Principal Amount
2014[2]	2,869	$58,061,805,783	10	$302,545,000	2,879	$58,364,350,783
2015	3,089	63,197,514,047	28	757,935,000	3,117	63,955,449,047
2016	3,244	67,342,303,445	35	961,025,000	3,279	68,303,328,445
2017[3]	3,253	72,884,480,023	40	1,381,610,000	3,293	74,266,090,023

(1) Represents original principal amount; does not reflect any subsequent accretions in value for compound interest bonds (zero coupon securities). The amount shown excludes bonds that have been refunded and released from the Guarantee Program.

(2) Fiscal 2014 was the first year of operation of the Charter District Bond Guarantee Program.

(3) At May 31, 2018 (based on unaudited data, which is subject to adjustment), there were $76,899,424,513 of bonds guaranteed under the Guarantee Program, representing 3,272 school district issues, aggregating $75,492,649,513 in principal amount and 43 charter district issues, aggregating $1,406,775,000 in principal amount. At May 31, 2018, the capacity allocation of the Charter District Bond Guarantee Program was $2,090,485,947 (based on the then effective capacity multiplier of 3.50 times and on unaudited data, which is subject to adjustment).

Discussion and Analysis Pertaining to Fiscal Year Ended August 31, 2017

The following discussion is derived from the Annual Report for the year ended August 31, 2017, including the Message of the Executive Administrator of the Fund and the Management's Discussion and Analysis contained therein. Reference is made to the Annual Report, when filed, for the complete Message and MD&A. Investment assets managed by the fifteen member SBOE are referred to throughout this MD&A as the PSF(SBOE) assets. As of August 31, 2017, the Fund's land, mineral rights and certain real assets are managed by the three-member SLB and these assets are referred to throughout as the PSF(SLB) assets. The current PSF asset allocation policy includes an allocation for real estate investments, and as such investments are made, and become a part of the PSF investment portfolio, those investments will be managed by the SBOE and not the SLB.

At the end of fiscal 2017, the Fund balance was $41.4 billion, an increase of $4.2 billion from the prior year. This increase is primarily due to overall increases in value of all asset classes in which the Fund has invested. During the year, the SBOE continued implementing the long term strategic asset allocation, diversifying the PSF(SBOE) to strengthen the Fund. The asset allocation is projected to increase returns over the long run while reducing risk and portfolio return volatility. The PSF(SBOE) annual rates of return for the one-year, five-year, and ten-year periods ending August 31, 2017, were 11.96%, 8.26% and 5.49%, respectively (total return takes into consideration the change in the market value of the Fund during the year as well as the interest and dividend income generated by the Fund's investments). In addition, the SLB continued its shift into externally managed real asset investment funds, and the one-year, three-year, and five-year annualized total returns for the PSF(SLB) real assets, including cash, were 10.35%, 7.19%, and 7.77%, respectively.

The market value of the Fund's assets is directly impacted by the performance of the various financial markets in which the assets are invested. The most important factors affecting investment performance are the asset allocation decisions made by the SBOE and SLB. The current SBOE long term asset allocation policy allows for diversification of the PSF(SBOE) portfolio into alternative asset classes whose returns are not as positively correlated as traditional asset classes. The implementation of the long term asset allocation will occur over several fiscal years and is expected to provide incremental total return at reduced risk. As of August 31, 2017, the PSF(SBOE) portion of the Fund had diversified into emerging market and large cap international equities, absolute return funds, real estate, private equity, risk parity, real return Treasury Inflation-Protected Securities, real return commodities, and emerging market debt.

As of August 31, 2017, the SBOE has approved and the Fund made capital commitments to externally managed real estate investment funds in a total amount of $3.31 billion and capital commitments to private equity limited partnerships for a total of $3.83 billion. Unfunded commitments at August 31, 2017, totaled $1.35 billion in real estate investments and $1.54 billion in private equity investments.

The PSF(SLB) portfolio is generally characterized by three broad categories: (1) discretionary real assets investments, (2) sovereign and other lands, and (3) mineral interests. Discretionary real assets investments consist of externally managed real estate, infrastructure, and energy/minerals investment funds; internally managed direct real estate investments, and cash. Sovereign and other lands consist primarily of the lands set aside to the PSF when it was created. Mineral interests consist of all of the minerals that are associated with PSF lands. The investment focus of PSF(SLB) discretionary real assets investments has shifted from internally managed direct real estate investments to externally managed real assets investment funds. The PSF(SLB) makes investments in certain limited partnerships that legally commit it to possible future capital contributions. At August 31, 2017, the remaining commitments totaled approximately $2.042 billion.

The PSF(SBOE)'s investment in domestic large cap, domestic small/mid cap, international large cap, and emerging market equity securities experienced returns of 16.30%, 12.80%, 19.04%, and 26.28%, respectively, during the fiscal year ended August 31, 2017. The PSF(SBOE)'s investment in domestic fixed income securities produced a return of 1.61% during the fiscal year and absolute return investments yielded a return of 7.32%. The PSF(SBOE) real estate and private equity investments returned 10.52% and 16.35%, respectively. Risk parity assets produced a return of 8.77%, while real return assets yielded 2.38%. Emerging market debt produced a return of 11.84%. Combined, all PSF(SBOE) asset classes produced an investment return of 11.96% for the fiscal year ended August 31, 2017, out-performing the benchmark index of 10.66% by approximately 130 basis points. All PSF(SLB) real assets (including cash) returned 10.35% for the fiscal year ending August 31, 2017.

For fiscal year 2017, total revenues, inclusive of unrealized gains and losses and net of security lending rebates and fees, totaled $5.4 billion, an increase of $2.7 billion from fiscal year 2016 earnings of $2.7 billion. This increase reflects the performance of the securities markets in which the Fund was invested in fiscal year 2017. In fiscal year 2017, revenues earned by the Fund included lease payments, bonuses and royalty income received from oil, gas and mineral leases; lease payments from commercial real estate; surface lease and easement revenues; revenues from the resale of natural and liquid gas supplies; dividends, interest, and securities lending revenues; the net change in the fair value of the investment portfolio; and, other miscellaneous fees and income.

Expenditures are paid from the Fund before distributions are made under the total return formula. Such expenditures include the costs incurred by the SLB to manage the land endowment, as well as operational costs of the Fund, including external management fees paid from appropriated funds. Total operating expenditures, net of security lending rebates and fees, increased 30.6% for the fiscal year ending August 31, 2017. This increase is primarily attributable to an increase in PSF(SLB) operational costs and generally larger quantities of purchased gas for resale in the State Energy Management Program, which is administered by the SLB as part of the Fund.

The Fund supports the public school system in the State by distributing a predetermined percentage of its asset value to the ASF. For fiscal years 2016 and 2017, the distribution from the SBOE to the ASF totaled $1.06 billion and $1.06 billion, respectively. There was no contribution to the ASF by the SLB in fiscal year 2017.

At the end of the 2017 fiscal year, PSF assets guaranteed $74.27 billion in bonds issued by 858 local school districts and charter districts, the latter of which entered into the Program during the 2014 fiscal year. Since its inception in 1983, the Fund has guaranteed 6,980 school district and charter district bond issues totaling $166.3 billion in principal amount. During the 2017 fiscal year, the number of outstanding issues guaranteed under the Guarantee Program increased by 14, or 0.4%. The dollar amount of guaranteed school and charter bond issues outstanding increased by $6.0 billion or 8.7%. The guarantee capacity of the Fund increased by $13.9 billion, or 13.9%, during fiscal year 2017 due to continued growth in the cost basis of the Fund and the increase in the cost multiplier (from 3.25 to 3.50, as discussed above) used to calculate Program capacity.

2011 Constitutional Amendment

On November 8, 2011, a referendum was held in the State as a result of legislation enacted that year that proposed amendments to various sections of the Texas Constitution pertaining to the PSF. At that referendum, voters of State approved non-substantive changes to the Texas Constitution to clarify references to the Fund, and, in addition, approved amendments that effected an increase to the base amount used in calculating the Distribution Rate from the Fund to the ASF, and authorized the SLB to make direct transfers to the ASF, as described below.

The amendments approved at the referendum included an increase to the base used to calculate the Distribution Rate by adding to the calculation base certain discretionary real assets and cash in the Fund that is managed by entities other than the SBOE (at present, by the SLB). The value of those assets were already included in the value of the Fund for purposes of the Guarantee Program, but prior to the amendment had not been included in the calculation base for purposes of making transfers from the Fund to the ASF. While the amendment provided for an increase in the base for the calculation of approximately $2 billion, no new resources were provided for deposit to the Fund. As described under “The Total Return Constitutional Amendment” the SBOE is prevented from approving a Distribution Rate or making a pay out from the Fund if the amount distributed would exceed 6% of the average of the market value of the Fund, excluding real property in the Fund, but including discretionary real asset investments on the last day of each of the sixteen State fiscal quarters preceding the Regular Session of the Legislature that begins before that State fiscal biennium or if such pay out would exceed the Ten Year Total Return.

If there are no reductions in the percentage established biennially by the SBOE to be the Distribution Rate, the impact of the increase in the base against which the Distribution Rate is applied will be an increase in the distributions from the PSF to the ASF. As a result, going forward, it may be necessary for the SBOE to reduce the Distribution Rate in order to preserve the corpus of the Fund in accordance with its management objective of preserving intergenerational equity.

The Distribution Rates for the Fund were set at 3.5%, 2.5%, 4.2%, 3.3% and 3.5% for each of two year periods 2008-2009, 2010-2011, 2012-2013, 2014-2015 and 2016-2017, respectively. In September 2017, the SBOE approved a $2.5 billion distribution to the ASF for State fiscal biennium 2018-2019, to be made in equal monthly increments of $102.99 million, which represents a 3.7% Distribution Rate for the biennium and a per student distribution of $248.58, based on 2017 preliminary student average daily attendance of 4,971,656.277.

Changes in the Distribution Rate for each biennial period has been based on a number of financial and political reasons, as well as commitments made by the SLB in some years to transfer certain sums to the ASF. The new calculation base described above has been used to determine all payments to the ASF from the Fund beginning with the 2012-13 biennium. The broader base for the Distribution Rate calculation could increase transfers from the PSF to the ASF, although the effect of the broader calculation base has been somewhat offset since the 2014-2015 biennium by the establishment by the SBOE of somewhat lower Distribution Rates than for the 2012-2013 biennium. In addition, the changes made by the amendment that increased the calculation base that could affect the corpus of the Fund include the decisions that are made by the SLB or others that are, or may in the future be, authorized to make transfers of funds from the PSF to the ASF.

The constitutional amendments approved on November 8, 2011 also provide authority to the GLO or any other entity other than the SBOE that has responsibility for the management of land or other properties of the Fund to determine whether to transfer an amount each year from Fund assets to the ASF revenue derived from such land or properties, with the amount transferred limited to $300 million. Any amount transferred to the ASF by an entity other than the SBOE is excluded from the 6% Distribution Rate limitation applicable to SBOE transfers.

Other Events and Disclosures

The State Investment Ethics Code governs the ethics and disclosure requirements for financial advisors and other service providers who advise certain State governmental entities, including the PSF. In accordance with the provisions of the State Investment Ethics Code, the SBOE periodically modifies its code of ethics, which occurred most recently in July 2016. The SBOE code of ethics includes prohibitions on sharing confidential information, avoiding conflict of interests and requiring disclosure filings with respect to contributions made or received in connection with the operation or management of the Fund. The code of ethics applies to members of the SBOE as well as to persons who are responsible by contract or by virtue of being a TEA PSF staff member for managing, investing, executing brokerage transactions, providing consultant services, or acting as a custodian of the PSF, and persons who provide investment and management advice to a member of the SBOE, with or without compensation under certain circumstances. The code of ethics is codified in the Texas Administrative Code at 19 TAC sections 33.5 et seq., and is available on the TEA web site at http://ritter.tea.state.tx.us/rules/tac/chapter033/ch033a.html#33.5.

In addition, the GLO has established processes and controls over its administration of real estate transactions and is subject to provisions of the Texas Natural Resources Code and its own internal procedures in administering real estate transactions for assets it manages for the Fund. A report of the State Auditor released in March 2016 noted that based on an audit of certain real estate transactions managed by the GLO, during the period from September 2009 to May 2015, the GLO failed to comply with certain of such legal requirements relating to conflict of interest reporting, complying with written procedures and maintenance of documentation and other statutory and procedural requirements. That report, which includes the response of GLO management agreeing to the recommendations of the report, is available at http://www.sao.texas.gov/reports/main/16-018.pdf.

Since 2007, TEA has made supplemental appropriation requests to the Legislature for the purpose of funding the implementation of the 2008 Asset Allocation Policy, but those requests have been denied or partly funded. In the 2011 legislative session, the Legislature approved an increase of 31 positions in the full-time equivalent employees for the administration of the Fund, which was funded as part of an $18 million appropriation for each year of the 2012-13 biennium, in addition to the operational appropriation of $11 million for each year of the biennium. The TEA has begun increasing the PSF administrative staff in accordance with the 2011 legislative appropriation, and the TEA received an appropriation of $30.0 million and $30.2 million for the administration of the PSF for fiscal years 2014 and 2015, respectively, and $30.2 million for each of the fiscal years 2016 and 2017.

As of August 31, 2017, certain lawsuits were pending against the State and/or the GLO, which challenge the Fund's title to certain real property and/or past or future mineral income from that property, and other litigation arising in the normal course of the investment activities of the PSF. Reference is made to the Annual Report, when filed, for a description of such lawsuits that are pending, which may represent contingent liabilities of the Fund.

PSF Continuing Disclosure Undertaking

The SBOE has adopted an investment policy rule (the "TEA Rule") pertaining to the PSF and the Guarantee Program. The TEA Rule is codified in Section I of the TEA Investment Procedure Manual, which relates to the Guarantee Program and is posted to the TEA web site at http://tea.texas.gov/Finance_and_Grants/Texas_Permanent_School_Fund/Texas_Permanent_School_Fund_Disclosure_Statement_-_Bond_Guarantee_Program/. The most recent amendment to the TEA Rule was adopted by the SBOE on November 19, 2010, and is summarized below. Through the adoption of the TEA Rule and its commitment to guarantee bonds, the SBOE has made the following agreement for the benefit of the issuers, holders and beneficial owners of guaranteed bonds. The TEA (or its successor with respect to the management of the Guarantee Program) is required to observe the agreement for so long as it remains an "obligated person," within the meaning of Rule 15c2-12, with respect to guaranteed bonds. Nothing in the TEA Rule obligates the TEA to make any filings or disclosures with respect to guaranteed bonds, as the obligations of the TEA under the TEA Rule pertain solely to the Guarantee Program. The issuer or an "obligated person" of the guaranteed bonds has assumed the applicable obligation under Rule 15c-12 to make all disclosures and filings relating directly to guaranteed bonds, and the TEA takes no responsibility with respect to such undertakings. Under the TEA agreement, the TEA will be obligated to provide annually certain updated financial information and operating data, and timely notice of specified material events, to the MSRB.

The MSRB has established the Electronic Municipal Market Access ("EMMA") system, and the TEA is required to file its continuing disclosure information using the EMMA system. Investors may access continuing disclosure information filed with the MSRB at www.emma.msrb.org, and the continuing disclosure filings of the TEA with respect to the PSF can be found at https://emma.msrb.org/IssueView/Details/ER355077 or by searching for "Texas Permanent School Fund Bond Guarantee Program" on EMMA.

Annual Reports

The TEA will annually provide certain updated financial information and operating data to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the Guarantee Program and the PSF of the general type included in this Official Statement under the heading "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM." The information also includes the Annual Report. The TEA will update and provide this information within six months after the end of each fiscal year.

The TEA may provide updated information in full text or may incorporate by reference certain other publicly-available documents, as permitted by Rule 15c2-12. The updated information includes audited financial statements of, or relating to, the State or the PSF, when and if such audits are commissioned and available. Financial statements of the State will be prepared in accordance with generally accepted accounting principles as applied to state governments, as such principles may be changed from time to time, or such other accounting principles as the State Auditor is required to employ from time to time pursuant to State law or regulation. The financial statements of the Fund were prepared to conform to U.S. Generally Accepted Accounting Principles as established by the Governmental Accounting Standards Board.

The Fund is reported by the State of Texas as a permanent fund and accounted for on a current financial resources measurement focus and the modified accrual basis of accounting. Measurement focus refers to the definition of the resource flows measured. Under the modified accrual basis of accounting, all revenues reported are recognized based on the criteria of availability and measurability. Assets are defined as available if they are in the form of cash or can be converted into cash within 60 days to be usable for payment of current liabilities. Amounts are defined as measurable if they can be estimated or otherwise determined. Expenditures are recognized when the related fund liability is incurred.

The State's current fiscal year end is August 31. Accordingly, the TEA must provide updated information by the last day of February in each year, unless the State changes its fiscal year. If the State changes its fiscal year, the TEA will notify the MSRB of the change.

Material Event Notices

The TEA will also provide timely notices of certain events to the MSRB. Such notices will be provided not more than ten business days after the occurrence of the event. The TEA will provide notice of any of the following events with respect to the Guarantee Program: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if such event is material within the meaning of the federal securities laws; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax-exempt status of the Guarantee Program, or other material events affecting the tax status of the Guarantee Program; (7) modifications to rights of holders of bonds guaranteed by the Guarantee Program, if such event is material within the meaning of the federal securities laws; (8) bond calls, if such event is material within the meaning of the federal securities laws, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of bonds guaranteed by the Guarantee Program, if such event is material within the meaning of the federal securities laws; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the Guarantee Program (which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Guarantee Program in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Guarantee Program, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Guarantee Program); (13) the consummation of a merger, consolidation, or acquisition involving the Guarantee Program or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) the appointment of a successor or additional trustee with respect to the Guarantee Program or the change of name of a trustee, if such event is material within the meaning of the federal securities laws. (Neither the Act nor any other law, regulation or instrument pertaining to the Guarantee Program make any provision with respect to the Guarantee Program for bond calls, debt service reserves, credit enhancement, liquidity enhancement, early redemption or the appointment of a trustee with respect to the Guarantee Program.) In addition, the TEA will provide timely notice of any failure by the TEA to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information

The TEA has agreed to provide the foregoing information only to the MSRB and to transmit such information electronically to the MSRB in such format and accompanied by such identifying information as prescribed by the MSRB. The information is available from the MSRB to the public without charge at www.emma.msrb.org.

Limitations and Amendments

The TEA has agreed to update information and to provide notices of material events only as described above. The TEA has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The TEA makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The TEA disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the TEA to comply with its agreement.

The continuing disclosure agreement of the TEA is made only with respect to the PSF and the Guarantee Program. The issuer of guaranteed bonds or an obligated person with respect to guaranteed bonds may make a continuing disclosure undertaking in accordance with Rule 15c2-12 with respect to its obligations arising under Rule 15c2-12 pertaining to financial and operating data concerning such entity and notices of material events relating to such guaranteed bonds. A description of such undertaking, if any, is included elsewhere in the Official Statement.

This continuing disclosure agreement may be amended by the TEA from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the TEA, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell guaranteed bonds in the primary offering of such bonds in compliance with Rule 15c2-12, taking into account any amendments or interpretations of Rule 15c2-12 since such offering as well as such changed circumstances and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding bonds guaranteed by the Guarantee Program consent to such amendment or (b) a person that is unaffiliated with the TEA (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interest of the holders and beneficial owners of the bonds guaranteed by the Guarantee Program. The TEA may also amend or repeal the provisions of its continuing disclosure agreement if the SEC amends or repeals the applicable provision of Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling bonds guaranteed by the Guarantee Program in the primary offering of such bonds.

Compliance with Prior Undertakings

During the last five years, the TEA has not failed to substantially comply with its previous continuing disclosure agreements in accordance with Rule 15c2-12.

SEC Exemptive Relief

On February 9, 1996, the TEA received a letter from the Chief Counsel of the SEC that pertains to the availability of the "small issuer exemption" set forth in paragraph (d)(2) of Rule 15c2-12. The letter provides that Texas school districts which offer municipal securities that are guaranteed under the Guarantee Program may undertake to comply with the provisions of paragraph (d)(2) of Rule 15c2-12 if their offerings otherwise qualify for such exemption, notwithstanding the guarantee of the school district securities under the Guarantee Program. Among other requirements established by Rule 15c2-12, a school district offering may qualify for the small issuer exemption if, upon issuance of the proposed series of securities, the school district will have no more than $10 million of outstanding municipal securities.

TAX RATE LIMITATIONS

A school district is authorized to levy maintenance and operation ("M&O") taxes subject to approval of a proposition submitted to district voters. Under Section 45.003(d) of the Texas Education Code, as amended. The maximum M&O tax rate that may be levied by a district cannot exceed the voted maximum rate or the maximum rate described in the succeeding paragraphs. The maximum voted M&O tax rate for the District is $1.50 per $100 of assessed valuation as approved by the voters at an election held on November 7, 2006 under Chapter 45, as amended, Texas Education Code.

The maximum tax rate per $100 of assessed valuation that may be adopted by the District may not exceed the lesser of (A) $1.50, or such lower rate as described in the preceding paragraph, and (B) the sum of (1) the rate of $0.17, and (2) the product of the "state compression percentage" multiplied by $1.50. The state compression percentage has been set, and will remain, at 66.67% for the 2018-19 State fiscal biennium. The State Compression Percentage is set by legislative appropriation for each State fiscal biennium or, in the absence of legislative appropriation, by the Commissioner. For a more detailed description of the state compression percentage, see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Funding for School Districts". Furthermore, a school district cannot annually increase its tax rate in excess of the district's "rollback tax rate" without submitting such tax rate to a referendum election and a majority of the voters voting at such election approving the adopted rate. See "AD VALOREM TAX PROCEDURES - Public Hearing and Rollback Tax Rate."

A school district is also authorized to issue bonds and levy taxes for payment of bonds subject to voter approval of one or more propositions submitted to the voters under Section 45.003(b)(1), Texas Education Code, as amended, which provides for a tax unlimited as to rate or amount for the support of school district bonded indebtedness (see "THE BONDS - Security").

Section 45.0031, Texas Education Code, as amended ("Section 45.0031"), requires a district to demonstrate to the Texas Attorney General that it has the prospective ability to pay its maximum annual debt service on a proposed issue of bonds and all previously issued bonds, other than bonds approved by district voters at an election held on or before April 1, 1991 and issued before September 1, 1992 (or debt issued to refund such bonds, collectively, "exempt bonds"), from a tax levied at a rate of $0.50 per $100 of assessed valuation before bonds may be issued. In demonstrating the ability to pay debt service at a rate of $0.50, a district may take into account EDA and IFA allotments to the district, which effectively reduces the district's local share of debt service, and may also take into account Tier One funds allotted to the district. The District has covenanted in the Order to deposit any State allotments provided solely for payment of debt service into the District's interest and sinking fund upon receipt of such amounts. In addition, Section 45.0031 provides that, prior to levying an interest and sinking fund tax rate that exceeds $0.50 per $100 of assessed valuation, it will credit to the interest and sinking fund other State assistance, including Tier One funds that may be used for either operating purposes or for payment of debt service, in an amount equal to the amount needed to demonstrate compliance with the threshold tax rate test and which is received or to be received in that year. Once the prospective ability to pay such tax has been shown and the bonds are issued, a district may levy an unlimited tax to pay debt service. Taxes levied to pay refunding bonds issued pursuant to Chapter 1207, Texas Government Code, are not subject to the $0.50 tax rate test; however, taxes levied to pay debt service on such bonds (other than bonds issued to refund exempt bonds) are included in maximum annual debt service for calculation of the $0.50 threshold tax rate test when applied to subsequent bond issues. The Bonds are issued as "new money" bonds and are subject to the $0.50 threshold tax rate test. Under current law, a district may demonstrate its ability to comply with the $0.50 threshold tax rate test by applying the $0.50 tax rate to an amount equal to 90% of projected future taxable value of property in the district, as certified by a registered professional appraiser, anticipated for the earlier of the tax year five years after the current tax year or the tax year in which the final payment for the bonds is due. However, if a district uses projected future taxable values to meet the $0.50 threshold tax rate test and subsequently imposes a tax at a rate greater than $0.50 per $100 of valuation to pay for bonds subject to the test, then for subsequent bond issues, the Attorney General must find that the district has the projected ability to pay principal and interest on the proposed bonds and all previously issued bonds subject to the $0.50 threshold tax rate test from a tax rate of $0.45 per $100 of valuation. The District has not used project property values to satisfy this threshold test.

DEBT LIMITATIONS

Under State law, there is no explicit bonded indebtedness limitation, although the tax rate limits described above under "TAX RATE LIMITATIONS" effectively impose a limit on the incurrence of debt. Such tax rate limits require school districts to demonstrate the ability to pay new debt secured by the district's debt service tax from a tax rate of $0.50, and to pay all debt and operating expenses which must be paid from receipts of the district's maintenance tax from a tax not to exceed the maintenance tax limit described under the caption "TAX RATE LIMITATIONS". The Bonds are issued as "new money" bonds and are subject to the $0.50 threshold tax rate test. See also "TAX RATE LIMITATIONS".

EMPLOYEES' RETIREMENT PLAN AND OTHER POST-EMPLOYMENT BENEFITS

The District's employees participate in a retirement plan (the "Plan") with the State. The Plan is administered by the Teacher Retirement System of Texas ("TRS"). State contributions are made to cover costs of the Plan up to certain statutory limits. The District is obligated for a portion of the Plan costs relating to employee salaries that exceed the statutory limit. Aside from the District's contribution to TRS, the District has no pension fund expenditures or liabilities. For fiscal year ended June 30, 2017, the District made a contribution to TRS on a portion of their employee's salaries that exceeded the statutory minimum. The District does not offer any post-employment retirement benefits and has no liabilities for "Other Post Employment Retirement Benefits" as defined in GASB Statement No. 45. For a discussion of the TRS retirement plan, see "Notes to the Basic Financial Statements – Note 1. Summary of Significant Accounting Policies - Defined Benefit Pension Plan" to the audited financial statements of the District that are attached hereto as Appendix D (the "Financial Statements").

During the year ended June 30, 2017, employees of the District were covered by a fully-insured health insurance plan (the "Health Care Plan"). The District contributed $237 per month per employee to the Health Care Plan. Employees, at their option, authorize payroll withholdings to pay premiums for dependents. See "Notes to the Basic Financial Statements – Note 10. – Risk Management - Health Care" of the Financial Statements.

The District contributes to the Texas Public School Retired Employees Group Insurance Program ("TRS-Care"), a cost-sharing, multiple-employer defined benefit postemployment health care plan administered by the TRS. Contribution requirements to TRS-Care are legally established each biennium by the State legislature. See "Notes to the Basic Financial Statements – Note 7. School District Retiree Health Plan" in the Financial Statements.

Formal collective bargaining agreements relating directly to wages and other conditions of employment are prohibited by State law, as are strikes by teachers. There are various local, state and national organized employee groups who engage in efforts to better terms and conditions of employment of school employees. Some districts have adopted a policy to consult with employer groups with respect to certain terms and conditions of employment. Some examples of these groups are the Texas State Teachers Association, the Texas Classroom Teachers Association, the Association of Texas Professional Educators and the National Education Association.

In June 2012, Government Accounting Standards Board (GASB) Statement No. 68 (Accounting and Financial Reporting for Pensions) was issued to improve accounting and financial reporting by state and local governments regarding pensions. GASB Statement No. 68 requires reporting entities, such as the District, to recognize their proportionate share of the net pension liability and operating statement activity related to changes in collective pension liability. This means that reporting entities, such as the District, that contribute to the TRS pension plan will report a liability on the face of their government-wide financial statements. Such reporting began with the District's fiscal year ending August 31, 2015. See "APPENDIX A – Change in Net Assets". GASB Statement No. 68 applies only to pension benefits and does not apply to Other Post-Employment Benefits (OPEB) or TRS-Care related liabilities.

RATINGS

The Bonds are rated "Aaa" by Moody's Investors Service, Inc. ("Moody's") and "AAA" by Fitch Ratings, Inc. ("Fitch") based upon the guaranteed repayment thereof under the Permanent School Fund Guarantee Program of the TEA. (See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM"). The District's unenhanced, underlying ratings, including the Bonds, are "Aa3" by Moody's and "AA-" by Fitch.

An explanation of the significance of such rating may be obtained from Moody's and Fitch. The rating on the Bonds by Moody's and Fitch reflects only the view of said company at the time the ratings are given, and the District makes no representations as to the appropriateness of the ratings. There is no assurance that the ratings will continue for any given period of time, or that the ratings will not be revised downward or withdrawn entirely by Moody's and Fitch, if, in the judgment of Moody's and Fitch, circumstances so warrant. Any such downward revision or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

The above ratings are not a recommendation to buy, sell or hold the Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

LEGAL MATTERS

The delivery of the Bonds is subject to the approval of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property in the District, and the approving legal opinion of Norton Rose Fulbright US LLP, San Antonio, Texas, Bond Counsel to the District ("Bond Counsel"), to like effect and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under section 103(a) of the Internal Revenue Code, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on corporations. The form of Bond Counsel's opinion is attached hereto as Appendix C. The legal fee to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed upon for the Underwriter by its counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas. The legal fee to be paid to counsel to the Underwriter for services rendered in connection with the issuance of the Bonds is contingent upon the sale of the delivery of the Bonds.

Though it represents the Financial Advisor and the Underwriter from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the District in connection with the issuance of the Bonds. Except as noted below, Bond Counsel was not requested to participate, and did not take part in the preparation of this Offering Memorandum, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein except that in its capacity as Bond Counsel, such firm has reviewed the information appearing under the captions or subcaptions “THE BONDS” (except for the last sentence under the subcaption “Authorization and Purpose”, and the information included under the subcaptions “Redemption – Notice of Redemption”, “Redemption – DTC Redemption Provision”, “Permanent School Fund Guarantee” and “Payment Record,” as to which no opinion is expressed), “CONTINUING DISCLOSURE OF INFORMATION” (except for the information under the subcaption “Compliance with Prior Undertakings,” as to which no opinion is expressed), and Bond Counsel is of the opinion that the statements and information contained therein fairly and accurately reflect the provisions of the Order; further, Bond Counsel has reviewed the statements and information contained in this Offering Memorandum under the captions and sub-captions “STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS,” “CURRENT PUBLIC SCHOOL FINANCE SYSTEM”, “TAX RATE LIMITATIONS” (first paragraph only), “LEGAL MATTERS” (except the last two sentences of the first paragraph thereof), “TAX MATTERS,” “LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS” and “REGISTRATION AND QUALIFICATION OF BONDS FOR SALE,” and Bond Counsel is of the opinion that the statements and information contained therein are correct as to matters of law.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

TAX MATTERS

Tax Exemption

The delivery of the Bonds is subject to the opinion of Bond Counsel to the effect that interest on the Bonds for federal income tax purposes (1) is excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the “Code”), of the owners thereof pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals or, except as hereafter described, corporations. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change. A form of Bond Counsel’s legal opinion appears in Appendix C hereto. Additionally, see “THE BONDS – Provisions Applicable to Term Rate Bonds – Rate Mode Changes after Initial Rate Period” identifying circumstances when an opinion of nationally recognized bond counsel is required as a condition for an interest mode conversion. Bond Counsel expresses no opinion as to the effect on the excludability from gross income for federal income tax purposes of any action requiring such an opinion.

For taxable years that began before January 1, 2018, interest on the Bonds owned by a corporation will be included in such corporation’s adjusted current earnings for purposes of computing the alternative minimum tax on such corporation, other than an S corporation, a qualified mutual fund, a real estate investment trust, a real estate mortgage investment conduit, or a financial asset securitization investment trust. The alternative minimum tax on corporations has been repealed for taxable years beginning on or after January 1, 2018.

In rendering the foregoing opinions, Bond Counsel will rely upon representations and certifications of the District made in certificates pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance by the District with the provisions of the Order subsequent to the issuance of the Bonds. The Order contains covenants by the District with respect to, among other matters, the use of the proceeds of the Bonds and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage “profits” from the investment of the proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds.

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Bond Counsel’s opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the District described above. No ruling has been sought from the Internal Revenue Service (the “IRS”) with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel’s opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures the IRS is likely to treat the District as the “taxpayer,” and the owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the District may have different or conflicting interests from the owners of the Bonds. Public awareness of any audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Tax Changes

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. It is uncertain whether this legislation will be enacted and, if so, whether it will be enacted in its current form. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Ancillary Tax Consequences

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, property and casualty insurance companies, life insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust (FASIT), individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Tax Accounting Treatment of Discount Bonds

The initial public offering price to be paid for certain Bonds may be less than the amount payable on such Bonds at maturity (the "Discount Bonds"). An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bonds. A portion of such original issue discount, allocable to the holding period of a Discount Bond by the initial purchaser, will be treated as interest for federal income tax purposes, excludable from gross income on the same terms and conditions as those for other interest on the Bonds. Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during his taxable year.

However, such accrued interest may be required to be taken into account in determining the alternative minimum tax on corporations for taxable years that began before January 1, 2018 and the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, property and casualty insurance companies, life insurance companies, S corporations with subchapter C earnings and profits, owners of an interest in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

In the event of the redemption, sale or other taxable disposition of a Discount Bond prior to maturity, the amount realized by such owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination for federal income tax purposes of accrued interest upon disposition of Discount Bonds and with respect to the state and local tax consequences of owning and disposing of Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on the Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

Tax Accounting Treatment of Premium Bonds

The initial public offering price to be paid for certain Bonds may be greater than the stated redemption price amount payable on such Bonds at maturity (the "Premium Bonds"). An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and its stated redemption price at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium with respect to the Premium Bonds. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity.

Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

INVESTMENT POLICIES

Investments

The District invests its investable funds in investments authorized by State law, including Chapter 2256, as amended, Texas Government Code (the "Texas Public Funds Investment Act"), and in accordance with investment policies approved by the Board. Both State law and the District's investment policies are subject to change.

Legal Investments

Under State law, the Issuer is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or their respective successors, or otherwise meeting the requirements of the Texas Public Funds Investment Act; (8) certificates of deposit and share certificates that (i) are issued by or through an institution that has its main office or a branch in Texas and (a) are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or their respective successors, (b) are secured as to principal by obligations described in clauses (1) through (7) above, or (c) secured in any other manner and amount provided by law for Issuer deposits, or (ii) certificates of deposit where (a) the funds are invested by the Issuer through a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the Issuer as required by law, or a depository institution that has its main office or a branch office in the State of Texas that is selected by the Issuer; (b) the broker or the depository institution selected by the Issuer arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the Issuer, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the Issuer appoints the depository institution selected under (a) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the United States Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 as custodian for the Issuer with respect to the certificates of deposit issued for the account of the Issuer; (9) fully collateralized repurchase agreements that (i) have a defined termination date, (ii) are fully secured by a combination of cash and obligations described in clause (1), (iii) require the securities being purchased by the Issuer or cash held by the Issuer to be pledged to the Issuer, held in the Issuer's name and deposited at the time the investment is made with the Issuer or with a third party selected and approved by the Issuer, and (iv) are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (10) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time, and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (7) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (7) above and clauses (12) through (15) below, (ii) securities held as collateral under a loan are pledged to the Issuer, held in the Issuer's name and deposited at the time the investment is made with the Issuer or a third party designated by the Issuer, (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas, and (iv) the agreement to lend securities has a term of one year or less; (11) certain bankers' acceptances if the bankers' acceptance (i) has a stated maturity of 270 days or fewer from the date of issuance, (ii) will be, in accordance with its terms, liquidated in full at maturity, (iii) is eligible for collateral for borrowing from a Federal Reserve Bank, and (iv) is accepted by a State or Federal bank, if the short-term obligations of the accepting bank or its holding company (if the accepting bank is the largest subsidiary) are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with (i) a stated maturity of 270 days or less from the date of issuance, and (ii) a rating of at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (13) no-load money market mutual funds that are (i) registered with and regulated by the United States Securities and Exchange Commission, (ii) provide the Issuer with a prospectus and other information required by the Securities and Exchange Act of 1934; and (iii) comply with Federal Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are (i) registered with the United States Securities and Exchange Commission, (ii) have an average weighted maturity of less than two years, and (iii) either (a) have a duration of one year or more and are invested exclusively in obligations described in this paragraph, or (b) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset- backed securities; (15) investment pools if the Issuer has authorized investment in the particular pool and the pool invests solely in investments permitted by the Texas Public Funds Investment Act, and is continuously rated no lower than "AAA" or "AAA-m" or at an equivalent rating by at least one nationally recognized rating service; and (16) guaranteed investment contracts that (i) have a defined termination date, (ii) are secured by obligations which meet the requirements of the Texas Public Funds Investment Act in an amount at least equal to the amount of bond proceeds invested under such contract, and (iii) are pledged to the Issuer and deposited with the Issuer or with a third party selected and approved by the Issuer.

The District may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance, or resolution. The District is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a final stated maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

As a school district that qualifies as an "issuer" under Chapter 1371, the District is also authorized to purchase, sell, and invest its funds in corporate bonds. State law defines "corporate bonds" as senior secured debt obligations issued by a domestic business entity and rated not lower than "AA-" or the equivalent by a nationally recognized investment rating firm. The term does not include a bond that is convertible into stocks or shares in the entity issuing the bond (or an affiliate or subsidy thereof) or any unsecured debt. Corporate bonds must finally mature not later than 3 years from their date of purchase by the school district. A school district may not (i) invest more than 15% of its monthly average fund balance (excluding bond proceeds, reserves, and other funds held for the payment of debt service) in corporate bonds, or (ii) invest more than 25% of the funds invested in corporate bonds in any one domestic business entity (including subsidiaries and affiliates thereof). Corporate bonds held by a school district must be sold if they are at any time downgraded below "AA-" (or the equivalent thereof) or, with respect to a corporate bond rated "AA-" (or the equivalent thereof), such corporate bond is placed on negative credit watch. Corporate bonds are not an eligible investment for a public funds investment pool. To invest in corporate bonds, an eligible school district must first (i) amend its investment policy to authorize corporate bonds as an eligible investment, (ii) adopt procedures for monitoring rating changes in corporate bonds and liquidating an investment in corporate bonds, and (iii) identify funds eligible to be invested in corporate bonds. As of the date of this Offering Memorandum, the District has taken no such steps with respect to investment in corporate bonds, nor does it currently intend to do so.

Investment Policies

Under State law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for District funds, the maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All District funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under State law, the District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the District must submit an investment report to the Board of Trustees detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, and any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) the investment strategy expressed in the District's investment policy, and (b) the Public Funds Investment Act. No person may invest District funds without express written authority from the Board of Trustees.

Additional Provisions

Under State law, the District is additionally required to: (1) annually review its adopted policies and strategies, (2) adopt an order or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in said order or resolution, (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the District; (4) require the qualified representative of firms offering to engage in an investment transaction with the District to: (a) receive and review the District's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the District and the business organization that are not authorized by the District's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the District's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the District and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the District's investment policy; (6) provide specific investment training for the Treasurer, Chief Financial Officer, or other investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (8) restrict the investment in mutual funds in the aggregate to no more than 80% of the District's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service and further restrict the investment in non-money market mutual funds of any portion of bond proceeds, reserves and funds held for debt service and to no more than 15% of the District's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service and further restrict the investment in no-load money market mutual funds of any portion of bond proceeds reserves and funds held for debt service to no more than 15% of the entity's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to confirm to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements, and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the District.

Current Investments

As of March 31, 2018, the District had approximately $15,464,321 (unaudited) invested in LoneStar, $98,268,151 (unaudited) invested in Tex Pool, both of which are government investment pools that generally have the characteristics of a money-market mutual fund, $7,716,411 (unaudited) invested at Wells Fargo and $2,733,198 (unaudited) invested in Certificates of Deposit at a local bank. The market value of such investments (as determined by the District by reference to published quotations, dealer bids, and comparable information) is approximately 100% of the book value. No funds of the District are invested in derivative securities, i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2). The Bonds have not been approved or disapproved by the United States Securities and Exchange Commission, nor has the United States Securities and Exchange Commission passed upon the accuracy or adequacy of the Offering Memorandum. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities acts of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

It is the obligation of the Underwriter to register or qualify the sale of the Bonds under the securities laws of any jurisdiction which so requires. The District agrees to cooperate, at the Underwriter's written request and sole expense, in registering or qualifying the Bonds or in obtaining an exemption from registration or qualification in any state where such action is necessary; provided, however, that the District shall not be required to qualify as a foreign corporation or to execute a general or special consent to service of process in any jurisdiction.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Securities Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "RATINGS" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least $1 million of capital, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value.

The District has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes. The District has made no review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

FINANCIAL ADVISOR

SAMCO Capital Markets, Inc. is employed as Financial Advisor to the District to assist in the issuance of the Bonds. In this capacity, the Financial Advisor has compiled certain data relating to the Bonds that is contained in this Offering Memorandum. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the District to determine the accuracy or completeness of this Offering Memorandum. Because of its limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The fee of the Financial Advisor for services with respect to the Bonds is contingent upon the issuance and sale of the Bonds. In the normal course of business, the Financial Advisor may from time to time sell investment securities to the District for the investment of bond proceeds or other funds of the District upon the request of the District.

The Financial Advisor has provided the following sentence for inclusion in this Offering Memorandum. The Financial Advisor has reviewed the information in this Offering Memorandum in accordance with, and as part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

CONTINUING DISCLOSURE OF INFORMATION

In the Order, the District has made the following agreement for the benefit of the holders and Beneficial Owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board ("MSRB"). For a description of the continuing disclosure Bonds of the TEA, see "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM." The information provided to the MSRB will be available to the public free of charge via the MSRB's Electronic Municipal Market Access System at www.emma.msrb.org.

Annual Reports

The District will provide certain updated financial information and operating data annually to the MSRB. The information to be updated includes financial information and operating data with respect to the District of the general type included in this Offering Memorandum in Appendix A (such information being the "Annual Operating Report"). The District will additionally provide financial statements of the District (the "Financial Statements"), that will be (i) prepared in accordance with the accounting principles described in Appendix D or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation and shall be in substantially the form included in Appendix D and (ii) audited, if the District commissions an audit of such Financial Statements and the audit is completed within the period during which they must be provided. The District will update and provide the Annual Operating Report within six months after the end of each fiscal year and the Financial Statements within 12 months of the end of each fiscal year, in each case beginning with the fiscal year ending in and after 2018. The District may provide the Financial Statements earlier, including at the time it provides its Annual Operating Report, but if the audit of such Financial Statements is not complete within 12 months after any such fiscal year end, then the District shall file unaudited Financial Statements within such 12-month period and audited Financial Statements for the applicable fiscal year, when and if the audit report on such Financial Statements becomes available.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule").

The District's current fiscal year end is June 30. Accordingly, the Annual Operating Report must be provided by the last day of December in each year, and the Financial Statements must be provided by June 30 of each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Notice of Certain Events

The District will also provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material. In addition, the District will provide timely notice of any failure by the District to provide annual financial information in accordance with their agreement described above under "Annual Reports". Neither the Bonds nor the Order make any provision for debt service reserves, credit enhancement (except for the Permanent School Fund guarantee), or liquidity enhancement. The District will provide each notice described in this paragraph to the MSRB.

For these purposes, any event described in clause (12) of in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

Limitations and Amendments

The District has agreed to update information and to provide notices of events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that has been provided except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if, but only if, (1) the agreement, as so amended, would have permitted Underwriter to purchase or sell Bonds in the initial primary offering in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any qualified person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. If the District amends its agreement, it has agreed to include with the financial information and operating data next provided, in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and operating data so provided.

Compliance with Prior Undertakings

During the past five years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

LITIGATION

In the opinion of District officials, the District is not a party to any litigation or other proceeding pending or to their knowledge threatened, in any court, agency or other administrative body (either state or federal) which, if decided adversely to the District, would have a material adverse effect on the financial condition of the District.

At the time of the initial delivery of the Bonds, the District will provide the Underwriter with a certificate to the effect that except as disclosed in the Offering Memorandum, no litigation of any nature has been filed or is then pending challenging the issuance of the Bonds or that affects the payment and security of the Bonds or in any other manner questioning the issuance, sale or delivery of the Bonds.

FORWARD LOOKING STATEMENTS

The statements contained in this Offering Memorandum, and in any other information provided by the District, that are not purely historical, are forward-looking statements, including statements regarding the District's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward looking statements included in this Offering Memorandum are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements. It is important to note that the District's actual results could differ materially from those in such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the District. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Offering Memorandum would prove to be accurate.

UNDERWRITING

The Underwriter has agreed, subject to certain customary conditions, to purchase the Bonds at a price equal to the initial offering prices to the public, as shown on the inside cover page hereof, less an Underwriter's discount of $92,651.84, and no accrued interest. The Underwriter's obligations are subject to certain conditions precedent, and the Underwriter will be obligated to purchase all of the Bonds, if any Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriter.

The Underwriter has provided the following sentence for inclusion in this Offering Memorandum. The Underwriter has reviewed the information in this Offering Memorandum pursuant to their responsibilities to investors under the federal securities laws but the Underwriter does not guarantee the accuracy or completeness of such information.

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriter and its affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the District for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriter and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the District.

CONCLUDING STATEMENT

No person has been authorized to give any information or to make any representations other than those contained in this Offering Memorandum, and if given or made, such other information or representations must not be relied upon as having been authorized by the District. This Offering Memorandum does not constitute an offer to sell or solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer of solicitation.

The information set forth herein has been obtained from the District's records, audited financial statements and other sources which the District considers to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents and the Order contained in this Offering Memorandum are made subject to all of the provisions of such statutes, documents, and the Order. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Offering Memorandum for purposes of, and as that term is defined in, SEC Rule 15c2-12.

The Order also approved the form and content of this Offering Memorandum and any addenda, supplement or amendment thereto and authorize its further use in the re-offering of the Bonds by the Underwriter.

Andy Pickens
President, Board of Trustees

ATTEST:

Staci Eisner
Secretary, Board of Trustees

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APPENDIX A

FINANCIAL INFORMATION OF THE DISTRICT

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BURLESON INDEPENDENT SCHOOL DISTRICT

Financial Information

ASSESSED VALUATION [1]

2017/18 Total Valuation…………………………………………………………………………		$ 5,267,310,446
Less Exemptions & Deductions [2]:		
State Homestead Exemption	$ 341,310,947	
State Over-65 Exemption	45,628,755	
Disabled Homestead Exemption Loss	27,862,383	
Local Option Over-65 Exemption	110,821,121	
Veterans Exemption Loss	5,568,411	
Freeport Exemption	3,847,456	
Pollution Control Exemption Loss	370,578	
Solar/Wind Exemption	116,772	
Productivity Loss	129,165,673	
Prorations & Other Partial Exemptions	17,714	
Homestead Cap Loss	203,421,619	
	$ 868,131,429	
2017/18 Net Taxable Valuation …………………………………………………………………		$ 4,399,179,017
2018/19 Preliminary Net Taxable Valuation [3]………………………………………………		$ 4,749,122,631

(1) Source: Comptroller of Public Accounts - Property Tax Division. The passage of a Texas Constitutional Amendment on November 3, 2015 increased the homestead exemption from $15,000 to $25,000. See "AD VALOREM TAX PROCEDURES -- Residential homestead Exemptions" in the Official Statement.
(2) Excludes the values on which property taxes are frozen for persons 65 years of age or older and disabled taxpayers, which totaled $195,905,717 in 2017/18.
(3) Preliminary Certified Values from the Central Appraisal District of Johnson County as of April 2018 and the Tarrant Appraisal District as of May 2018.

VOTED GENERAL OBLIGATION DEBT

Unlimited Tax Bonds Outstanding [1]		$ 329,205,852
Plus: The Bonds		24,955,000
Total Unlimited Tax Bonds [1]		354,160,852
Less: Interest & Sinking Fund Balance (As of June 30, 2017) [2]		(13,542,177)
Net General Obligation Debt		$ 340,618,675
Ratio of Net G.O. Debt to Net Taxable Valuation [3]	7.17%	
2018 Population Estimate [4]	69,709	
Per Capita Net Taxable Valuation	$68,128	
Per Capita Net G.O. Debt	$4,886	

(1) Excludes interest accreted on outstanding capital appreciation bonds.
(2) Source: Burleson ISD Audited Financial Statement.
(3) The ratio of Net G.O. Debt to Net Taxable Valuation above does not include the portion of the District's outstanding debt service that is payable from any debt subsidies that may be provided by the State of Texas. The District expects to receive state funding assistance for voted bond debt service equal to approximately 5% of its debt service requirements, subject to tax effort rules and state funding program limits, for its unlimited tax debt service for the 2017/18 fiscal year. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in the Official Statement and "DEBT SERVICE REQUIREMENTS" in this appendix and see the "Audited Financial Report Fiscal Year Ended June 30, 2017" in Appendix D for more information relative to the District's outstanding obligations.
(4) Source: Municipal Advisory Council of Texas.

PROPERTY TAX RATES AND COLLECTIONS

Fiscal Year	Net Taxable Valuation	Tax Rate	% Collections [4] Current [5]	Total [5]
2006/07	$ 2,226,990,971 [1]	$ 1.5904 [6]	97.90%	100.41%
2007/08	2,498,065,323 [1]	1.4051 [6]	98.38%	100.40%
2008/09	3,275,241,977 [1]	1.4688	97.16% [7]	98.06% [7]
2009/10	3,658,222,717 [1]	1.5400	97.25%	99.48%
2010/11	3,502,366,339 [1]	1.5400	98.06%	100.57%
2011/12	3,489,472,149 [1]	1.5400	98.06%	99.79%
2012/13	3,438,826,788 [1]	1.5400	98.05%	100.07%
2013/14	3,356,825,551 [1]	1.5400	98.27%	100.31%
2014/15	3,642,584,992 [1]	1.5400	98.41%	100.04%
2015/16	3,714,178,058 [1][2]	1.5400	98.35%	99.96%
2016/17	3,910,986,806 [1][2]	1.5400	98.73%	100.26%
2017/18	4,399,179,017 [1][2]	1.6700	99.00% [8]	99.00% [8]
2018/19	4,749,122,631 [2][3]			

(1) Source: Comptroller of Public Accounts - Property Tax Division.
(2) The passage of a Texas constitutional amendment on November 3, 2015 increased the homestead exemption from $15,000 to $25,000.
(3) Preliminary Certified Values from the Central Appraisal District of Johnson County as of April 2018 and the Tarrant Appraisal District as of May 2018.
(4) Source: Burleson ISD Audited Financial Statements.
(5) Excludes penalties and interest.
(6) The declines in the District's Maintenance & Operation Tax for the 2006/07 and 2007/08 fiscal years are a function of House Bill 1 adopted by the Texas Legislature in May 2006. See "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in the Official Statement.
(7) During the 2009 Fiscal Year the District changed its fiscal year from ending August 31 to June 30.
(8) Estimate as of May 2018

TAX RATE DISTRIBUTION

	2013/14	2014/15	2015/16	2016/17	2017/18 [1]
Maintenance & Operations	$1.0400	$1.0400	$1.0400	$1.0400	$1.1700
Debt Service	$0.5000	$0.5000	$0.5000	$0.5000	$0.5000
Total Tax Rate	$1.5400	$1.5400	$1.5400	$1.5400	$1.6700

(1) On May 6, 2017, the District successfully held a tax ratification election at which the voters of the District authorized the District to levy a maintenance and operations tax in the amount of $1.17 per $100 assessed valuation.

VALUATION AND FUNDED DEBT HISTORY

Fiscal Year	Net Taxable Valuation	Bond Debt Outstanding [1]	Ratio Debt to A.V. [2]
2006/07	$ 2,226,990,971	$ 147,910,029	6.64%
2007/08	2,498,065,323	146,852,976	5.88%
2008/09	3,275,241,977	228,104,009	6.96%
2009/10	3,658,222,717	293,143,199	8.01%
2010/11	3,502,366,339	312,862,942	8.93%
2011/12	3,489,472,149	310,441,276	8.90%
2012/13	3,438,826,788	307,661,944	8.95%
2013/14	3,356,825,551	304,395,852	9.07%
2014/15	3,642,584,992	297,495,852	8.17%
2015/16	3,714,178,058	291,140,852	7.84%
2016/17	3,910,986,806	334,260,852	8.55%
2017/18	4,399,179,017	345,695,852 [4]	7.86%
2018/19	4,749,122,631 [3]	332,790,852 [4]	7.01%

(1) The Bonds are illustrated on the State of Texas fiscal year end of August 31st, although the District's fiscal year ends June 30th. Excludes interest accrued on outstanding capital appreciation bonds.
(2) See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in the Official Statement, "DEBT SERVICE REQUIREMENTS" in this Appendix and see the "Audited Financial Report Fiscal Year Ended June 30, 2017" in Appendix D for more information.
(3) Preliminary Certified Values from the Central Appraisal District of Johnson County as of April 2018 and the Tarrant Appraisal District as of May 2018.
(4) Includes the Bonds.

ESTIMATED OVERLAPPING DEBT STATEMENT

Taxing Body	Amount	Percent Overlapping	Amount Overlapping
Burleson, City of	$ 62,633,306	98.09%	$ 61,437,009
Crowley, City of	14,010,119	0.82%	114,883
Fort Worth, City of	631,750,298	1.06%	6,696,553
Johnson County	27,030,000	22.72%	6,141,216
Tarrant County	321,795,000	0.87%	2,799,617
Tarrant County Hospital District	19,300,000	0.87%	167,910
Total Overlapping Debt [1]			$ 77,357,188
Burleson Independent School District [2] [3]			340,618,675
Total Direct & Overlapping Debt [2] [3]			$ 417,975,863
Ratio of Net Direct & Overlapping Debt to Net Taxable Valuation		8.80%	
Per Capita Direct & Overlapping Debt		$5,996	

(1) Equals gross-debt less self-supporting debt.
(2) Includes the Bonds.
(3) Excludes interest accreted on outstanding capital appreciation bonds.

Source: Municipal Advisory Council of Texas. The District has not independently verified the accuracy or completeness of such information (except for the amounts relating to the District), and no person should rely upon such information as being accurate or complete.

PRINCIPAL TAXPAYERS [1]

2017/18 Top Ten Taxpayers

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
Burleson Gateway Station LP	Retail	$ 32,284,565	0.73%
Wagner Smith Equipment Co.	Electric Equipment Services	29,172,786	0.66%
Devon Energy Production	Oil & Gas	21,344,480	0.49%
XTO Energy Inc.	Oil & Gas	21,073,495	0.48%
Sam's Real Estate Business	Real Estate	20,420,261	0.46%
Bre Ddr Br Mcalister TX LLC	Commercial	20,326,214	0.46%
HEB Grocery Co.	Grocery Store	19,824,323	0.45%
Reserve at Mcalister Senior LV	Senior Living	18,560,521	0.42%
Halliburton Energy Services	Oil & Gas	18,193,405	0.41%
Covington Gateway ACQ Et Al	Commercial	16,415,933	0.37%
		$ 217,615,983	4.95%

2016/17 Top Ten Taxpayers

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
XTO Energy Inc.	Oil & Gas	$ 36,106,136	0.92%
Barnett Gathering LP	Oil & Gas	35,239,581	0.90%
Burleson Gateway Station LP	Retail	32,578,090	0.83%
Wagner Smith Equipment Co.	Electric Equipment Services	29,847,294	0.76%
Devon Energy Production	Oil & Gas	23,812,079	0.61%
HEB Grocery Co.	Grocery Store	20,725,568	0.53%
Halliburton Energy Services	Oil & Gas	19,393,074	0.50%
Bre Ddr Br Mcalister TX LLC	Commercial	19,392,516	0.50%
Sam's Real Estate Business	Real Estate	18,817,470	0.48%
EB Reserve LLC & RL Reserve LLC	Commercial	15,808,651	0.40%
		$ 251,720,459	6.44%

2015/16 Top Ten Taxpayers

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
Chesapeake Operating	Oil & Gas	$ 73,176,256	1.97%
XTO Energy Inc.	Oil & Gas	64,621,471	1.74%
Devon Energy Production	Oil & Gas	47,399,165	1.28%
Barnett Gathering LP	Oil & Gas	36,487,585	0.98%
Burleson Gateway Station LP	Retail	26,094,413	0.70%
Bre Ddr Br Mcalister TX LLC	Commercial	20,452,724	0.55%
HEB Grocery Co.	Grocery Store	19,503,963	0.53%
Wagner Smith Equipment Co.	Electric Equipment Services	19,090,613	0.51%
Halliburton Energy Services	Oil & Gas	16,960,782	0.46%
Sam's Real Estate Business	Real Estate	16,094,922	0.43%
		$ 339,881,894	9.15%

(1) Source: Comptroller of Public Accounts - Property Tax Division.

CLASSIFICATION OF ASSESSED VALUATION BY USE CATEGORY [1]

Category	2017/18	% of Total	2016/17	% of Total	2015/16	% of Total
Real, Residential, Single-Family	$ 3,423,474,572	64.99%	$ 2,955,593,945	63.44%	$ 2,562,167,641	58.73%
Real, Residential, Multi-Family	143,702,063	2.73%	115,018,985	2.47%	85,613,129	1.96%
Real, Vacant Lots/Tracts	90,862,747	1.73%	87,713,197	1.88%	86,785,848	1.99%
Real, Acreage	133,380,591	2.53%	118,782,154	2.55%	119,105,338	2.73%
Real, Farm & Ranch Improvements	196,543,173	3.73%	170,765,168	3.67%	164,935,173	3.78%
Real, Commercial & Industrial	709,933,223	13.48%	649,495,338	13.94%	616,722,092	14.14%
Oil & Gas	108,600,269	2.06%	117,434,856	2.52%	307,548,025	7.05%
Utilities	102,419,447	1.94%	104,704,509	2.25%	111,982,226	2.57%
Tangible Personal, Commercial	268,910,843	5.11%	252,320,658	5.42%	210,786,016	4.83%
Tangible Personal, Industrial	30,631,494	0.58%	37,224,583	0.80%	46,007,773	1.05%
Tangible Personal, Mobile Homes & Other	8,684,857	0.16%	8,264,507	0.18%	8,363,165	0.19%
Tangible Personal, Residential Inventory	16,908,872	0.32%	11,511,118	0.25%	17,524,141	0.40%
Tangible Personal, Special Inventory	33,258,295	0.63%	29,996,190	0.64%	25,003,416	0.57%
Total Appraised Value	$ 5,267,310,446	100.00%	$ 4,658,825,208	100.00%	$ 4,362,543,983	100.00%
Less:						
Homestead Cap Adjustment	$ 203,421,619		$ 116,767,170		$ 41,274,120	
Productivity Loss	129,165,673		115,109,137		115,298,598	
Exemptions	535,544,137 [2]		515,962,095 [2]		491,793,207 [2]	
Total Exemptions/Deductions [3]	$ 868,131,429		$ 747,838,402		$ 648,365,925	
Net Taxable Assessed Valuation	$ 4,399,179,017		$ 3,910,986,806		$ 3,714,178,058	

Category	2014/15	% of Total	2013/14	% of Total	2012/13	% of Total
Real, Residential, Single-Family	$ 2,387,793,570	57.57%	$ 2,257,773,809	59.28%	$ 2,179,684,848	56.28%
Real, Residential, Multi-Family	80,339,150	1.94%	60,594,932	1.59%	50,147,542	1.29%
Real, Vacant Lots/Tracts	78,551,629	1.89%	63,648,386	1.67%	58,647,828	1.51%
Real, Acreage	113,135,733	2.73%	115,369,490	3.03%	131,134,003	3.39%
Real, Farm & Ranch Improvements	161,742,279	3.90%	83,535,284	2.19%	57,970,407	1.50%
Real, Commercial & Industrial	565,926,241	13.64%	536,797,344	14.09%	524,587,125	13.54%
Oil & Gas	347,307,816	8.37%	264,065,095	6.93%	461,984,040	11.93%
Utilities	123,005,055	2.97%	133,767,328	3.51%	120,903,670	3.12%
Tangible Personal, Commercial	213,916,998	5.16%	203,779,081	5.35%	202,305,496	5.22%
Tangible Personal, Industrial	45,776,347	1.10%	59,004,401	1.55%	60,195,752	1.55%
Tangible Personal, Mobile Homes & Other	7,297,809	0.18%	6,886,360	0.18%	6,491,485	0.17%
Tangible Personal, Residential Inventory	15,526,404	0.37%	15,382,069	0.40%	17,376,539	0.45%
Tangible Personal, Special Inventory	7,340,567	0.18%	7,973,835	0.21%	1,665,719	0.04%
Total Appraised Value	$ 4,147,659,598	100.00%	$ 3,808,577,414	100.00%	$ 3,873,094,454	100.00%
Less:						
Homestead Cap Adjustment	$ 46,209,351		$ 14,274,006		$ 6,903,943	
Productivity Loss	109,327,231		99,497,828		90,093,889	
Exemptions	349,538,024		337,980,029		337,269,834	
Total Exemptions/Deductions [3]	$ 505,074,606		$ 451,751,863		$ 434,267,666	
Net Taxable Assessed Valuation	$ 3,642,584,992		$ 3,356,825,551		$ 3,438,826,788	

(1) Source: Comptroller of Public Accounts - Property Tax Division.
(2) The passage of a Texas constitutional amendment on November 3, 2015 increased the homestead exemption from $15,000 to $25,000.
(3) Excludes values on which property taxes are frozen for persons 65 years of age or older and disabled taxpayers.

PRINCIPAL REPAYMENT SCHEDULE [1]

Fiscal Year Ending 8/31	Outstanding Bonds [2]	Plus: The Bonds [3]	Total [2]	Bonds Unpaid At Year End	Percent of Principal Retired
2018	$ 13,160,000.00	$ -	$ 13,160,000.00	$ 345,695,852.30	3.67%
2019	10,650,000.00	2,255,000.00	12,905,000.00	332,790,852.30	7.26%
2020	8,758,837.00	3,015,000.00	11,773,837.00	321,017,015.30	10.54%
2021	7,770,416.05	-	7,770,416.05	313,246,599.25	12.71%
2022	8,112,650.30	-	8,112,650.30	305,133,948.95	14.97%
2023	8,395,411.20	-	8,395,411.20	296,738,537.75	17.31%
2024	7,953,537.75	-	7,953,537.75	288,785,000.00	19.53%
2025	10,535,000.00	-	10,535,000.00	278,250,000.00	22.46%
2026	10,945,000.00	-	10,945,000.00	267,305,000.00	25.51%
2027	11,360,000.00	-	11,360,000.00	255,945,000.00	28.68%
2028	12,815,000.00	-	12,815,000.00	243,130,000.00	32.25%
2029	13,325,000.00	-	13,325,000.00	229,805,000.00	35.96%
2030	13,875,000.00	-	13,875,000.00	215,930,000.00	39.83%
2031	14,470,000.00	-	14,470,000.00	201,460,000.00	43.86%
2032	15,045,000.00	-	15,045,000.00	186,415,000.00	48.05%
2033	15,625,000.00	-	15,625,000.00	170,790,000.00	52.41%
2034	16,230,000.00	-	16,230,000.00	154,560,000.00	56.93%
2035	16,865,000.00	-	16,865,000.00	137,695,000.00	61.63%
2036	17,520,000.00	-	17,520,000.00	120,175,000.00	66.51%
2037	18,215,000.00	-	18,215,000.00	101,960,000.00	71.59%
2038	18,930,000.00	-	18,930,000.00	83,030,000.00	76.86%
2039	19,680,000.00	-	19,680,000.00	63,350,000.00	82.35%
2040	20,480,000.00	-	20,480,000.00	42,870,000.00	88.05%
2041	8,765,000.00	-	8,765,000.00	34,105,000.00	90.50%
2042	2,115,000.00	2,735,000.00	4,850,000.00	29,255,000.00	91.85%
2043	2,220,000.00	2,930,000.00	5,150,000.00	24,105,000.00	93.28%
2044	2,335,000.00	3,145,000.00	5,480,000.00	18,625,000.00	94.81%
2045	2,455,000.00	3,375,000.00	5,830,000.00	12,795,000.00	96.43%
2046	2,580,000.00	3,620,000.00	6,200,000.00	6,595,000.00	98.16%
2047	2,715,000.00	3,880,000.00	6,595,000.00	-	100.00%
Total	$ 333,900,852.30	$ 24,955,000.00	$ 358,855,852.30		

(1) The Bonds are illustrated on the State of Texas fiscal year end of August 31st, although the District's fiscal year ends June 30th.

(2) Excludes the accreted value on outstanding capital appreciation bonds.

(3) Principal payments in years 2042 through 2047 represent madatory sinking fund payments for a term bond maturing on February 1, 2047.

DEBT SERVICE REQUIREMENTS [1]

Fiscal Year Ending 8/31	Outstanding Debt Service [2]	Plus: The Bonds Principal [3]	Interest [4]	Total	Combined Total [5]
2018	$ 27,400,110.43	$ -	$ -	$ -	$ 27,400,110.43
2019	25,253,381.26	2,255,000.00	713,942.71	2,968,942.71	28,222,323.97
2020	25,242,981.26	3,015,000.00	567,500.00	3,582,500.00	28,825,481.26
2021	22,384,356.26	-	492,125.00	492,125.00	22,876,481.26
2022	22,384,456.26	-	492,125.00	492,125.00	22,876,581.26
2023	22,384,631.26	-	1,574,800.00	1,574,800.00	23,959,431.26
2024	22,382,056.26	-	1,574,800.00	1,574,800.00	23,956,856.26
2025	22,383,131.26	-	1,574,800.00	1,574,800.00	23,957,931.26
2026	22,383,706.26	-	1,574,800.00	1,574,800.00	23,958,506.26
2027	22,381,956.26	-	1,574,800.00	1,574,800.00	23,956,756.26
2028	22,386,356.26	-	1,574,800.00	1,574,800.00	23,961,156.26
2029	22,386,906.26	-	1,574,800.00	1,574,800.00	23,961,706.26
2030	22,381,893.76	-	1,574,800.00	1,574,800.00	23,956,693.76
2031	22,382,743.76	-	1,574,800.00	1,574,800.00	23,957,543.76
2032	22,386,768.76	-	1,574,800.00	1,574,800.00	23,961,568.76
2033	22,385,543.76	-	1,574,800.00	1,574,800.00	23,960,343.76
2034	22,384,943.76	-	1,574,800.00	1,574,800.00	23,959,743.76
2035	22,386,756.26	-	1,574,800.00	1,574,800.00	23,961,556.26
2036	22,382,325.00	-	1,574,800.00	1,574,800.00	23,957,125.00
2037	22,386,937.50	-	1,574,800.00	1,574,800.00	23,961,737.50
2038	22,383,562.50	-	1,574,800.00	1,574,800.00	23,958,362.50
2039	22,385,350.00	-	1,574,800.00	1,574,800.00	23,960,150.00
2040	22,382,562.50	-	1,574,800.00	1,574,800.00	23,957,362.50
2041	23,456,762.50	-	1,574,800.00	1,574,800.00	25,031,562.50
2042	2,783,125.00	2,735,000.00	1,465,400.00	4,200,400.00	6,983,525.00
2043	2,779,750.00	2,930,000.00	1,238,800.00	4,168,800.00	6,948,550.00
2044	2,780,875.00	3,145,000.00	995,800.00	4,140,800.00	6,921,675.00
2045	2,781,125.00	3,375,000.00	735,000.00	4,110,000.00	6,891,125.00
2046	2,780,250.00	3,620,000.00	455,200.00	4,075,200.00	6,855,450.00
2047	2,782,875.00	3,880,000.00	155,200.00	4,035,200.00	6,818,075.00
	$ 565,728,179.35	$ 24,955,000.00	$ 37,232,292.71	$ 62,187,292.71	$ 627,915,472.06

(1) Debt service for the Bonds is illustrated on the State of Texas fiscal year end of August 31st, although the District's fiscal year ends on June 30th.
(2) Includes the accreted value of outstanding capital appreciation bonds.
(3) Principal payments in years 2042 through 2047 represent mandatory sinking fund payments for a term bond maturing on February 1, 2047.
(4) Interest calculated at actual rates through July 31, 2022 and, for purposes of illustration, at the Highest Rate thereafter through stated maturity.
(5) Based on its wealth per student, the District expects to receive approximately $1,000,000 of state financial assistance for the payment of debt service for the fiscal year 2017/18. The amount of state financial assistance for debt service, if any, may differ substantially each year depending on a variety of factors, including the amount, if any, appropriated for that purpose by the state legislature and a school district's wealth per student. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in the Official Statement.

TAX ADEQUACY WITH RESPECT TO THE DISTRICT'S BONDS

Projected Maximum Debt Service Requirement [1]	$ 28,825,481.26
Projected State Financial Assistance for Debt Service in 2017/18 [2]	1,000,000.00
Projected Net Debt Service Requirement	$ 27,825,481.26
$0.58592 Tax Rate @ 100% Collections Produces [3]	$ 27,825,821.86
2018/19 Preliminary Certified Net Taxable Assessed Valuation	$ 4,749,122,631

(1) Includes the Bonds.
(2) The amount of state financial assistance for debt service, if any, may differ substantially each year depending on a variety of factors, including the amount, if any, appropriated for that purpose by the state legislature and a school district's wealth per student. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in the Official Statement.
(3) Bonds issued for new construction purposes are subject to the 50 cent test, and if the District uses State tier one funds to pass the test, under current law it must credit State assistance payments (including any tier one State funding used to demonstrate the District's ability to pass the $0.50 bond issuance test) to the District's interest and sinking fund each year in an amount equal to the amount used by the District to demonstrate its ability to comply with the $0.50 test, and the District may not adopt its annual interest and sinking fund tax rate until such amount of State funding has been credited to the District's interest and sinking fund. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - State Funding for Local School Districts, "DEBT LIMITATIONS" and "TAX RATE LIMITATIONS."

AUTHORIZED BUT UNISSUED BONDS

Following the issuance of the Bonds, the District will have no authorized but unissued unlimited ad valorem tax bonds from the May 6, 2017 election or any other election. The District may incur other financial obligations payable from its collection of taxes and other sources of revenue, including maintenance tax notes payable from its collection of maintenance taxes, public property finance contractual obligations, delinquent tax notes, and leases for various purposes payable from State appropriations and surplus maintenance taxes.

COMPARATIVE STATEMENT OF GENERAL FUND REVENUES AND EXPENDITURES (1)

	Fiscal Year Ended June 30				
	2013	2014	2015	2016	2017
Beginning Fund Balance	**$ 20,438,855**	**$ 20,050,794**	**$ 23,918,366**	**$ 25,212,152**	**$ 22,439,419**
Revenues:					
Local and Intermediate Sources	$ 36,778,130	$ 36,675,148	$ 39,558,660	$ 39,177,826	$ 40,229,411
State Sources	31,687,534	37,623,060	41,292,797	45,140,571	47,345,766
Federal Sources & Other	648,736	810,301	813,330	769,818	1,155,895
Total Revenues	**$ 69,114,400**	**$ 75,108,509**	**$ 81,664,787**	**$ 85,088,215**	**$ 88,731,072**
Expenditures:					
Instruction	$ 40,837,530	$ 42,682,096	$ 44,948,461	$ 49,767,935	$ 53,332,030
Instructional Resources & Media Services	1,028,008	1,087,042	1,042,128	1,053,674	1,072,215
Curriculum & Instructional Staff Development	1,009,017	969,960	965,009	1,258,089	1,319,349
Instructional Leadership	772,136	881,457	1,435,268	1,580,270	1,723,372
School Leadership	4,531,727	4,905,056	5,087,161	5,464,189	5,722,176
Guidance, Counseling & Evaluation Services	2,248,960	2,450,415	2,629,219	3,021,583	3,196,795
Social Work Services	56,328	59,666	64,471	67,334	112,998
Health Services	983,966	921,821	983,808	1,101,801	1,152,444
Student (Pupil) Transportation	1,854,085	1,871,241	1,906,042	2,783,872	2,933,393
Food Services	-	2,450	2,945	8,188	32,953
Cocurricular/Extracurricular Activities	2,151,750	2,176,254	2,883,836	2,929,217	3,044,171
General Administration	2,111,362	2,183,224	2,234,538	2,325,148	2,942,363
Plant Maintenance and Operations	8,419,921	8,051,013	8,378,445	8,195,583	8,412,133
Security and Monitoring Services	281,589	389,792	247,934	275,646	312,399
Data Processing Services	1,316,464	1,432,054	2,654,663	1,783,605	1,935,745
Community Services	9,581	7,571	6,087	16,913	36,382
Facilities Acquisition and Construction	-	769,451	476,475	40,052	-
Payments to Juvenile Justice Alternative Ed. Program	158	7,426	1,501	1,343	-
Other Intergovernmental Charges	384,873	392,948	605,045	627,746	637,407
Total Expenditures	**$ 67,997,455**	**$ 71,240,937**	**$ 76,553,036**	**$ 82,302,188**	**$ 87,918,325**
Excess (Deficiency) of Revenues over Expenditures	$ 1,116,945	$ 3,867,572	$ 5,111,751	$ 2,786,027	$ 812,747
Other Resources and (Uses):					
Transfer Out	$ (1,505,006)	$ -	$ (3,829,741)	$ (5,558,760)	$ -
Sale of Real or Personal Property	-	-	11,776	-	-
Total Other Resources (Uses)	**$ (1,505,006)**	**$ -**	**$ (3,817,965)**	**$ (5,558,760)**	**$ -**
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	$ (388,061)	$ 3,867,572	$ 1,293,786	$ (2,772,733)	$ 812,747
Ending Fund Balance (2)	**$ 20,050,794**	**$ 23,918,366**	**$ 25,212,152**	**$ 22,439,419**	**$ 23,252,166**

(1) See "MANAGEMENT'S DISCUSSION AND ANALYSIS - Economic Factors and Next Year's Budgets and Rates" in Appendix D hereto for a discussion of the 2017/18 budget and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - Possible Effects of Wealth Transfer Provisions on the District's Financial Condition" in the Official Statement.
(2) The District estimates that its General Fund balance for the Fiscal Year ending June 30, 2018 will total approximately $24,026,387.

CHANGE IN NET ASSETS [1]

	Fiscal Year Ended June 30				
	2013	2014	2015	2016	2017
Revenues:					
Program Revenues:					
Charges for Services	$ 6,025,170	$ 6,466,594	$ 6,620,392	$ 6,639,595	$ 6,998,299
Operating Grants and Contributions	6,792,248	6,888,037	6,396,028	9,749,505	8,245,324
General Revenues:					
Property Taxes Levied for General Purposes	35,332,535	34,367,419	37,232,750	37,793,546	39,179,085
Property Taxes Levied for Debt Service	16,919,470	16,495,771	17,896,527	18,104,303	18,733,850
State Aid - Formula Grants	31,980,677	38,320,076	42,264,958	46,369,557	53,075,316
Investment Earnings	83,777	57,588	58,632	213,369	351,980
Miscellaneous	923,169	1,581,129	1,689,255	1,096,123	957,418
	$ 98,057,046	$ 104,176,614	$ 112,158,542	$ 119,965,998	$ 127,541,272
Expenses:					
Instruction	$ 48,317,819	$ 51,233,610	$ 52,121,810	$ 59,854,511	$ 65,545,974
Instruction Resources & Media Services	1,176,097	1,241,127	1,174,637	1,232,622	1,259,513
Curriculum & Staff Development	1,387,811	1,324,047	1,412,597	1,931,145	2,126,353
Instruction Leadership	946,455	1,075,638	1,642,223	1,935,294	2,184,617
School Leadership	5,102,141	5,569,981	5,698,793	6,271,740	6,829,731
Guidance, Counseling & Evaluation Services	3,096,150	3,330,123	3,432,098	4,046,727	4,393,048
Social Work Services	56,328	59,666	64,471	67,371	130,744
Health Services	1,093,507	1,042,166	1,088,384	1,261,473	1,351,624
Student Transportation	1,864,305	1,880,920	1,915,025	2,794,187	2,942,211
Food Service	4,750,681	5,188,060	5,371,267	5,746,504	5,997,147
Cocurricular/Extracurricular Activities	3,026,640	3,117,749	3,753,960	3,955,992	4,315,441
General Administration	2,707,306	2,852,421	3,080,199	3,339,681	4,082,942
Plant Maintenance & Operations	9,040,354	8,584,064	8,936,625	8,761,763	9,329,370
Security and Monitoring Services	276,481	445,356	314,735	361,066	377,468
Data Processing Services	1,411,545	1,547,764	2,643,544	2,265,949	2,603,464
Community Services	643,775	687,624	671,939	815,466	973,505
Debt Service - Interest on Long-term Debt	15,492,377	14,959,125	15,143,300	12,307,683	12,017,106
Debt Service - Bond Issuance Cost and Fees	624,805	128,539	5,000	1,417,599	320,831
Business Type Activities - Child Care	610,249	543,580	552,290	562,388	566,394
Total Expenditures	$ 101,624,826	$ 104,811,560	$ 109,022,897	$ 118,929,161	$ 127,347,483
Change in Net Assets	$ (3,567,780)	$ (634,946)	$ 3,135,645	$ 1,036,837	$ 193,789
Beginning Net Assets	$ 12,608,369	$ 9,040,584	$ 1,712,436	$ (4,034,161)	$ (2,997,324)
Prior Period Adjustment	$ -	$ (6,693,202) [2]	$ (8,882,242) [3]	$ -	$ -
Ending Net Assets	$ 9,040,584	$ 1,712,436	$ (4,034,161)	$ (2,997,324)	$ (2,803,535)

(1) The foregoing information represents government-wide financial information provided in accordance with GASB 34.
(2) In accordance with GASB 65, debt issuance costs, previously reported as an asset, no longer meet that definition and are reported as expenses. The District also corrected an error from recording the premium on prior bond issuances.
(3) In accordance with GASB 68, local governments participating in defined benefit pensions are required to recognize their portion of the present value of the projected benefit payments to be provided through the pension plan.

APPENDIX B

GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY

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BURLESON INDEPENDENT SCHOOL DISTRICT

General and Economic Information

Burleson Independent School District (the "District") contains an area of 55.23 square miles in the northern portion of Johnson County and the south central portion of Tarrant County. The District encompasses the City of Burleson, a commercial center, which is located seven miles south of the City of Fort Worth at the intersection of Interstate Highway 35W and State Highway 174. Additionally, the District is traversed by Farm-to-Market roads 731 and 1187. The District's current estimated population is 69,709.

Johnson County is located in north central Texas and is a component of the Dallas-Fort Worth Consolidated Metropolitan Statistical Area (CMSA). The County is traversed by Interstate Highway 35, United States Highways 67 and 287 and State Highways 374, 173, 174 and 171. The City of Cleburne is the largest city and county seat. Additional cities in the County include Burleson, Grandview, Joshua and Keene. The County's economy is based on agriculture, manufacturing, distribution and retail. Tourism is important as well, as the area lakes attract thousands of tourists for camping and other recreation.

Source: Texas Municipal Report for Burleson ISD and Johnson County.

Enrollment Statistics

Year Ending 6/30	Enrollment
2004	7,271
2005	7,516
2006	7,977
2007	8,522
2008	9,023
2009	9,541
2010	9,846
2011	9,989
2012	10,221
2013	10,457
2014	10,711
2015	10,957
2016	11,375
2017	11,748
Current	12,136

District Staff

Teachers	759
Auxiliary Personnel	382
Teachers' Aides & Secretaries	134
Other	142
Administrators	65
	1,482

Facilities

Campus	Grades	Current Enrollment	Capacity	Year Built	Year of Addition/ Renovation
Academy at Nola Dunn	K-5	667	730	2010	
Academy of the Arts at Bransom	EE-5	558	600	2002	
Academy of Leadership & Technology at Mound	EE-5	412	570	1962	
STEAM Academy at Stribling	K-5	544	630	1998	
Brock Elementary	EE-5	697	700	2008	
Clinkscale Elementary	K-5	641	680	2009	
Frazier Elementary	PK-5	580	650	2008	
Hajek Elementary	PK-5	641	670	2008	
Norwood Elementary	PK-5	437	720	1976	
Taylor Elementary	EE-5	516	640	1986	
Hughes Middle School	6-8	1,041	900	1968	
Kerr Middle School	6-8	1,254	1,200	1960	
STEAM Middle School	6-8	596	600	1963	2015
Burleson High School	9-12	1,612	2,000	1997	
Burleson Collegiate High School	9-12	147	*	2016	
Centennial High School	9-12	1,732	2,000	2010	
Crossroads High School	9-12	61	150	2002	

**Capacity is included in the Burleson High School capacity. Both schools share a single campus.*

Principal Employers within the District

Name of Company	Type of Business	Number of Employees
Burleson ISD	Public Education	1,482
City of Burleson	Municipal Government	405
Wal-Mart	Retail	385
HEB Grocery	Grocery Retail	353
Champion Buildings	Manufacturing	340
Target	Retail	175
Sam's Club	Retail	170
Basden Steel	Manufacturing	150
Lowe's	Home Improvement Retail	145
Thomas Conveyor	Conveyor Equipment	126

Unemployment Rates

	May 2016	May 2017	May 2018
Johnson County	4.0%	3.6%	3.3%
State of Texas	4.3%	4.1%	3.7%

Source: Texas Workforce Commission

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

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NORTON ROSE FULBRIGHT

Norton Rose Fulbright US LLP
300 Convent Street, Suite 2100
San Antonio, Texas 78205-3792
United States

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FINAL

IN REGARD to the authorization and issuance of the "Burleson Independent School District Fixed Rate and Variable Rate Unlimited Tax School Building Bonds, Series 2018" (the *Bonds*), dated July 1, 2018, in the aggregate original principal amount of $24,955,000, we have reviewed the legality and validity of the issuance thereof by the Burleson Independent School District (the *Issuer*). The Bonds are issuable in fully registered form only and have Stated Maturities of February 1, 2019, February 1, 2020, and February 1, 2047, unless optionally or mandatorily redeemed prior to Stated Maturity in accordance with the applicable redemption provisions. The Bonds bear interest on the unpaid principal amount from the date of their delivery to the initial purchaser to Stated Maturity or through the end of the Initial Rate Period (as defined in the order authorizing the issuance of the Bonds (the *Order*)), as applicable and as provided in the Order, at the rate per annum stated in the Order, and such interest is payable on the dates described in the Order to the registered owners shown on the registration books of the Paying Agent/Registrar on the Record Date (stated on the face of the Bonds).

WE HAVE SERVED AS BOND COUNSEL for the Issuer solely to pass upon the legality and validity of the issuance of the Bonds under the laws of the State of Texas and with respect to the exclusion of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes and for no other purpose. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer. We have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Bonds. We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the Bonds. Our role in connection with the Issuer's Offering Memorandum prepared for use in connection with the sale of the Bonds has been limited as described therein.

WE HAVE EXAMINED the applicable and pertinent laws of the State of Texas and the United States of America. In rendering the opinions herein we rely upon (1) original or certified copies of the proceedings of the Issuer in connection with the issuance of the Bonds, including the Order; (2) customary certifications and opinions of officials of the Issuer; (3) certificates executed by officers of the Issuer relating to the expected use and investment of proceeds of the Bonds and certain other funds of the Issuer, and to certain other facts solely within the knowledge and control of the Issuer; and (4) such other documentation, including an examination of the Bonds executed and delivered initially by the Issuer, and such matters of law as we deem relevant to the matters discussed below. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements and information contained in such certificates. We express no opinion concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

BASED ON OUR EXAMINATION, IT IS OUR OPINION that the Bonds have been duly authorized and issued in conformity with the laws of the State of Texas now in force and that the Bonds are valid and legally binding obligations of the Issuer enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. The Bonds are payable from the proceeds of an ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property in the Issuer.

IT IS FURTHER OUR OPINION THAT, assuming continuing compliance after the date hereof by the Issuer with the provisions of the Order and in reliance upon the representations and certifications of the Issuer made in a certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Bonds, under existing statutes, regulations, published rulings, and court decisions (1) interest on the Bonds will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the *Code*), of the owners thereof for federal income tax purposes, pursuant to section 103 of the Code, and (2) interest on the Bonds will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals or, except as hereinafter described, corporations.

FOR TAXABLE YEARS THAT BEGAN BEFORE JANUARY 1, 2018, interest on the Bonds owned by a corporation will be included in such corporation's adjusted current earnings for purposes of computing the alternative minimum tax on such corporation, other than an S corporation, a qualified mutual fund, a real estate investment trust, a real estate mortgage investment conduit, or a financial asset securitization investment trust. The alternative minimum tax on corporations has been repealed for taxable years beginning on or after January 1, 2018.

WE EXPRESS NO OPINION herein on the excludability from gross income for federal income tax purposes of any action taken under the Order which requires that the Issuer shall have received an opinion of counsel nationally recognized in the field of municipal finance to the effect that such action will not adversely affect the excludability of the interest on the Bonds from the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes. The Order provides that prior to taking certain actions, including converting the interest rate on the Bonds from one rate mode to another rate mode, the Issuer must have received such an opinion.

WE EXPRESS NO OTHER OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement Benefits, individuals otherwise qualifying for the earned income credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Norton Rose Fulbright US LLP

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APPENDIX D

AUDITED FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2017

Burleson Independent School District

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2017
Burleson, Texas

Independent School District
Burleson, Texas

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2017

Prepared by:
Brenda Mize, Chief Financial Officer

Burleson Independent School District

Comprehensive Annual Financial Report

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For the Year Ended June 30, 2017
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For the Year Ended June 30, 2017
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Burleson Independent School District
Comprehensive Annual Financial Report
For the Year Ended June 30, 2017
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Introductory Section

1160 SW Wilshire Blvd. • Burleson, Texas 76028 • 817.245.1000 • Fax: 817.447.5737 • www.burlesonisd.net

November 13, 2017

Board of Trustees and Citizens of
Burleson Independent School District

Dear Board Members and Citizens:

In accordance with §44.008 of the Texas Education Code, an annual audit shall be performed by a certified public accountant (CPA), internal auditor and/or state auditor holding a permit from the Texas State Board of Public Accountancy. The audit must be completed at the close of each fiscal year and shall include an audit of the accuracy of the fiscal information provided by the District through the Public Education Information System (P.E.I.M.S.).

The Comprehensive Annual Financial Report (CAFR) of the Burleson Independent School District (District), approved by the Board of Trustees, is filed with the Texas Education Agency no later than the 150^{th} day after the end of the fiscal year for which the audit was made. All District funds have been audited and the auditor's reports are included within this report.

The CAFR consists of management's representations concerning the finances of the District. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the District's administration. To provide a reasonable basis for making these representations, management of the District has established a comprehensive internal control framework that is designed both to protect the District's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Because of cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

The District engaged Weaver and Tidwell, L.L.P., Certified Public Accountants, to audit the District's financial statements. Their unqualified opinion based upon the audit of the Burleson Independent School District's financial statements for the fiscal year ended June 30, 2017 is presented as the first component of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the report of the independent auditors and provides a narrative introduction, overview, and analysis to accompany the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the District

In 1901, Burleson's first school, the Red Oak Academy was constructed. It was destroyed by fire in 1909. The State of Texas granted a charter for an independent school district and the citizens of Burleson voted to construct a new school. By 1910 the new school was opened. Burleson Independent School District is located just south of Fort Worth in Tarrant and Johnson Counties. Burleson ISD covers 52 square miles. Burleson ISD has a tradition of providing an excellent education with highly-qualified teachers passionate and dedicated to student success. Burleson ISD has 17 schools serving more than 11,800 students. BISD employs approximately 1,500 staff members with 50% serving as classroom instructional employees.

Governing Body

Residents of the district elect a seven member Board of Trustees, each of which serves for three years without compensation. On a rotating basis, two or three places are filled during annual elections held the second Saturday in May.

Regular meetings are normally scheduled the second Monday of the month and are held in the District's administration building. Special meetings are scheduled as needed and announced in compliance with public notice requirements. The Board shall constitute a body corporate and shall have the exclusive power to govern and oversee the management of the public schools of the District. Decisions of the Board are based on a majority vote of the quorum present.

Governing the school district is the primary role of a school board. School board members are guardians of the public trust by adopting policies that inform district actions. Key roles and responsibilities of a school board are ensuring creation of a vision and goals for the district and evaluating district success, hiring a superintendent to serve as the chief executive officer of the District and evaluating the superintendent's success, approving an annual budget consistent with the District vision, and communicating the District's vision and success to the community.

Value Statements

Regarding the Organization:

- Data informed decisions.
- Every staff member collectively takes responsibility for every variable we control to help students success.
- Improving systems and processes to be more effective and efficient.
- Fiscally responsible.
- Continuous development of leadership throughout the organization.
- Developing both internal and external partnerships.
- Adaptability toward changing demographics, external forces, changing technology in order to be more proactive and less reactive.
- Agility in anticipation of the changing needs of students, changes in accountability, resource availability, and markets for our students.

Regarding Relationships:

- Mutual respect.
- Transparent communication.
- Valuing diversity.
- Friendliness and acceptance.
- Kindness and empathy.
- Our service for the welfare of others.

Regarding Students and Parents:

- Academic recovery through coaching every student across the finish line.
- Organize our resources to add the most value to students and parents.
- Partner with parents for the success of their student.

Budget Process

Budget Adoption. The District annually adopts legally authorized appropriated budgets for the general fund, debt service fund, and National School Lunch Program special revenue fund. The following procedures are followed in establishing the budgetary data reflected in the fund financial schedules:

1. Before June 19 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days public notice of the meeting has been given.
3. Before July 1, the Board legally enacts the budget through passage of a resolution.

The appropriated budget is prepared by fund, function, major object, and campus/department. The legal level of budgetary control (i.e. the level at which expenditures may not legally exceed appropriations) is the function level within a fund. All annual appropriations lapse at fiscal year end.

Tax Rate Adoption. The District Tax Assessor-Collector and Chief Financial Officer initially calculated the estimated rollback tax rate and published the required legal notice in June 2016. The Board held the required public meeting on June 13, 2016 to discuss the proposed rate of $1.04 maintenance and operations (General Fund) + $.50 interest and sinking (Debt Service Fund) = $1.54 per $100 taxable valuation, however no action was taken. The Board of Trustees held the required public meeting on August 8, 2016, to discuss and adopt the 2016 proposed tax rate.

Accounting System

The District follows certain methods and procedures of accounting for revenues and disbursements as required by Texas Education Code. These methods and procedures are outlined by TEA Financial Accountability System Resource Guide. The business and purchasing operations of the District are under the direction of the Superintendent and the Chief Financial Officer.

The District contracts with Skyward for computer services, which record all revenues realized and all expenditures made during the fiscal year. The records include a statement showing total receipts from each fund, itemized according to source; total disbursements, itemized according to the nature of expenditures; and the balance on hand in each fund. The records are kept in the business office under the direction of the Chief Financial Officer.

The annual operating budget is a site-based decision making process. This process is designed to allow schools and central office departments to plan future operations in a manner which best serves the needs of students. Each principal/supervisor works with a total appropriation. Individual allocations will be determined at the campus level and site based shared decision making requires input from the faculty.

Economic Condition and Outlook

Burleson is located along the southwestern edge of the Dallas / Fort Worth Metroplex, on Interstate Highway 35W and State Highway 174, and the Chisolm Trail Tollway. Economically, this region is ranked as one of the most robust in Texas, a state that in recent years has trended well ahead of a strong national economy.

Local measures of business activity have recovered and surpassed peak levels. The City is currently experiencing its largest expansion of business with more than $107 million in new taxable value, with more in the development pipeline.

Once largely agricultural, these areas have developed into a form of semi-urban, residential use. With vibrant retail destinations and commercial development, many of the individuals residing in these adjacent areas shop, dine, and send their children to schools located in Burleson. Thus, functionally speaking, Burleson's estimated population of over 42,000 belies the true size of the community's economy. The combination of highway accessibility and more than 295,000 people located within a 15 minute drive-time create a community with a strong and growing trade area.

State Funding Components

- Maintenance and Operations Tax Rate – $1.04
- Interest and Sinking Tax Rate – $0.50
- High School Allotment – $275 per grades 9-12 ADA
- Basic Allotment – $5,140
- Equalized Wealth Level – $319,500
- A guaranteed yield to $77.53 per penny of tax effort on the first 6 cents of local option
- A guaranteed yield to $31.95 per penny of tax effort on the last 11 cents of local option

State Accountability System

Texas Legislature mandated the creation of a public school accountability system to evaluate and rate school districts. The state accountability system assigns one of three academic ratings to each district and campus: *Met Standard, Met Alternative Standard,* or *Improvement Required.* These ratings are based on a framework of four indices that combine a range of indicators into a comprehensive measure of performance. The performance indices are student achievement, student progress, closing performance gaps, and postsecondary readiness.

The performance index framework combines results from STAAR assessments, graduation rates, rates of students completing the various graduation plans, and other indicators. The District received a rating of "Met Standard."

Performance Index Summary	Points Earned	Maximum Points	Index Score
Student Achievement	16,091	20,152	80
Student Progress	746	2,000	37
Closing Performance Gaps	1,256	3,000	42
Postsecondary Readiness			73
District Rating	**Met Standard**		

System Safeguards	Number of Indicators Met	Percent
Performance Rates	35 of 45	78%
Participation Rates	20 of 20	100%
Graduation Rates	6 of 7	86%
Federal Limits on Alternative Assessments	1 of 1	100%
Total	**62 of 73**	**85%**

Awards

GFOA Certificate of Achievement. Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Burleson Independent School District for its comprehensive annual financial report for the fiscal year ended June 30, 2016. This was the eight consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

Texas Comptroller Financial Transparency Stars. The Texas Comptroller of Public Accounts' Transparency Stars program recognizes local governments for going above and beyond in their transparency efforts. The program recognizes government entities that provide clear and meaningful financial information not only by posting financial documents, but also through summaries, visualizations, downloadable data and other relevant information. The Burleson Independent School District has been awarded a Transparency Star in Traditional Finances and Debt Obligation.

The previous transparency system, the Texas Transparency Leadership Circle, was an online system which ensured that taxpayer dollars were spent efficiently by ensuring decisions were made in the open and on the record. Burleson ISD received that award, the Gold Level Leadership Circle for Financial Transparency, from 2011-2016.

Acknowledgements

The presentation and development of this report would not have been possible without the special efforts of the business office and cooperation of contributing staff members. We would also like to express our appreciation to the Board of Trustees for their interest and support regarding District financial operations.

Sincerely,

Dr. Bret Jimerson
Superintendent

Brenda Mize
Chief Financial Officer

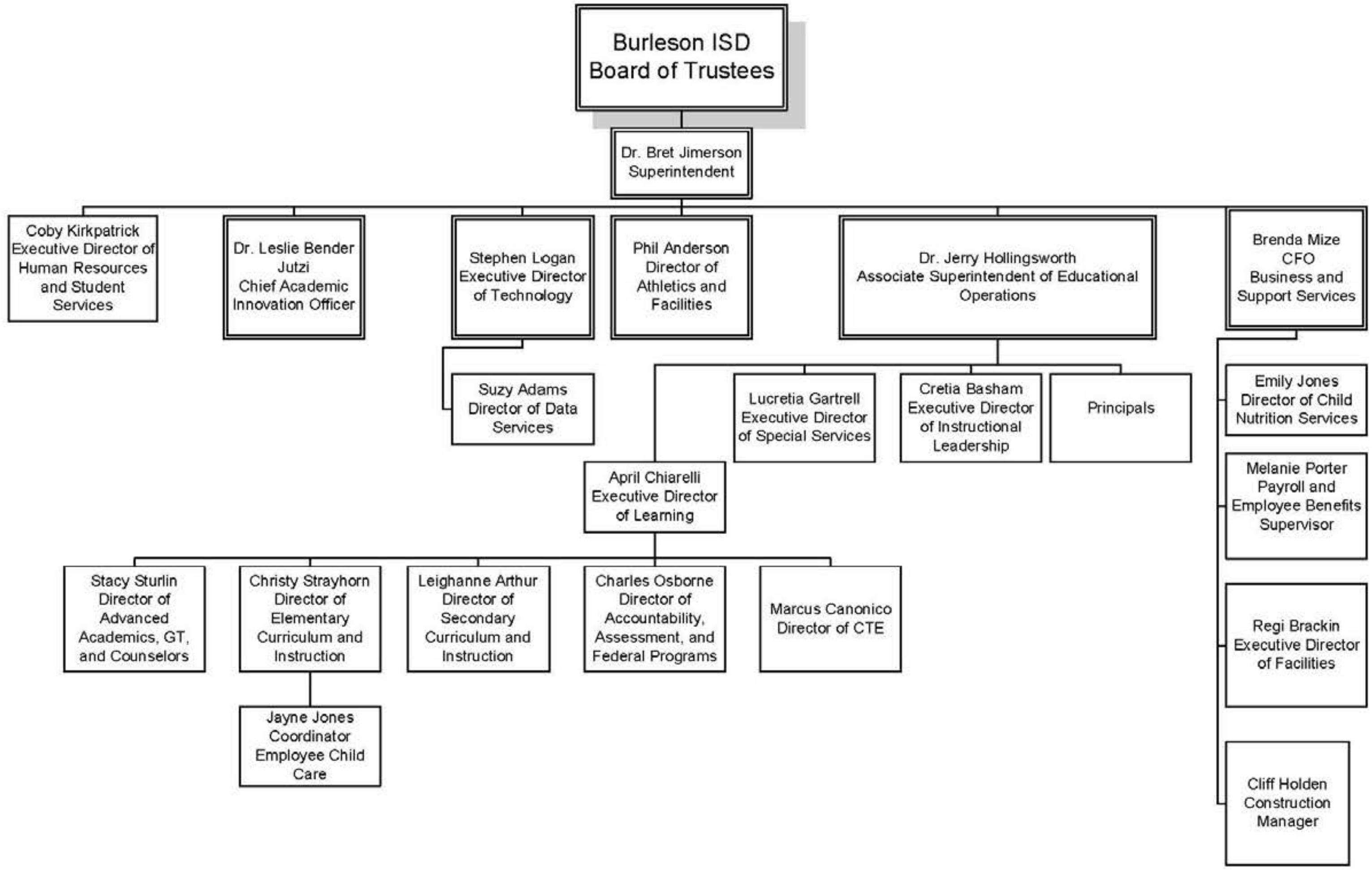
Burleson Independent School District

Board of Trustees, Administrators, and Consultants

Board of Trustees

Administrative Staff

Consultants and Advisors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Coby Kirkpatrick Executive Director of Human Resources and Student Services
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Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Burleson Independent School District

Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Jeffrey R. Emer

Executive Director/CEO

Certificate of Board

Burleson Independent	Johnson	126-902
Name of School District	County	Co. – Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) ✓ approved ________disapproved for the year ended June 30, 2017, at a meeting of the Board of Trustees of such school district on the 13 day of November, 2017.

Staci Reimer
Signature of Board Secretary

Signature of Board President

Financial Section

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Independent Auditor's Report

To the Board of Trustees of
Burleson Independent School District
Burleson, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Burleson Independent School District (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of revenues, expenditures, and changes in fund balance – budget and actual – General Fund, schedule of the District's proportionate share of the net pension liability, schedule of the District's contributions and the notes to the required supplementary information on pages 7 – 13 and 62 – 65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, compliance schedules – required by the Texas Education Agency, budgetary comparison schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulation (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

To the Board of Trustees of
Burleson Independent School District

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Fort Worth, Texas
November 13, 2017

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Management's Discussion and Analysis

As management of Burleson Independent School District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended June 30, 2017. Please read this narrative in conjunction with the independent auditor's report on page 3, and the District's Basic Financial Statements that begin on page 17.

Financial Highlights

The Texas State Legislature enacted legislation in 1999 that gives school districts the option to change their fiscal year-end to June 30. The District elected to act on this option and changed its fiscal year-end to June 30 effective with the fiscal period beginning September 1, 2008. By changing to a June 30 fiscal year-end, the District is able to align its budget, accounting, and reporting year more closely with its educational year. Annually, tax collections for the District's debt service payment due in August will be levied and collected in the fiscal year ended on June 30 prior to the August debt payment.

- On a government-wide basis, the liabilities and deferred inflows of Burleson Independent School District exceeded its assets and deferred outflows at the closed of the most recent fiscal year by $2,803,535 (net position). This is primarily the result of a decrease in cash of $3,891,843 used to fund capital expenditure purchases in 2017 of $3,905,395. Unrestricted net position was $6,582,805 as of June 30, 2017.

- The District's total net position increased by $193,789, which is due to an increase in attendance, and a corresponding increase in State Aid and property tax revenue.

- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of $48,931,136. Approximately 47% of this total amount, $22,981,552, is unassigned and available for use within the District's designations and policies.

- At the end of the current fiscal year, the unassigned fund balance of the general fund was $22,981,552 or 26% of the total general fund expenditures.

- The District's Enterprise Fund net position increased by $40,713 from operations with net position of $159,743. Increase in the Enterprise Fund was the result of client composition falling within the higher rate classification and increase in rates for each classification between 1 and 2%. This was met with more favorable expenses, leading to an overall increase in net position.

Overview of the Financial Statements

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 17 and 18). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 20) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental funds, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the District.

The District maintains a proprietary type fund shown as an Enterprise Fund for the business-type activity in the government-wide financial statements. This fund is used to account for the District's Day Care Fund.

These proprietary fund statements may be found on pages 27-29 of this report.

The notes to the financial statements (starting on page 33) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. The sections labeled TEA Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 17. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets deferred outflows, liabilities, and deferred inflows at the end of the fiscal year while the Statement of Activities includes all revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting (the basis used by private sector companies).

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the district and grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in them. The District's net position (the difference between assets deferred outflows, liabilities and deferred inflows) provides one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, we divide the District into two kinds of activities:

- Governmental activities–Most of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.

- Business-type activities–The District does have a program in which it charges a fee to "customers" to help it cover all or most of the cost of services it provides. Thus, the District Daycare was a business-type activity during the current fiscal year.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 20 and provide detailed information about the most significant funds–not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the Every Student Succeeds Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities).

- Governmental funds–Most of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

- Proprietary funds–Accounted and budgeted for using the full-accrual basis of accounting. Under this method, revenues are recognized when they are earned and measurable, while expenses are recognized when they are incurred. These are used to account for operations that provide services and/or goods for a fee.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities. The District's fiduciary activity is reported in a separate Statement of Fiduciary Assets and Liabilities on page 30. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in this fund are used for their intended purposes.

Government-Wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. On June 30, 2017, assets and deferred outflows have fallen behind liabilities and deferred inflows by $2.8 million with an increase in net position of $193,789 indicating that the District's overall financial position remains sound. A portion of the District's net position represented resources subject to external restrictions on how they may be used. As of June 30, 2017, the District's restricted net position for grant funds was $432,066 and restricted net assets for debt service was $9.1 million. As of June 30, 2017, the unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or legal requirements were $6.5 million.

The net investment in capital assets is a deficit of $18.9 million. The District uses capital assets to provide services; consequently, these assets are not available for future appropriation. Although the District's investment in its capital assets is reported net of related debt, it should be understood that the resources needed to repay District debt is provided from other resources, since the capital assets themselves cannot be used to meet debt obligations.

Business-type Activities

The only business-type activity operated by the District is the child care center.

The following table presents a comparison summary of the District's net position for the fiscal year ended June 30, 2017 and fiscal year ended June 30, 2016:

Table I
Burleson Independent School Disttrict
Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	61,412,707	64,004,558	$ 222,211	$ 184,630	$ 61,634,918	$ 64,189,188
Capital assets	277,332,349	280,467,828	-	-	277,332,349	280,467,828
Long-term investments	1,960,421	1,216,845	-	-	1,960,421	1,216,845
Total assets	340,705,477	345,689,231	222,211	184,630	340,927,688	345,873,861
Deferred outflow of resources	2,243,196	24,557,541	-	-		24,557,541
Current Liabilities	$ 25,718,006	$ 25,963,812	$ 62,468	$ 65,600	$ 25,780,474	$ 26,029,412
Long-term liabilities	339,167,187	344,336,666	-	-	339,167,187	344,336,666
Total liabilities	364,885,193	370,300,478	62,468	65,600	364,947,661	370,366,078
Deferred inflow of resources	1,221,758	3,062,648	-	-	1,221,758	3,062,648
Net position						
Net investment in capital assets	(18,985,241)	(23,725,928)	-	-	(18,985,241)	(23,725,928)
Resrticted	9,598,901	9,356,974	-	-	9,598,901	9,356,974
Unrestricted	6,423,062	11,252,600	159,743	119,030	6,582,805	11,371,630
Total net position	$ (2,963,278)	$ (3,116,354)	$ 159,743	$ 119,030	$ (2,803,535)	$ (2,997,324)

Table II presents a summary of the changes in net position for the fiscal year ended June 30, 2017 with a comparison to the fiscal year ended June 30, 2016. Net position of the District's governmental activities increased $193,789 from $1 million in the prior year. Increase was due to an increase attendance, which lead to additional revenue received during 2017, and less capital expenditures from the previous fiscal year.

Revenues in the business-type activities exceeded costs, resulting in a $40,713 increase in net position.

Table II
Burleson Independent School District
Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program Revenues						
Charges for Services	$ 6,420,911	$ 6,099,191	$ 577,388	$ 540,404	$ 6,998,299	$ 6,639,595
Operating grants and contributions	8,215,605	9,720,657	29,719	28,848	8,245,324	9,749,505
General Revenues					-	-
Maintenance and operations taxes	39,179,085	37,793,546	-	-	39,179,085	37,793,546
Debt service taxes	18,733,850	18,104,303	-	-	18,733,850	18,104,303
State aid	53,075,316	46,369,557	-	-	53,075,316	46,369,557
Investment Earnings	351,980	213,369	-	-	351,980	213,369
Miscellaneous	957,418	1,096,123	-	-	957,418	1,096,123
Total Revenue	126,934,165	119,396,746	607,107	569,252	127,541,272	119,965,998
Expenses						
Instruction, curriculum and media services	68,931,840	63,018,278	-	-	68,931,840	63,018,278
Instructional and school leadership	9,014,348	8,207,034	-	-	9,014,348	8,207,034
Student support services	8,817,627	8,169,758	-	-	8,817,627	8,169,758
Child nutrition	5,997,147	5,746,504	-	-	5,997,147	5,746,504
Extracurricular activities	4,315,441	3,955,992	-	-	4,315,441	3,955,992
General administration	4,082,942	3,339,681	-	-	4,082,942	3,339,681
Plant maintenance, security & data processing	12,310,302	11,388,778	-	-	12,310,302	11,388,778
Community Services	973,505	815,466	566,394	562,388	1,539,899	1,377,854
Debt service	12,337,937	13,725,282	-	-	12,337,937	13,725,282
Intergovernmental charges	-	-	-	-	-	-
Total Expenses	126,781,089	118,366,773	566,394	562,388	127,347,483	118,929,161
Change in net position	153,076	1,029,973	40,713	6,864	193,789	1,036,837
Net position at beginning of year	(3,116,354)	(4,146,327)	119,030	112,166	(2,997,324)	(4,034,161)
Prior Period Adjustment	-	-	-	-	-	-
Net position at end of year	$ (2,963,278)	$ (3,116,354)	$ 159,743	$ 119,030	$ (2,803,535)	$ (2,997,324)

As shown in Table II, the cost of all governmental activities for the current fiscal year was $127,347,483 However, as shown in the Statement of Activities on page 18, the amount that our taxpayers ultimately financed for these activities through District taxes was only $57,912,935 because some of the costs were paid by those who directly benefited from the programs ($6,420,911) or by other governments and organizations that subsidized certain programs with grants and contributions ($8,215,605) or by State equalization funding ($53,075,316).

The District's Funds

As the District completed the fiscal year, its governmental funds (as presented in the balance sheet on page 20) reported a combined fund balance of $48,931,136, which is $2,228,028 less than last year's total of $51,159,164. Included in this year's total change in fund balance is an increase of $812,747 in the District's General Fund, an increase of $454,041 in the District’s Debt Service Fund, and a decrease of $3,870,905 in the District’s Capital Projects Fund. The decrease in the Capital Projects Fund is primarily due to planned capital expenditures and transfers from the General Fund to the Capital Projects Fund in the previous fiscal year, which did not occur in the current fiscal year.

Over the course of the fiscal year, the Board of Trustees revised the District's budget several times. These budget amendments fall into three categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the fiscal year and reflect the actual beginning balances (versus the amounts we estimated in June 2016). The second category includes changes that the Board made during the fiscal year to reflect new information regarding revenue sources and expenditure needs. The third category involves amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs.

The District's General Fund balance of $23,252,166 reported on pages 20 differs from the General Fund's budgetary fund balance of $22,452,966 reported in the budgetary comparison schedule on page 62. This is principally due to local revenues in excess of budgeted amounts and cost savings throughout most functions.

The debt service fund has a total fund balance of $13,542,177, all of which is restricted for the payment of debt service. The District makes semi-annual debt service payments in February and August of each year. Debt service payments including bond fees for the year ended June 30, 2017 were $20,485,605.

The capital projects fund has a total fund balance of $10,154,163 all of which is committed for authorized construction and technology projects/enhancements. The net decrease in fund balance during the current year of $3,870,905 was primarily due to the resolution adopted on June 13, 2016 by the Board of Trustees transferring General Fund excess to Capital Project funds to finish summer projects and technology upgrades, along with the expenditure of funds in completing construction of Taylor Elementary.

The day care fund has total net position of $159,743, after recording a net gain of $40,713 for the year.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2017, the District had $277,332,349 invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a decrease of $3,135,479 below last year.

More detailed information about the District's capital assets is presented in Note 3 to the financial statements.

Debt Administration

At year-end, the District had $349,015,025 in bonds and other long-term liabilities outstanding (including accreted interest on bonds) versus $354,889,637 last year–an increase of $5,874,612. This increase was largely driven by a $3,117,708 increase in the net pension liability and accretion of $1,128,107, as certain capital appreciation bonds are maturing. The District’s general obligation bond rating is AAA (as a result of guarantees of the Texas Permanent School Fund) according to national rating agencies.

More detailed information about the District's long-term liabilities is presented in Note 4 to the financial statements.

Net position: Net Investment in Capital Assets

Land	$	12,020,716
Buildings		328,026,626
Furniture and Equipment		9,787,473
Construction in Progress		-
Total Capital Assets	$	349,834,815
Less Accumulated Depreciation		(72,502,466)
Related Debt		
Bonds Payable		288,945,852
Premium on Capital Appreciation Bonds		19,397,019
Less Deferred Loss on Refunding		(12,025,281)
Net Related Debt		296,317,590
Net Investment in capital assets	$	(18,985,241)

At June 30, 2017, the District had invested $349,834,815 in capital assets with $296,317,590 from debt financing. The amount of unspent bond proceeds is not used as a financing source due to the availability for use for future projects. The negative net position of $18,985,241 is derived from netting the total assets, net of related debt with accumulated depreciation (non-cash expenditure) resulting in a current year calculation of $(18,985,241) for Net Investment in Capital Assets.

Economic Factors and Next Year's Budgets And Rates

- The General Fund budgeted expenditures for the 2017-2018 year increased $5.3 million compared to the 2016-2017 budgeted expenditures.

- The District increased the maintenance and operations property tax rate at $1.17 per $100 valuation. The debt service rate remained $0.50 per $100 valuation. Based on this information and rates, original budgeted local tax revenues increased by approximately $7 million and original budgeted State foundation funding increased approximately $5.6 million.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Burleson Independent School District, 1160 SW Wilshire Blvd., Burleson, Texas 76028 (817) 245-1000.

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Basic Financial Statements

Burleson Independent School District **Exhibit A-1**

Statement of Net Position

June 30, 2017

Control Data Codes		Primary Government: Governmental Activities	Business-Type Activities	Total
	ASSETS			
1110	Cash and temporary investments	$ 43,283,211	$ 169,993	$ 43,453,204
1220	Property taxes receivable (delinquent)	2,042,655	-	2,042,655
1230	Allowance for uncollectible taxes	(202,210)	-	(202,210)
1240	Due from other governments	15,908,852	-	15,908,852
1290	Other receivables, net	-	52,218	52,218
1300	Inventories	38,501	-	38,501
1410	Prepaid expenses	341,698	-	341,698
	Capital assets			
1510	Land	12,020,716	-	12,020,716
1520	Buildings, net	261,863,160	-	261,863,160
1530	Furniture and equipment, net	3,448,473	-	3,448,473
1910	Long term investments	1,960,421	-	1,960,421
1000	Total assets	340,705,477	222,211	340,927,688
	DEFERRED OUTFLOWS OF RESOURCES			
1700	Deferred loss on refunding	12,025,281	-	12,025,281
1705	Deferred outflows - pension	10,412,915	-	10,412,915
	Total deferred outflows of resources	22,438,196	-	22,438,196
	LIABILITIES			
2110	Accounts payable	739,626	-	739,626
2140	Accrued interest payable	4,867,330	-	4,867,330
2150	Payroll deductions and withholdings	1,085,482	5,368	1,090,850
2160	Accrued wages payable	9,177,202	57,100	9,234,302
2180	Due to other governments	528	-	528
2300	Unearned revenues	-	-	-
	Noncurrent liabilities			
2501	Due within one year	9,847,838	-	9,847,838
2502	Due in more than one year	317,970,650	-	317,970,650
2540	Net pension liability	21,196,537	-	21,196,537
2000	Total liabilities	364,885,193	62,468	364,947,661
	DEFERRED INFLOWS OF RESOURCES			
2605	Deferred inflows - pension	1,221,758	-	1,221,758
	Total deferred inflows of resources	1,221,758	-	1,221,758
	NET POSITION			
3200	Net investment in capital assets	(18,985,241)	-	(18,985,241)
3820	Restricted for federal and state programs	432,066	-	432,066
3850	Restricted for debt service	9,166,835	-	9,166,835
3900	Unrestricted net position	6,423,062	159,743	6,582,805
3000	Total net position	$ (2,963,278)	$ 159,743	$ (2,803,535)

The Notes to Financial Statements are an integral part of this statement.

Burleson Independent School District
Statement of Activities
Year Ended June 30, 2017

Data Control Codes		Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions
	PRIMARY GOVERNMENT			
	Governmental activities			
11	Instruction	$ 65,545,974	$ 3,258,332	$ 1,926,781
12	Instructional resources and media services	1,259,513	-	24,922
13	Curriculum and staff development	2,126,353	-	200,965
21	Instructional leadership	2,184,617	-	77,472
23	School leadership	6,829,731	-	113,539
31	Guidance, counseling and evaluation services	4,393,048	-	231,312
32	Social work services	130,744	-	1,595
33	Health services	1,351,624	-	16,342
34	Student (pupil) transportation	2,942,211	-	41,741
35	Food services	5,997,147	2,567,586	4,686,940
36	Extracurricular activities	4,315,441	489,433	374,501
41	General administration	4,082,942	-	80,757
51	Plant maintenance and operations	9,329,370	105,560	135,304
52	Security and monitoring services	377,468	-	20,758
53	Data processing services	2,603,464	-	30,197
61	Community services	973,505	-	252,479
72	Debt service - interest on long term debt	12,017,106	-	-
73	Debt service - bond issuance cost and fees	320,831	-	-
	Total governmental activities	126,781,089	6,420,911	8,215,605
	Business-type activities			
	Child care	566,394	577,388	29,719
	Total business-type activities	566,394	577,388	29,719
[TP]	**TOTAL PRIMARY GOVERNMENT**	$ 127,347,483	$ 6,998,299	$ 8,245,324

Data Control Codes	
	General revenues
	Taxes
MT	Property taxes, levied for general purposes
DT	Property taxes, levied for debt service
SF	State aid - formula grants
IE	Investment earnings
MI	Miscellaneous revenue
TR	Total general revenues
CN	Change in net position
NB	Net position, beginning
NE	Net position, ending

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT B-1

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
$ (60,360,861)	$ -	$ (60,360,861)
(1,234,591)	-	(1,234,591)
(1,925,388)	-	(1,925,388)
(2,107,145)	-	(2,107,145)
(6,716,192)	-	(6,716,192)
(4,161,736)	-	(4,161,736)
(129,149)	-	(129,149)
(1,335,282)	-	(1,335,282)
(2,900,470)	-	(2,900,470)
1,257,379	-	1,257,379
(3,451,507)	-	(3,451,507)
(4,002,185)	-	(4,002,185)
(9,088,506)	-	(9,088,506)
(356,710)	-	(356,710)
(2,573,267)	-	(2,573,267)
(721,026)	-	(721,026)
(12,017,106)	-	(12,017,106)
(320,831)	-	(320,831)
(112,144,573)	-	(112,144,573)
-	40,713	40,713
-	40,713	40,713
$ (112,144,573)	$ 40,713	$ (112,103,860)
39,179,085	-	39,179,085
18,733,850	-	18,733,850
53,075,316	-	53,075,316
351,980	-	351,980
957,418	-	957,418
112,297,649	-	112,297,649
153,076	40,713	193,789
(3,116,354)	119,030	(2,997,324)
$ (2,963,278)	$ 159,743	$ (2,803,535)

Burleson Independent School District
Balance Sheet – Governmental Funds
June 30, 2017

Data Control Codes		10 General Fund	50 Debt Service Fund
	ASSETS		
1110	Cash and temporary investments	$ 17,638,052	$ 12,962,174
1220	Property taxes receivable (delinquent)	1,507,332	535,323
1230	Allowance for uncollectible taxes	(158,875)	(43,335)
1240	Due from other governments	14,413,553	558,048
1260	Due from other funds	146,433	81,609
1290	Other receivables	-	-
1300	Inventories	30,387	-
1410	Prepaid items	240,227	-
1910	Long term investments	1,960,421	-
1000	Total assets	35,777,530	14,093,819
1700	**DEFERRED OUTFLOWS OF RESOURCES**	-	-
1000A	**TOTAL ASSETS AND DEFERRED OUTFLOWS**	$ 35,777,530	$ 14,093,819
	LIABILITIES		
2110	Accounts payable	$ 625,239	$ 59,654
2150	Payroll deductions and withholdings	1,046,996	-
2160	Accrued wages payable	8,612,820	-
2170	Due to other funds	171,898	-
2181	Due to state	-	-
2300	Unearned revenues	-	-
2000	Total liabilities	10,456,953	59,654
	DEFERRED INFLOWS OF RESOURCES		
2600	Deferred revenue and property taxes	2,068,411	491,988
	FUND BALANCES		
	Nonspendable		
3410	Inventories	30,387	-
3430	Prepaid items	240,227	-
	Restricted		
3480	Debt service	-	13,542,177
3450	Grant funds	-	-
	Committed		
3510	Construction	-	-
3545	Other purposes	-	-
	Assigned		
3600	Unassigned	22,981,552	-
3000	Total fund balances	23,252,166	13,542,177
4000	**TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES**	$ 35,777,530	$ 14,093,819

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT C-1

60 Capital Projects	Other Funds	Total Governmental Funds
$ 10,080,535	$ 1,776,416	$ 42,457,177
-	-	2,042,655
-	-	(202,210)
-	937,251	15,908,852
88,191	472,917	789,150
-	-	-
-	8,114	38,501
101,471	-	341,698
-	-	1,960,421
10,270,197	3,194,698	63,336,244
-	-	-
$ 10,270,197	$ 3,194,698	$ 63,336,244
$ -	$ 42,706	$ 727,599
744	37,742	1,085,482
14,605	549,777	9,177,202
100,685	581,315	853,898
-	528	528
-	-	-
116,034	1,212,068	11,844,709
-	-	2,560,399
-	8,114	38,501
-	-	240,227
-	-	13,542,177
-	432,066	432,066
-	-	-
10,154,163	1,542,450	11,696,613
-	-	22,981,552
10,154,163	1,982,630	48,931,136
$ 10,270,197	$ 3,194,698	$ 63,336,244

Burleson Independent School District **Exhibit C-2**

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2017

Total fund balances - governmental funds	$	48,931,136
Capital assets used in governmental activities are not financial resources; therefore are not reported in the fund financial statements.		349,834,815
Accumulated depreciation is not reported in the fund financial statements.		(72,502,466)
Bonds payable, capital lease obligations and accumulated sick leave benefits are not reported in the fund financial statements.		(289,306,320)
Net pension liability is not reported in the fund financial statements.		(21,196,537)
Accreted interest on capital appreciation bonds is not reported in the fund financial statements.		(18,937,924)
Bond premiums on outstanding bonds payable are not recorded in the fund financial statements.		(19,397,019)
Deferred loss on bond refunding has not been reflected in the fund financial statements.		12,025,281
Property tax and other revenue reported as deferred inflows in the fund financial statements is recognized as revenue in the government-wide financial statements.		2,560,399
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.		(4,867,330)
Deferred outflows of resources for pension related liabilities are recognized in the government-wide statements but are not recorded in the fund financial statements.		10,412,915
Deferred inflows of resources for pension related liabilities are recognized in the government-wide statements but are not recorded in the fund financial statements.		(1,221,758)
The District uses internal service funds to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.		701,530
Net position of governmental activities	$	(2,963,278)

The Notes to Financial Statements are an integral part of this statement.

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Burleson Independent School District

Statement of Revenues, Expenditures, and Changes in
Fund Balances – Governmental Funds
Year Ended June 30, 2017

Data Control Codes		10 General Fund	50 Debt Service Fund
	REVENUES		
5700	Local and intermediate sources	$ 40,229,411	$ 18,885,605
5800	State program revenues	47,345,766	1,738,210
5900	Federal program revenues	1,155,895	-
5020	Total revenues	88,731,072	20,623,815
	EXPENDITURES		
	Current		
0011	Instruction	53,332,030	-
0012	Instructional resources and media services	1,072,215	-
0013	Curriculum and instructional staff development	1,319,349	-
0021	Instructional leadership	1,723,372	-
0023	School leadership	5,722,176	-
0031	Guidance, counseling and evaluation services	3,196,795	-
0032	Social work services	112,998	-
0033	Health services	1,152,444	-
0034	Student (pupil) transportation	2,933,393	-
0035	Food services	32,953	-
0036	Extracurricular activities	3,044,171	-
0041	General administration	2,942,363	-
0051	Facilities maintenance and operations	8,412,133	-
0052	Security and monitoring services	312,399	-
0053	Data processing services	1,935,745	-
0061	Community services	36,382	-
	Debt service		
0071	Principal on long-term debt	-	7,735,000
0072	Interest on long-term debt	-	12,429,774
0073	Bond issuance cost and fees	-	320,831
	Capital outlay		
0081	Facilities acquisition and construction	-	-
	Intergovernmental		
0093	Payments to fiscal agent/member districts of SSA	-	-
0095	Payments to juvenile justice alternative ed. prg.	-	-
0099	Other intergovernmental charges	637,407	-
6030	Total expenditures	87,918,325	20,485,605
1100	Excess (deficiency) of revenues over (under) expenditures	812,747	138,210
7900	**OTHER FINANCING SOURCES (USES)**		
7911	Issuance of bonds	-	17,630,000
7915	Transfers in	-	-
7916	Premium or discount on issuance of bonds	-	832,340
8911	Transfers out	-	-
8949	Payment to refunded bond escrow agent	-	(18,146,509)
7080	Total other financing sources (uses)	-	315,831
1200	Net change in fund balances	812,747	454,041
0100	**FUND BALANCE at July 1 (beginning)**	22,439,419	13,088,136
3000	**FUND BALANCE at June 30 (ending)**	$ 23,252,166	$ 13,542,177

The Notes to Financial Statements are an integral part of this statement.

Exhibit C-3

60 Capital Projects	Other Funds	Total Governmental Funds
$ 830,900	$ 5,808,240	$ 65,754,156
4,235	852,222	49,940,433
-	5,825,630	6,981,525
835,135	12,486,092	122,676,114
226,301	2,909,066	56,467,397
-	32,291	1,104,506
-	601,875	1,921,224
-	175,408	1,898,780
1,488	108,080	5,831,744
-	614,547	3,811,342
-	-	112,998
-	231	1,152,675
234,632	-	3,168,025
-	5,536,646	5,569,599
-	1,094,314	4,138,485
84,458	5,874	3,032,695
104,560	52,666	8,569,359
7,741	53,820	373,960
521,828	-	2,457,573
-	831,714	868,096
-	-	7,735,000
-	-	12,429,774
-	-	320,831
3,525,032	-	3,525,032
-	93,471	93,471
-	-	-
-	-	637,407
4,706,040	12,110,003	125,219,973
(3,870,905)	376,089	(2,543,859)
-	-	17,630,000
-	-	-
-	-	832,340
-	-	-
-	-	(18,146,509)
-	-	315,831
(3,870,905)	376,089	(2,228,028)
14,025,068	1,606,541	51,159,164
$ 10,154,163	$ 1,982,630	$ 48,931,136

Burleson Independent School District **Exhibit C-4**

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities
Year Ended June 30, 2017

Total net change in fund balances - governmental funds	$	(2,228,028)
Current year capital asset additions are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The effect of reclassifying the current year capital asset additions is to increase net position.		3,905,395
Depreciation is not recognized as an expense in the governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position in the government-wide financial statements.		(7,040,874)
The current year issuance of bonds are shown as another resource in the fund financial statements but are shown as an increase in long term debt in the government-wide financial statements.		(17,630,000)
Current year payments to bond refunding escrow agent are shown as other uses in the fund financial statements but are shown as reductions in long term debt and as a deferred loss on bond refunding in the government-wide financial statements.		17,750,000
Current year long-term debt principal payments on bonds payable and capital lease obligations are expenditures in the fund financial statements, but are shown as reductions in long-term debt in the government-wide financial statements.		7,735,000
The change in current year interest accretion on capital appreciation bonds is not reflected in the fund financial statements.		341,893
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.		(386,222)
The decrease in other long-term debt for local leave payable is not recognized in the fund financial statements.		37,209
Changes in the net pension liability, and related deferred inflows and outflows are recognized in the government-wide financials but are not reported in the fund financial statements. The effect of the change is an increase to net position.		(2,734,435)
Revenues from property taxes and other sources are deferred in the fund financial statements until they are considered available to finance current expenditures, but such revenues are recognized when assessed, net of an allowance for uncollectible amounts, in the government-wide financial statements.		181,244
Premiums associated with bonds payable are reported as revenue on the fund financial statements when bonds are issued. Amounts are reported net of amortization on the government-wide financial statements.		(317,246)
Current year amortization of the premium on bonds payable is not recorded in the fund financial statements, but is shown as a decrease in long-term debt in the government-wide financial statements.		1,000,140
Current year deferred loss on refunding associated with bonds payable is reported net of amortization on the government-wide financial statements.		(661,728)
The District uses internal service funds to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The net income of internal service funds is reported with governmental activities. The net effect of this consolidation is to increase net position.		200,728
Change in net position of governmental activities	$	153,076

The Notes to Financial Statements are an integral part of this statement.

Burleson Independent School District **Exhibit D-1**

Statement of Net Position – Proprietary Funds
June 30, 2017

	Business-type Activities Enterprise Funds	Governmental Activities Internal Service Fund
	Day Care Fund	Insurance Fund
ASSETS		
Current assets		
Cash and temporary investments	$ 169,993	$ 826,034
Receivables	52,218	-
Due from Other Funds	-	64,748
Total current assets	222,211	890,782
TOTAL ASSETS	222,211	890,782
DEFERRED OUTFLOWS	-	-
LIABILITIES		
Current liabilities		
Accounts payable	-	12,027
Payroll taxes payable	5,368	-
Accrued wages payable	57,100	-
Claims payable	-	157,681
Total current liabilities	62,468	169,708
Noncurrent liabilities		
Claims payable	-	19,544
Total noncurrent liabilities	-	19,544
TOTAL LIABILITIES	62,468	189,252
DEFERRED INFLOWS	-	-
NET POSITION		
Unrestricted	159,743	701,530
TOTAL NET POSITION	$ 159,743	$ 701,530

The Notes to Financial Statements are an integral part of this statement.

Burleson Independent School District **Exhibit D-2**

Statement of Revenues, Expenses, and Changes In
Net Position – Proprietary Funds
Year Ended June 30, 2017

	Business-type Activities Enterprise Funds	Governmental Activities Internal Service Fund
	Day Care Fund	Insurance Fund
OPERATING REVENUES		
Charges for services	$ 577,388	$ 486,331
Total operating revenues	577,388	486,331
OPERATING EXPENSES		
Personnel services	519,089	-
Contractual services	6,979	-
Utilities	17,465	-
Other supplies and expenses	21,644	-
Other operating costs	1,217	285,603
Total operating expenses	566,394	285,603
Operating income	10,994	200,728
NONOPERATING REVENUES		
State on-behalf revenue	29,719	-
Total nonoperating revenue	29,719	-
Income before contributions and transfers	40,713	200,728
Change in net position	40,713	200,728
TOTAL NET POSITION, beginning	119,030	500,802
TOTAL NET POSITION, ending	$ 159,743	$ 701,530

The Notes to Financial Statements are an integral part of this statement.

Burleson Independent School District **Exhibit D-3**

Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2017

	Business-type Activities Enterprise Funds	Governmental Activities Internal Service Fund
	Day Care Fund	Insurance Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and interfund services	$ 575,166	$ 421,583
Payments to suppliers	(47,305)	(360,299)
Payments to employees	(492,502)	-
Net cash provided by operating activities	35,359	61,284
Net increase in cash and temporary investments	35,359	61,284
BALANCES, beginning of the year	134,634	764,750
BALANCES, end of the year	$ 169,993	$ 826,034
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 10,994	$ 200,728
Adjustments to reconcile operating income to net cash provided by operating activities		
State on-behalf revenue	29,719	-
Change in assets and liabilities		
Receivables	(2,222)	-
Due from other funds	-	(64,748)
Accounts and payroll taxes payables	(1,203)	628
Accrued wages payable	(1,929)	-
Claims payable	-	(75,324)
Net cash provided by operating activities	$ 35,359	$ 61,284

The Notes to Financial Statements are an integral part of this statement.

Burleson Independent School District **Exhibit E-1**

Statement of Fiduciary Net Position – Fiduciary Funds

June 30, 2017

	Private Purpose Trust Fund	Agency Fund
ASSETS		
Cash and temporary investments	$ 33,715	$ 74,520
Total assets	$ 33,715	$ 74,520
LIABILITIES		
Accounts payable	$ -	$ 191
Due to student groups	-	74,329
Total liabilities	-	$ 74,520
NET POSITION		
Held in trust for scholarships and other purposes	$ 33,715	

The Notes to Financial Statements are an integral part of this statement.

Burleson Independent School District **Exhibit E-2**

Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2017

		Private Purpose Trust Fund
NET POSITION, beginning of the year	$	34,715
Deductions		
Scholarships granted		(1,000)
NET POSITION, end of year	$	33,715

The Notes to Financial Statements are an integral part of this statement.

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Note 1. Summary of Significant Accounting Policies

Burleson Independent School District's (the District) financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide (FAR). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

Reporting Entity

The Board of Trustees, a seven-member group, has fiscal accountability over all activities related to public elementary and secondary education within the jurisdiction of the District. The public elects the Board of Trustees (the Board). The trustees as a body corporate have the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (Agency) or to the State Board of Education are reserved for the trustees, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the trustees.

The District's basic financial statements include the accounts of all District operations. The District is not included in any other governmental reporting entity as defined by GASB. And based on the criteria set forth by GASB, the District has no component units.

Basis of Presentation

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity within the governmental activities columns has been removed from these statements. Taxes and intergovernmental revenues normally support governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The District segregates transactions related to certain functions or activities in separate, self-balancing funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column. Governmental funds are those funds through which most governmental functions typically are financed. The District has presented the following major governmental funds:

General Fund – This fund is established to account for resources financing the fundamental operations of the District, in partnership with the community, in enabling and motivating students to reach their full potential. All revenues and expenditures not required to be accounted for in other funds are included here. This is a budgeted fund and any fund balances are considered resources available for current operations. Fund balances may be committed or assigned by the Board of Trustees to implement its responsibilities.

Debt Service Fund – This fund is established to account for payment of principal and interest on long-term general obligation debt and other long-term debts for which a tax has been dedicated. This is a budgeted fund. Any unused debt service fund balances are transferred to the General Fund after all of the related debt obligations have been met.

Capital Projects Fund – This fund is established to account for proceeds from the sale of bonds and other resources to be used for Board authorized acquisition, construction, or renovation as well as furnishings and equipping of major capital facilities. Upon completion of a project, any unused bond proceeds are used to retire related bond principal. The fund balance is restricted for capital acquisition to the extent that bond proceeds remain while the remaining portion of fund balance has been committed by the Board for future capital projects.

Enterprise Fund – This fund is a proprietary fund used to account for the operations of the District's day care program. The enterprise fund reports the same functions presented as business-type activities in the government-wide financial statements. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Revenues are distinguished between operating and non-operating. Operating revenues are derived primarily from charges to users. Non-operating revenues are derived from state on-behalf contributions to the employees' pension plan and retiree health plan. All expenses are considered operating.

Internal Service Fund – This fund is a proprietary fund used to account for accumulation of resources for the payment of employee workers' compensation and claims. Accrued liabilities include provisions for claims reported and claims incurred but not reported. The provision for claims is determined by estimating the amount which will ultimately be paid to each claimant. The provision for claims incurred but not yet reported is estimated based on District experience and that of similar districts.

Additionally, the District reports the following fund types:

Special Revenue Funds – These funds are established to account for federal, state and local funds received mostly through grants. In many special revenue funds, any unused balances are returned to the grantor at the close of specified project periods. For funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds. Fund balance is either restricted or committed for purposes specified by grant requirements or board policy.

Agency Funds – These custodial funds are used to account for activities of student groups and other organizational activities requiring clearing accounts. Financial resources for the Agency funds are recorded as assets and liabilities; therefore, these funds do not include revenues and expenditures and have no fund equity. If any unused resources are declared surplus by the student groups, they are transferred to the General Fund with a recommendation to the Board for an appropriate utilization through a budgeted program.

Private Purpose Trust Funds – These funds are used to account for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District has funds that have been received for scholarships that are to be awarded to current and former students for post-secondary education purposes.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the private purpose trust financial statements. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the statement of activities presents increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred.

The enterprise and internal service fund financial statements use the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the statement of revenues, expenses, and changes in net position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available.

Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after year-end. The property taxes received after the 60 day period are recorded as a deferred inflow of resources. A one year availability period is used for recognition of all other governmental fund revenue. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, charges for services, interest income and intergovernmental revenues.

Revenues from state and federal grants are recognized as earned when the related program expenditures are incurred. Funds received but unearned are reflected as unearned revenues, and funds expended but not yet reimbursed are shown as receivables. Funds received before time requirements are met but after all other eligibility requirements have been met will be reported as a deferred inflow of resources.

In accordance with the FAR, the District has adopted and installed an accounting system which exceeds the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure presented in the Accounting Code Section of the FAR.

Budgetary Control

Formal budgetary accounting is employed for all required Governmental Fund Types, as outlined in TEA's FAR module, and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles. The budget is prepared and controlled at the function level within each organization to which responsibility for controlling operations is assigned.

The official school budget is prepared for adoption for required Governmental Fund Types prior to June 19 of the preceding fiscal year for the subsequent fiscal year beginning July 1. The budget is formally adopted by the Board of Trustees at a public meeting held at least ten days after public notice has been given.

The budget is prepared by fund, function, object, and organization. The budget is controlled at the organizational level by the appropriate department head or campus principal within Board allocations. Therefore, organizations may transfer appropriations as necessary without the approval of the board unless the intent is to cross fund, function or increase the overall budget allocations. Control of appropriations by the Board of Trustees is maintained within Fund Groups at the function code level and revenue object code level.

Annual budgets are legally adopted on a basis consistent with generally accepted accounting principles for the General Fund, the Debt Service Fund and the Child Nutrition Program. TEA requires these budgets to be filed with the Agency. The budget should not exceed expenditures in any function and expenditure category under TEA requirements. The original and amended budgets are included in this report as schedules G-1, J-3 and J-4.

The other special revenue funds and the Capital Projects Fund adopt project-length budgets which do not correspond to the District's fiscal year. Each annual budget is presented on the modified accrual basis of accounting.

The budget is amended throughout the year by the Board of Trustees. Such amendments are reflected in the official minutes of the Board.

A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds at June 30, 2017 is as follows:

Appropriated budget funds	
Child nutrition program	$ 193,290
Nonappropriated budget funds	1,789,340
All special revenue funds	$ 1,982,630

Encumbrance Accounting

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment of Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent an expenditure for the period, only a commitment to expend resources. Appropriations lapse at June 30 and encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent year's budget.

As of June 30, 2017, there were no outstanding purchase orders.

Cash Equivalents

For purposes of the statement of cash flows, investments are considered to be cash equivalents if they are highly liquid with a maturity within three months or less.

Prepaid Items

The consumption method is used to account for prepayments. Under this method, these items are carried in a prepaid account at the respective fund at cost and are subsequently charged to expenditures when used. Prepaid balances are for payments made by the District in the current year to provide services occurring in the subsequent fiscal year, and the prepaid items have been recognized as nonspendable to signify that a portion of fund balance is not available for other subsequent expenditures.

Investments

Investments, except for the investment pools, are recorded at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. External investment pools operate in accordance with appropriate state laws and regulations and may be reported at amortized cost. The non-TRS pension trust fund investment is a fixed annuity contract and is reported at contract value (a cost-based measure).

Inventories

The consumption method is used to account for inventories of food products and school supplies. Under this method, these items are carried in an inventory account of the respective fund at cost, using the first-in, first-out method of accounting and are subsequently charged to expenditures when consumed. Reported inventories are classified as a nonspendable fund balance indicating that they are unavailable as current expendable financial resources.

Interfund Receivables and Payables

Short-term amounts owed between funds are classified as "Due to/from other funds".

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets, works of art and similar items, and capital assets received in a service concession arrangement are value at the acquisition value. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Assets capitalized have an original cost of $5,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings 25-50 years
Furniture and equipment 10 years

Categories and Classifications of Fund Balances

Fund balance classifications comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Fund balance categories are Nonspendable and Spendable. Classifications under the Spendable category are Restricted, Committed, Assigned, and Unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Unassigned fund balance is a residual classification within the General Fund. The General Fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance. For further details on the various fund balance classifications, refer to Note 14.

Net Position

Net position equals assets plus deferred outflows minus deferred inflows and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

When both restricted and unrestricted net position is available, restricted net position is expended before unrestricted net position if such use is consistent with the restricted purpose.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the current period.

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

Oil and Gas Royalties

The District receives royalties related to various oil and gas leases for which the District acts as lessor. The royalties are generally payable to the District when production begins at the lease site, and revenue is recognized at the time the royalty is earned. These revenues have been committed in the Capital Projects Fund by the Board for future capital projects.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Deferred Outflows and Deferred Outflows of Resources

The statement of net position includes a separate section, in addition to assets, for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position/fund balance that applies to a future period(s) and therefore will not be recognized as an expense/expenditure until that time. In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources, represents an acquisition of net position/fund balance that applies to a future period(s) and so will not be recognized as revenue until that time.

If a balance previously reported as an asset or liability does not meet the definition of an asset, deferred outflow, liability, or deferred inflow, then it must be reported as a current inflow or outflow of resources (revenue, expense, or expenditure).

The portion of the District's property tax levy that was not collected until more than 60 days after the end of the current year and therefore not considered available has been reported as a deferred inflow of resources in the Governmental Funds Balance Sheet totaling $1,348,457and $491,988 in the General Fund and Debt Service Fund, respectively. The remaining amounts reported in the General Fund represent governmental revenue not expected to be collected within one year and has therefore, been reported as deferred outflow of resources.

Defined Benefit Pension Plan

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The Teacher Retirement System of Texas (TRS) administers the plan. The fiduciary net position of the TRS 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 reported by the District, 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.

Note 2. Deposits and Investments

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust, with the District's agent bank, approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Investments

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy.

That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

Statutes authorize the District 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 Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

Cash and investments as of June 30, 2017 are classified in the accompanying financial statements as follows:

Primary government	$	45,413,625
Fiduciary funds		108,235
	$	45,521,860

Cash and investments as of June 30, 2017 consist of the following:

Cash and temporary investments	$	43,561,439
Long term investments		1,960,421
	$	45,521,860

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. That policy addresses the following risks:

Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2017, the District's bank balance of cash deposits, including money markets and certificates of deposit, totaled $5,619,513 and the carrying amount was $4,915,921. This entire amount was either collateralized with securities held by the District's agent or covered by FDIC insurance.

In addition, the following is disclosed regarding coverage of combined balances on the date of the highest cash balance:

- Depository: Wells Fargo;
- Securities pledged as of the date of the highest balance: $13,487,857;
- Largest cash, savings, and certificate of deposit combined account balance amounted to $11,771,603 and occurred during November 2016;
- Total amount of FDIC coverage at the time of the largest combined balance was $250,000.

At the date of the highest combined balance, the District was fully collateralized.

Custodial Credit Risk – Investments: The District's investments are insured, registered, or the District's agent holds the securities in the District's name; therefore, the District is not exposed to custodial risk. Custodial risk for investments is 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 its investments or collateral securities that are in the possession of another party.

The District generally holds securities to maturity. The District did not purchase any derivative investment products during the current year nor did the District participate in any repurchase agreements or security lending agreements during the current year.

<u>Credit Risk:</u> State Law and the District's investment policy limits investments in all categories to top ratings issued by nationally recognized statistical rating organizations. The credit risk is such that an issuer or other counterparty to an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The credit quality rating for Lone Star Investment Pool at year-end was AAA (Standard & Poor's). The credit quality rating for TexPool Investment Pool at year-end was AAAm (Standard & Poor's). The credit quality rating for Wells Fargo at year end was AAAm (Standard & Poor's).

<u>Interest Rate Risk:</u> This is the risk that changes in interest rates will adversely affect the fair value of an investment.

The District does not have a formal policy relating to investment-related risks.

<u>Foreign Currency Risk</u>: This is the risk that exchange rates will adversely affect the fair value of an investment. At June 30, 2017, the District was not exposed to foreign currency risk.

<u>Concentration of Credit Risk:</u> This is the risk of loss attributed to the magnitude of the District's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. Investment pools are excluded from the 5 percent disclosure requirement. The District did not have any other investments that exceeded 5 percent.

The District is a voluntary participant in TexPool Investment Pool and Lone Star Investment Pool. The State Comptroller of Public Accounts exercises responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. TexPool operates in a manner consistent with the SEC's Rule 2A7 of the Investment Company Act of 1940.

The Lone Star Investment Pool is governed by an 11-member board, all of whom are participants in the Pool. This ensures that the policies they set affect not only other entities' assets, but their own as well. The Board meets quarterly to review Pool operations, adopt or make changes to the investment policy, review the Pool's financial statements, and approve Pool contractor agreements. The Pool is tailored to comply with the Public Funds Investment Act.

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the Act), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the fair value of its underlying investment portfolio within one half of one percent of the value of its shares.

The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The framework provides for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

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

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

The Texpool and Lone Star investment pools are external investment pools measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, investment pools must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity and diversification requirements within the investment pool.

Investment Pools measured at amortized cost are exempt from fair value reporting. Certificates of deposits are considered deposits with financial institutions and are also excluded.

The District has the following amount invested in external investment pools and certificates of deposits. The District's investment balances and weighted average maturity of such investments are as follows:

		Fair Value Measurements Using					
	Value at June 30, 2017	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Percent of Total Investments	Weighted Average Maturity (Days)	Credit Risk
Investments measured at amortized cost							
Investment pools							
TexPool	$ 21,711,151	$ -	$ -	$ -	53%	39	AAAm
Lonestar	16,934,379	-	-	-	42%	46	AAA
Investments by fair value level							
Commercial Paper	762,676	-	762,676	-	2%	387	A+
Municipal Bonds	1,197,745	-	1,197,745	-	3%	322	A1
Total	$ 40,605,951	$ -	$ 1,197,745	$ -	100%		
Portfolio weighted average maturity						57.39	

The investment pools meet the criteria to be recorded at amortized cost, which in most cases approximates fair value. The objective of the external investment pools is to maintain a stable $1.00 net asset value. The investment pools 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 US government securities), and can meet reasonably foreseeable redemptions. Texpool and Lone Star have a redemption notice period of one day and no maximum transaction amounts. The investment pools' authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pools' liquidity.

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Additions/ Completions	(Retirements)/ Adjustments	Balance June 30, 2017
Governmental activities				
Capital assets not being depreciated				
Land	$ 12,020,716	$ -	$ -	$ 12,020,716
Total capital assets not being depreciated	12,020,716	-	-	12,020,716
Capital assets being depreciated				
Buildings	324,586,765	3,439,861	-	328,026,626
Furniture and equipment	9,321,939	465,534	-	9,787,473
Total assets being depreciated	333,908,704	3,905,395	-	337,814,099
Less accumulated depreciation for				
Buildings	(59,659,053)	(6,504,413)	-	(66,163,466)
Furniture and equipment	(5,802,539)	(536,461)	-	(6,339,000)
Total accumulated depreciation	(65,461,592)	(7,040,874)	-	(72,502,466)
Total capital assets being depreciated, net	268,447,112	(3,135,479)	-	265,311,633
Governmental activities capital assets, net	$ 280,467,828	$ (3,135,479)	$ -	$ 277,332,349

Depreciation expense was charged as direct expense as follows:

Governmental activities	
Instruction	$ 4,838,335
Instructional resources and media services	81,983
Curriculum and staff development	98,162
Instructional leadership	146,304
School leadership	527,743
Guidance, counseling and evaluation services	287,561
Social Services	9,386
Health services	105,223
Student (pupil) transportation	4,663
Food services	226,119
Extracurricular activities	19,663
General administration	168,942
Plant maintenance and operations	436,593
Data processing services	87,731
Community services	2,466
Total depreciation expense - governmental activities	$ 7,040,874

Note 4. Long-Term Debt

Long-term debt includes par bonds, capital appreciation (deep discount) serial bonds, capital leases and accumulated sick leave benefits. All long-term debt represents transactions in the District's governmental activities.

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas (SID), which is the Municipal Advisory Council.

This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

The following is a summary of the changes in the District's long-term debt for the year ended June 30, 2017:

	Interest Rate Payable	Amounts Outstanding 7/1/2016	Issued Current Year	Refunded Current Year	Interest Accretion	Retired	Amounts Outstanding 6/30/2017	Due Within One Year
Bond indebtedness								
1995 Refunding bonds	5.90-5.95%	$ 65,852	$ -	$ -	$ -	$ -	$ 65,852	$ -
2007 School building and refunding bonds	4.00-5.00%	25,735,000	-	16,780,000	-	4,395,000	4,560,000	4,560,000
2008 School building bonds	4.00-5.50%	1,370,000	-	970,000	-	125,000	275,000	135,000
2009 School building bonds	2.45-5.00%	66,290,000	-	-	-	75,000	66,215,000	55,000
2010 School building and refunding bonds	4.00%	25,840,000	-	-	-	360,000	25,480,000	1,300,000
2011 School building and refunding bonds	2.00-5.00%	23,305,000	-	-	-	1,185,000	22,120,000	295,000
2012 School building and refunding bonds	.057-3.00%	8,160,000	-	-	-	215,000	7,945,000	225,000
2015 School building and refunding bonds	2.00-5.00%	25,315,000	-	-	-	-	25,315,000	25,000
2016 School building and refunding bonds	2.00-5.00%	120,720,000	-	-	-	1,380,000	119,340,000	245,000
2017 School building and refunding bonds	2.00-5.00%		17,630,000	-	-	-	17,630,000	180,000
Total bonded indebtedness		296,800,852	17,630,000	17,750,000	-	7,735,000	288,945,852	7,020,000
Other district obligations								
Accreted interest on Capital appreciation bonds		19,279,817	-	-	1,128,107	1,470,000	18,937,924	1,500,000
Premium on bonds		20,079,913	832,340	-	-	1,515,234	19,397,019	1,125,987
Accumulated sick leave benefits		397,677	11,520	-	-	48,729	360,468	44,170
Claims payable		252,549	116,169	-	-	191,493	177,225	157,681
Net Pension Liability		18,078,829	4,903,455	-	-	1,785,747	21,196,537	-
Total other obligations		58,088,785	5,863,484	-	1,128,107	5,011,203	60,069,173	2,827,838
Total obligation of district		$ 354,889,637	$ 23,493,484	$ 17,750,000	$ 1,128,107	$ 12,746,203	$ 349,015,025	$ 9,847,838

Presented below is a summary of general obligation bond requirements to maturity as of June 30:

	Principal	Interest	Total Requirements
2018	$ 7,020,000	$ 13,167,248	$ 20,187,248
2019	7,095,000	13,018,135	20,113,135
2020	7,390,000	12,716,510	20,106,510
2021	5,328,837	14,836,423	20,165,260
2022	7,090,416	13,034,294	20,124,710
2023-2027	41,646,599	58,924,352	100,570,951
2028-2032	59,985,000	40,162,039	100,147,039
2033-2037	74,295,000	25,541,619	99,836,619
2038-2042	79,095,000	21,867,140	100,962,140
	$ 288,945,852	$ 213,267,760	$ 502,213,613

The 1995, 2009, 2010 and 2011 bond series include Capital Appreciation Bonds. No interest is paid on these bonds prior to maturity. The bonds mature variously in 2017 through 2041. Interest accrues on these bonds each February 1 and August 1 even though the interest is not paid until maturity.

General Obligation Bonds are direct obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the District. General Obligation Bonds require the District to compute, at the time taxes are levied, the rate of tax required to provide (in each year bonds are outstanding) a fund to pay interest and principal at maturity. The District is in compliance with this requirement.

There are a number of limitations and restrictions contained in the various general obligation bonds indentures. The District is in compliance with all significant limitations and restrictions at June 30, 2017.

The General Fund has been used to liquidate the liability for compensated absences.

On May 4, 2017 the District issued Unlimited Tax Refunding Bonds, Series 2017 for $17,630,000 to refund a portion of the Unlimited Tax School Building and Refunding Bonds, Series 2007 and Series 2008. The bonds bear accrue interest at rates from 2% to 5%, which is due and payable on February 1 and August 1 of each year. The bonds are scheduled to mature between 2017 and 2040. The refunding was undertaken to reduce the District's total debt service payments over the next 21 years by $3,003,946 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of $2,170,137.

The District defeased certain outstanding unlimited tax school building bonds from Series 2007 and 2008 by placing the proceeds of new bonds in an irrevocable trust to provide for future debt service payments on the old bonds. Accordingly, the trust accounts and the defeased bonds are not included in the District's financial statements. At June 30, 2017, $16,780,000 and $970,000 are considered defeased on Series 2007 and 2008, respectively.

Subsequent to June 30, 2017, the District issued Unlimited Tax School Building Bonds, Series 2017 for $52,335,000. The bonds bear accrue interest at rates from 4% to 5%, which is due and payable on February 1 and August 1 of each year. The bonds are scheduled to mature between 2018 and 2047.

Note 5. Property Taxes

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District levies its taxes on October 1 on the assessed (appraised) value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code.

Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll upon which the levy for the 2017 fiscal year was based was $3,880,366,485. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to both penalty and interest charges plus 15% delinquent collection fees for attorney costs.

The tax rates assessed for the fiscal year ended June 30, 2017 to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were $1.04 and $0.50 per $100 valuation, respectively, for a total of $1.54 per $100 valuation.

Current tax collections for the year ended June 30, 2017 were 101% of the year-end adjusted tax levy. 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 on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of June 30, 2017, property taxes receivable, net of estimated uncollectible taxes, totaled $1,348,457and $491,988 for the General and Debt Service Funds, respectively.

Property taxes are recorded as receivables and unearned revenues at the time the taxes are assessed. Revenues are recognized as the related ad valorem taxes are collected.

Note 6. Defined Benefit Pension Plans

Plan Description

The District participates in and contributes to a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with 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 benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at https://www.trs.texas.gov/TRS%20Documents/cafr_2016.pdf; by writing to TRS at 1000 Red River Street, Austin, TX, 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 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

Contributions

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017. Contribution rates can be found in the TRS 2016 CAFR, Note 12, on Page 82.

	Contribution Rates	
	2016	2017
Member	7.2%	7.7%
Non-employer contributing entity (State)	6.8%	6.8%
Employers	6.8%	6.8%

Employer #0442	2017
Employer contributions	$ 1,785,747
Member contributions	5,105,613
NECE on-behalf contributions	3,309,615

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

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

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

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

Actuarial Assumptions

The total pension liability in the August 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	August 31, 2016
Actuarial cost method	Individual entry age normal
Asset valuation method	Market value
Single discount rate	8.00%
Long term expected investment rate of return	8.00%
Inflation	2.5%
Salary increases including inflation	3.5% to 9.5%
Payroll growth rate	2.5%
Benefit changes during the year	None
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2014 and adopted on September 24, 2015.

Discount Rate

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was 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 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2016 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns*
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	100%		8.7%

* The Expected Contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2016 Net Pension Liability.

	1% Decrease in discount rate (7.0%)	Discount rate (8.0%)	1% Increase in discount rate (9.0%)
District's proportionate share of the net pension liability	$ 32,805,099	$ 21,196,537	$ 11,350,130

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the District reported a liability of $21,196,537 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	$ 21,196,537
State's proportionate share that is associated with District	39,284,622
Total	$ 60,481,159

The net pension liability was measured as of August 31, 2016 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, 2015 thru August 31, 2016.

At August 31, 2016, the employer's proportion of the collective net pension liability was 0.05609%, which was an increase from 0.05114%, its proportion measured as of August 31, 2015.

Changes Since the Prior Actuarial Valuation

There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

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

For the year ended August 31, 2017, the District recognized pension expense of $4,076,807 and revenue of $4,076,807 for support provided by the State.

At August 31, 2017, 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 experience	$ 332,358	$ 632,916
Changes in actuarial assumptions	646,032	587,540
Differences between projected and actual investment earnings	1,794,879	-
Changes in proportion and difference between the employer's contributions and the proportionate share of the contributions	6,662,400	1,302
Contributions paid to TRS subsequent to the measurement dates	977,246	-
	$ 10,412,915	$ 1,221,758

The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows, except the portion related to District contributions made subsequent to the measurement date, which will be recognized as a reduction in the net pension liability:

Year ended August 31:	Pension Expense Amount
2018	$ 1,454,886
2019	1,454,886
2020	2,599,747
2021	1,366,917
2022	1,008,201
Thereafter	329,274

Note 7. School District Retiree Health Plan

Plan Description

The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees authority to establish and amend the basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS Web site at www.trs.state.tx.us or by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling 1-800-223-8778.

Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payrolls set at 0.55% for fiscal years 2017, 2016 and 2015. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended June 30, 2017, 2016 and 2015, the State's contributions to TRS-Care were $644,870, $620,599 and $546,846, respectively, the active member contributions were $435,471, $403,390 and $368,752, respectively, and the school district's contributions were $368,471, $339,953 and $312,022, respectively, which equaled the required contributions each year.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare 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. These on-behalf payments are recognized as equal revenues and expenditures/expenses by the District. For the years ended June 30, 2017, 2016 and 2015, the contributions made on behalf of the District were $206,023, $246,135 and $168,936, respectively.

Note 8. Accumulated Unpaid Sick Leave Benefits

Upon retirement of certain employees with ten years or more service and other requirements, the District pays any accrued, unused local sick leave in a lump sum cash payment, at one-half of the employee's daily rate. A summary of changes in the accumulated local sick leave liability follows:

Balance at July 1, 2016	$	397,677
Additions		
new entrants, days earned (net), and salary increments		11,520
Deductions		
payments to participants		(48,729)
Balance at June 30, 2017	$	360,468

The liability for unpaid sick leave benefits is reported in the District's government-wide financial statements as long-term debt. In prior years, the District's General Fund has been used to pay unused sick leave benefits to retiring employees.

Note 9. Interfund Activity

Interfund balances consist of short-term borrowing arrangements that result primarily from payroll and other regularly occurring charges that are paid by the General Fund and then charged back to the appropriate other fund. Additionally, some borrowing may occur between two or more nonmajor governmental funds. The District had not cleared the following interfund payables and receivables at year-end. Most of the amounts represent short-term borrowings between funds for operating expense payments.

	Due from Other Funds	Due to Other Funds
Major governmental funds		
General fund	$ 146,433	$ 171,898
Capital projects fund	88,191	100,685
Debt service fund	81,609	-
Nonmajor governmental funds		
Special revenue funds		
Child nutrition program	436,017	573,150
Campus activity funds	36,900	8,165
Internal serivce fund	64,748	-
Total	$ 853,898	$ 853,898

Note 10. Risk Management

The District is exposed to various risks related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District's risk management program encompasses various means of protecting the District against loss through self-insurance, by obtaining property, casualty, and liability coverage through commercial carriers. The District's participation in the risk pool is limited to payment of premiums. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

Health Care

Employees of the District are covered under the State of Texas statewide health insurance plan (TRS Active-Care). TRS Active-Care is a fully insured plan. During 2016-2017, the District contributed $237 per month per employee to the Plan and employees, at their option, authorized payroll withholdings to pay any additional contributions and contributions for dependents.

Workers' Compensation Pool Self-funded

Starting October 1, 2012, the District self-insures against workers' compensation. The costs associated with the self-insurance plan are reported as operating revenues and operating expenses of the Internal Service fund. The total estimated claims payable at June 30, 2017, includes $177,225 for workers' compensation case reserve losses, with $157,681 of this amount due within one year. This liability includes estimated outstanding claims from October 1, 2012 to June 30, 2017. The liabilities reported in the fund at June 30, 2017 are based on the requirements of Governmental Accounting Standards Board Statement Nos. 10 and 30, which require that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. This includes provisions for claims reported but not paid and claims incurred but not reported. The provision for reported claims is determined by estimating the amount which will ultimately be paid to each claimant. The provision for claims incurred but not yet reported is estimated based on the District's experience. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors. Workers' compensation liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time were computed by an actuary and are reported at their nominal value.

Unemployment Compensation Self-funded

During the year ended June 30, 2017, the District met its statutory unemployment compensation obligations by participating as a self-funded member of 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 and Chapter 504, Texas Labor Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties.

As a self-funded member of the TASB Risk Management Fund, the District is solely responsible for all claim costs, both reported and unreported. The Fund provides administrative services to its self-funded members including claims administration and customer service. The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan 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, 2016 are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin, Texas.

Note 11. Due from Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of June 30, 2017, are summarized below:

	State Entitlements	Federal Grants	Total
General fund	$ 13,693,598	$ 719,955	$ 14,413,553
Debt service fund	558,048	-	558,048
Other funds	143,116	794,135	937,251
Total	$ 14,394,762	$ 1,514,090	$ 15,908,852

Note 12. Litigation and Contingencies

The District participates in numerous state and Federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at June 30, 2017 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

From time to time, the District is a defendant in legal proceedings relating to its operations as a school district. In the opinion of the District's management, the outcome of any present legal proceedings will not have a material adverse effect on the accompanying financial statements. In the opinion of the District, there are neither significant contingent liabilities related to 2017 issues nor future costs that will have a material effect on the financial statements of the District.

Note 13. Revenues from Local and Intermediate Sources

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

	General Fund	Debt Service Fund	Capital Projects Fund	Other Funds	Total
Property taxes	$ 38,890,354	$ 18,697,207	$ -	$ -	$ 57,587,561
Food sales	-	-	-	2,567,586	2,567,586
Investment income	192,400	75,036	83,912	632	351,980
Penalties, interest and other tax related income	322,924	113,362	-	-	436,286
Co-curricular student activitie	489,433	-	-	3,229,682	3,719,115
Mineral Interests	-	-	746,988	-	746,988
Other	334,300	-	-	10,340	344,640
Total	$ 40,229,411	$ 18,885,605	$ 830,900	$ 5,808,240	$ 65,754,156

Note 14. Classification of Fund Balance

The District classifies governmental fund balances, as follows:

Nonspendable Fund Balance

This includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements. Examples include inventories, long-term receivables, endowment principal, and/or prepaid items.

Spendable Fund Balance

Restricted Fund Balance – includes amounts that can be spent only for the specific purposes as imposed by law, or imposed by creditors, grantors, contributors, or other governments' laws and regulations.

- The aggregate fund balance in the debt service fund is legally restricted for payment of bonded indebtedness and is not available for other purposes until all bonded indebtedness is liquidated.
- The proceeds of specific revenue sources that are restricted to expenditures for specified purposes as designated by grantors, contributors, or governmental entities over state or local program grants.

Committed Fund Balance – includes amounts that can be used only for the specific purposes as determined by the governing body by formal action recorded in the minutes of the governing body. Commitments may be changed or lifted only by the Board, considered the District's highest level of decision making authority taking the same formal action such as passing a board resolution that imposed the constraint originally. Examples include, but are not specifically limited to, Board action regarding construction, claims, and judgments, retirement of loans/notes payable, capital expenditures, and self-insurance. The District's Board must take action to commit funds for a specific purpose prior to the end of the fiscal year, but the amount of the commitment may be determined after the end of the fiscal year.

- Campus activity funds are considered committed by the governing body through adoption of board policy pertaining to the usage of these funds.
- Funds derived from oil and gas royalties are committed for future capital replacements in the Capital Projects Fund.

As of June 30, 2017, total committed fund balance was $12,576,695.

Assigned Fund Balance – comprises amounts intended to be used by the District for specific purposes. This intent can be expressed by an official or body to which the governing body delegates that authority. That authority has not been delegated to any official or body. The Board of Trustees is the only governing body that can assign fund balance for specific purposes by formal action recorded in the official minutes. Examples take on the similar appearance as those enumerated for committed fund balance, but may also include the appropriation of existing fund balance to eliminate a deficit in next year's budget. At June 30, 2017, there were no assignments of fund balance.

Unassigned Fund Balance – is the residual classification of the General Fund and includes all amounts not contained in other classifications. Only the General Fund will have unassigned amounts.

Per the District's policies, funds will be reduced in the following order: restricted, committed, assigned and unassigned.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers the amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Per the District's Fiscal and Budget Strategy, the District will strive to maintain a General Fund balance in the general operating fund in which the total fund balance is twenty-five percent (25%) of the total operating expenditures and the unassigned fund balance is thirty-two percent (32%) of the total operating expenditures.

Note 15. Instructional Materials Allotment

In May 2011, Senate Rule 6 created an Instructional Materials Allotment (IMA) for the purchase of instructional materials, technology equipment, and technology related services. Under the IMA, instructional material purchases must be made through TEA's online registration system. Instructional materials acquired through the IMA totaling $501,654 are recorded as revenues and expenditures in the State Instructional Materials Fund.

Ownership of textbooks previously purchased by the state and utilized by the District was transferred to the District. The majority of these textbooks were sold or otherwise disposed of in accordance with TEA guidelines. At June 30, 2017, the remainder of the textbooks, in possession of the District, have minimal value and are not otherwise reflected elsewhere in these statements.

Note 16. New Accounting Pronouncements

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (OPEB). The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for OPEB. It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This statement is effective for financial statements for reporting periods beginning after June 15, 2017.

In December 2015, GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This statement is effective for financial statements for reporting periods beginning after December 15, 2015.

In January 2016, GASB issued Statement No. 80: *Blending Requirements for Certain Component Units – on amendment of GASB Statement No. 14*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016.

In March 2016, GASB issued Statement No. 81*, Irrevocable Split-Interest Agreements*. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for periods beginning after December 15, 2016.

In March 2016, GASB issued Statement No. 82: *Pension Issues – an amendment of GASB Statements No. 67, No.68, and No. 73*. This Statement addresses certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

In November 2016, GASB issued Statement No. 83, Certain Asset Retirement Obligations. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

In January 2017, GASB issued Statement No. 84, Fiduciary Activities. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

In March 2017, GASB issued Statement No. 85, Omnibus 2017. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

In May 2017, GASB issued Statement No. 86, Certain Debt Extinguishment Issues. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

In June 2017, GASB issued Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of financial statements by requiring recognition of certain lease assets and liabilities that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

The District’s management is reviewing the implementation process of this these standards by gathering required information.

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Required Supplementary Information

Burleson Independent School District **Exhibit G-1**

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
Year Ended June 30, 2017

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	REVENUES				
5700	Local and intermediate sources	$ 41,134,849	$ 41,134,849	$ 40,229,411	$ (905,438)
5800	State program revenues	46,110,282	46,510,282	47,345,766	835,484
5900	Federal program revenues	918,000	918,000	1,155,895	237,895
5020	Total revenues	88,163,131	88,563,131	88,731,072	167,941
	EXPENDITURES				
	Current				
0011	Instruction	53,559,311	53,336,557	53,332,030	4,527
0012	Instructional resources and media services	1,078,481	1,078,481	1,072,215	6,266
0013	Curriculum and instructional staff development	1,313,511	1,351,694	1,319,349	32,345
0021	Instructional leadership	1,630,047	1,734,466	1,723,372	11,094
0023	School leadership	5,709,747	5,725,821	5,722,176	3,645
0031	Guidance, counseling and evaluation services	3,076,146	3,197,748	3,196,795	953
0032	Social work services	69,260	110,810	112,998	(2,188)
0033	Health services	1,147,311	1,152,461	1,152,444	17
0034	Student (pupil) transportation	2,952,931	2,952,931	2,933,393	19,538
0035	Food services	15,000	35,000	32,953	2,047
0036	Extracurricular activities	2,962,586	3,059,380	3,044,171	15,209
0041	General administration	2,660,989	3,035,811	2,942,363	93,448
0051	Facilities maintenance and operations	8,998,572	8,763,163	8,412,133	351,030
0052	Security and monitoring services	307,493	326,670	312,399	14,271
0053	Data processing services	1,993,682	2,003,682	1,935,745	67,937
0061	Community services	28,305	38,699	36,382	2,317
	Debt services				
0071	Principal on long-term debt	-	-	-	-
	Capital outlay				
0081	Facilities acquisition and construction	-	-	-	-
	Intergovernmental				
0095	Payments to juvenile justice alternative ed. prg.	3,500	3,500	-	3,500
0099	Other intergovernmental charges	642,710	642,710	637,407	5,303
6030	Total expenditures	88,149,582	88,549,584	87,918,325	631,259
1100	Excess of revenues over expenditures	13,549	13,547	812,747	799,200
	OTHER FINANCING SOURCES				
7915	Transfers in	-	-	-	-
8911	Transfers out	-	-	-	-
7080	Total other financing sources	-	-	-	-
1200	Net change in fund balances	13,549	13,547	812,747	799,200
0100	**FUND BALANCE - July 1 (beginning)**	22,439,419	22,439,419	22,439,419	-
3000	**FUND BALANCE - June 30 (ending)**	$ 22,452,968	$ 22,452,966	$ 23,252,166	$ 799,200

Burleson Independent School District **Exhibit G-2**

Schedule of the District's Proportionate Share of
the Net Pension Liability
Year Ended June 30, 2017

	2017	2016	2015
District's Proportion of the Net Pension Liability (Asset)	0.056092500%	0.051144300%	0.028050900%
District's Proportionate Share of Net Pension Liability (Asset)	$ 21,196,537	$ 18,078,829	$ 7,492,783
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	39,284,622	37,390,769	31,992,845
Total	$ 60,481,159	$ 55,469,598	$ 39,485,628
District's Covered-Employee Payroll	$ 65,990,540	$ 57,353,065	$ 56,750,102
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its covered-Employee Payroll	32.12%	31.52%	13.20%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.00%	78.43%	83.25%

Note 1: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2016.

Note 2: In accordance with GASB 68, Paragraph 138, only three years of data are presented this reporting period.

Burleson Independent School District **Exhibit G-3**

Schedule of District Contributions

Year Ended June 30, 2017

	2017	2016	2015
Contractually Required Contribution	$ 1,151,179	$ 980,294	767,797
Contribution in Relation to the Contractually Required Contribution	(1,151,179)	(980,294)	(767,797)
Contribution Deficiency (Excess)	$ -	$ -	-
District's Covered-Employee Payroll	$ 66,995,472	$ 62,059,880	56,750,102
Contributions as a Percentage of Covered-Employee Payroll	1.72%	1.58%	1.35%

Note 1: GASB 68, Paragraph 81 requires that the information on this schedule be data from the District most recent fiscal year. Ten years of data is not available.

Changes of benefit terms:

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

Changes of assumptions

There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

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Supplementary Information
Combining Statements and Schedules

Combining and Individual Nonmajor Fund Financial Statements

Burleson Independent School District
Combining Balance Sheet
Non Major Governmental Funds
June 30, 2017

Data Control Codes		211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
	ASSETS			
1110	Cash and temporary investments	$ -	$ 3	$ 9,319
1240	Due from other governments	243,031	463,165	5,648
1260	Due from other funds	-	-	-
1300	Inventories	-	-	-
1000	Total assets	243,031	463,168	14,967
	TOTAL ASSETS	$ 243,031	$ 463,168	$ 14,967
	LIABILITIES			
2110	Accounts payable	$ 1,536	$ 2,383	$ -
2150	Payroll deductions and withholdings	4,967	8,076	1,091
2160	Accrued wages payable	86,045	132,483	6,181
2170	Due to other funds	150,483	320,226	7,695
2181	Due to state	-	-	-
2000	Total liabilities	243,031	463,168	14,967
	FUND BALANCES			
	Nonspendable			
3410	Inventories	-	-	-
3430	Prepaid items	-	-	-
	Restricted			
3480	Debt service	-	-	-
3470	Capital acquisitions	-	-	-
3450	Grant funds	-	-	-
	Committed			
3545	Other purposes	-	-	-
3600	Unassigned	-	-	-
3000	Total fund balances	-	-	-
4000	**TOTAL LIABILITIES AND FUND BALANCES**	$ 243,031	$ 463,168	$ 14,967

Exhibit H-1

240 Child Nutrition Program	244 Career and Technical - Basic Grant	255 ESEA II, A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Summer School LEP
$ 22,043	$ -	$ -	$ -	$ 3,443
-	20,007	43,313	18,971	-
436,017	-	-	-	-
8,114	-	-	-	-
466,174	20,007	43,313	18,971	3,443
$ 466,174	$ 20,007	$ 43,313	$ 18,971	$ 3,443
$ 2,208	$ 4,197	$ 3,121	$ -	$ -
16,871	-	426	63	-
253,805	-	6,103	2,407	-
-	15,810	33,663	16,501	-
-	-	-	-	-
272,884	20,007	43,313	18,971	-
8,114	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
185,176	-	-	-	3,443
-	-	-	-	-
-	-	-	-	-
193,290	-	-	-	3,443
$ 466,174	$ 20,007	$ 43,313	$ 18,971	$ 3,443

Burleson Independent School District
Combining Balance Sheet
Non Major Governmental Funds
June 30, 2017

Data Control Codes		385 Visual Impairment	397 Advanced Placement Incentives
	ASSETS		
1110	Cash and temporary investments	$ -	$ 6,244
1240	Due from other governments	3,470	19,350
1260	Due from other funds	-	-
1300	Inventories	-	-
1000	**Total assets**	3,470	25,594
	TOTAL ASSETS	$ 3,470	$ 25,594
	LIABILITIES		
2110	Accounts payable	$ -	$ -
2150	Payroll deductions and withholdings	-	-
2160	Accrued wages payable	-	-
2170	Due to other funds	3,470	-
2181	Due to state	-	-
2000	**Total liabilities**	3,470	-
	FUND BALANCES		
	Nonspendable		
3410	Inventories	-	-
3430	Prepaid items	-	-
	Restricted		
3480	Debt service	-	-
3470	Capital acquisitions	-	-
3450	Grant funds	-	25,594
	Committed		
3545	Other purposes	-	-
3600	Unassigned	-	-
3000	**Total fund balances**	-	25,594
4000	**TOTAL LIABILITIES AND FUND BALANCES**	$ 3,470	$ 25,594

Exhibit H-1 (Continued)

410 Instructional Materials Allotment	429 DATE / Read to Succeed / Recycling Grant	461 Campus Activity Funds	482 Fuel Up To Play 60	Total Nonmajor Governmental Funds
$ 121,431	$ -	$ 1,612,505	$ 1,428	$ 1,776,416
94,857	25,439	-	-	937,251
-	-	36,900	-	472,917
-	-	-	-	8,114
216,288	25,439	1,649,405	1,428	3,194,698
$ 216,288	$ 25,439	$ 1,649,405	$ 1,428	$ 3,194,698
$ -	$ -	$ 29,261	$ -	$ 42,706
-	-	6,248	-	37,742
-	-	62,753	-	549,777
-	25,302	8,165	-	581,315
-	-	528	-	528
-	25,302	106,955	-	1,212,068
-	-	-	-	8,114
-	-	-	-	-
				-
-	-	-	-	-
-	-	-	-	-
216,288	137	-	1,428	432,066
				-
-	-	1,542,450	-	1,542,450
-	-	-	-	-
216,288	137	1,542,450	1,428	1,982,630
$ 216,288	$ 25,439	$ 1,649,405	$ 1,428	$ 3,194,698

Burleson Independent School District
Combining Statement of Revenues, Expenditures and Changes in
Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2017

Data Control Codes		211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
	REVENUES			
5700	Local and intermediate sources	$ -	$ -	$ -
5800	State program revenues	-	-	-
5900	Federal program revenues	832,203	1,769,573	37,707
5020	**Total revenues**	832,203	1,769,573	37,707
	EXPENDITURES			
	Current			
0011	Instruction	790,543	670,556	37,707
0012	Instructional resources and media services	-	-	-
0013	Curriculum and Instructional staff development	30,241	296,533	-
0021	Instructional leadership	-	174,050	-
0023	School leadership	3,706	-	-
0031	Guidance, counseling and evaluation services	-	534,535	-
0033	Health services	-	-	-
0035	Food services	-	-	-
0036	Extracurricular activities	6,550	153	-
0041	General administration	-	150	-
0051	Facilities maintenance and operations	-	125	-
0052	Security and monitoring services	-	-	-
0053	Data processing services	-	-	-
0061	Community services	1,163	-	-
	Intergovernmental			
0093	Payments to fiscal agent/member districts of SSA	-	93,471	-
6030	Total expenditures	832,203	1,769,573	37,707
1100	Excess (deficiency) of revenues over (under) expenditures	-	-	-
7900	**OTHER FINANCING SOURCES (USES)**	-	-	-
1200	Net change in fund balances	-	-	-
0100	**Fund Balance - July 1 (Beginning)**	-	-	-
3000	**Fund Balance - June 30 (Ending)**	$ -	$ -	$ -

240 Child Nutrition Program	244 Career and Technical - Basic Grant	255 ESEA II, A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Summer School LEP
$ 2,568,218	$ -	$ -	$ -	$ -
121,789	-	-	-	-
2,887,376	91,751	162,949	41,741	2,330
5,577,383	91,751	162,949	41,741	2,330
-	83,280	-	37,066	-
-	-	-	-	-
-	4,300	162,391	4,120	-
-	-	558	-	-
-	1,390	-	-	-
-	2,781	-	-	-
-	-	-	-	-
5,532,898	-	-	-	-
-	-	-	-	-
-	-	-	-	-
31,126	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	555	-
-	-	-	-	-
5,564,024	91,751	162,949	41,741	-
13,359	-	-	-	2,330
-	-	-	-	-
13,359	-	-	-	2,330
179,931	-	-	-	1,113
$ 193,290	$ -	$ -	$ -	$ 3,443

Burleson Independent School District
Combining Statement of Revenues, Expenditures and Changes In
Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2017

Data Control Codes		385 Visual Impairment	397 Advanced Placement Incentives
	REVENUES		
5700	Local and intermediate sources	$ -	$ -
5800	State program revenues	10,667	43,200
5900	Federal program revenues	-	-
5020	Total revenues	10,667	43,200
	EXPENDITURES		
	Current		
0011	Instruction	10,053	12,041
0012	Instructional resources and media services	-	-
0013	Curriculum and Instructional staff development	614	19,350
0021	Instructional leadership	-	-
0023	School leadership	-	-
0031	Guidance, counseling and evaluation services	-	-
0033	Health services	-	-
0035	Food services	-	-
0036	Extracurricular activities	-	-
0041	General administration	-	-
0051	Facilities maintenance and operations	-	-
0052	Security and monitoring services	-	-
0053	Data processing services	-	-
0061	Community services	-	-
	Intergovernmental		
0093	Payments to fiscal agent/member districts of SSA	-	-
6030	Total expenditures	10,667	31,391
1100	Excess (deficiency) of revenues over (under) expenditures	-	11,809
	OTHER FINANCING SOURCES (USES)	-	-
1200	**Net change in fund balances**	-	11,809
0100	**Fund Balance - July 1 (Beginning)**	-	13,785
3000	**Fund Balance - June 30 (Ending)**	$ -	$ 25,594

410 Instructional Materials Allotment	429 DATE / Read to Succeed / Recycling Grant	461 Campus Activity Funds	482 Fuel Up To Play 60	Total Nonmajor Governmental Funds
$ -	$ -	$ 3,240,022	$ -	$ 5,808,240
501,654	125,809	49,103	-	852,222
-	-	-	-	5,825,630
501,654	125,809	3,289,125	-	12,486,092
290,892	120,076	856,852	-	2,909,066
-	-	32,291	-	32,291
-	4,509	79,817	-	601,875
-	288	512	-	175,408
-	-	102,984	-	108,080
-	-	77,231	-	614,547
-	-	231	-	231
-	-	89	3,659	5,536,646
-	-	1,087,611	-	1,094,314
-	-	5,724	-	5,874
-	-	21,415	-	52,666
-	-	53,820	-	53,820
-	-	-	-	-
-	857	829,139	-	831,714
-	-	-	-	93,471
290,892	125,730	3,147,716	3,659	12,110,003
210,762	79	141,409	(3,659)	376,089
-	-	-	-	-
210,762	79	141,409	(3,659)	376,089
5,526	58	1,401,041	5,087	1,606,541
$ 216,288	$ 137	$ 1,542,450	$ 1,428	$ 1,982,630

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Agency Funds

Burleson Independent School District **Exhibit H-3**

Statement of Changes in Fiduciary Net Position - Agency Funds
Year Ended June 30, 2017

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
STUDENT ACTIVITY ACCOUNT				
Assets				
Cash and temporary investments	$ 66,293	$ 210,319	$ 202,092	$ 74,520
Other receivables	-	10,945	10,945	-
Total assets	$ 66,293	$ 221,264	$ 213,037	$ 74,520
Liabilities				
Accounts payable	$ 164	$ 27	$ -	$ 191
Due to student groups	66,129	8,200	-	74,329
Total liabilities	$ 66,293	$ 8,227	$ -	$ 74,520

Compliance Schedule
(Required by Texas Education Agency)

Burleson Independent School District
Schedule of Delinquent Taxes Receivable
Year Ended June 30, 2016

Last Ten Years		(1) Tax Rates Maintenance	(2) Tax Rates Debt Service	(3) Assessed/Appraised Value for School Tax Purposes	(10) Beginning Balance 7/1/2016
2008	and prior years	Various	Various	Various	$ 446,316
2009		1.040000	0.428800	3,127,365,597	54,903
2010		1.040000	0.500000	3,735,829,511	114,263
2011		1.040000	0.500000	3,517,047,761	68,836
2012		1.040000	0.500000	3,471,316,519	105,416
2013		1.040000	0.500000	3,434,466,119	120,585
2014		1.040000	0.500000	3,342,805,197	128,220
2015		1.040000	0.500000	3,639,098,970	237,546
2016		1.040000	0.500000	3,638,375,969	916,450
2017	(School year under audit)	1.040000	0.500000	3,880,366,485	-
1000	TOTALS				$ 2,192,535

(a) Current year's total levy is net of $1,994,344 for levy loss due to frozen taxes on "over 65" accounts.

Exhibit J-1

(20) Current Year's Total Levy (a)	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2017
$ -	$ 186	$ 276	$ (92,997)	$ 352,857
-	158	65	(3,091)	51,589
-	1,346	647	(43)	112,227
-	10,234	4,920	(45)	53,637
-	2,445	1,175	(3,620)	98,176
-	6,545	3,147	2,326	113,219
-	16,707	8,032	4,266	107,747
-	43,947	21,128	(46,340)	126,131
-	321,367	154,503	(149,196)	291,384
57,369,629	38,487,419	18,503,498	356,976	735,688
$ 57,369,629	$ 38,890,354	$ 18,697,391	$ 68,236	$ 2,042,655

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Budgetary Comparison Schedules

Burleson Independent School District **Exhibit J-3**

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Child Nutrition Program
Year Ended June 30, 2017

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP BASIS)	Variance With Final Budget Over or (Under)
	REVENUES				
5700	Local and intermediate sources	$ 2,683,000	$ 2,683,000	$ 2,568,218	$ (114,782)
5800	State program revenues	105,000	105,000	121,789	16,789
5900	Federal program revenues	2,781,471	2,781,471	2,887,376	105,905
5020	Total revenues	5,569,471	5,569,471	5,577,383	7,912
	EXPENDITURES				
0035	Food services	5,500,122	5,500,122	5,532,898	(32,776)
0051	Facilities maintenance and operations	35,000	35,000	31,126	3,874
6030	Total expenditures	5,535,122	5,535,122	5,564,024	(28,902)
1200	Net change in fund balances	34,349	34,349	13,359	(20,990)
0100	Fund balance - July 1 (beginning)	179,931	179,931	179,931	-
3000	Fund balance - June 30 (ending)	$ 214,280	$ 214,280	$ 193,290	$ (20,990)

Burleson Independent School District **Exhibit J-4**

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Debt Service Fund
Year Ended June 30, 2017

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP BASIS)	Variance With Final Budget Over or (Under)
	REVENUES				
5700	Local and intermediate sources	$ 18,818,619	$ 18,818,619	$ 18,885,605	$ 66,986
5800	State program revenues	1,633,952	1,633,952	1,738,210	104,258
5020	Total revenues	20,452,571	20,452,571	20,623,815	171,244
	EXPENDITURES				
0071	Debt service	20,615,161	20,615,161	20,485,605	129,556
6030	Total expenditures	20,615,161	20,615,161	20,485,605	129,556
1100	Excess (deficiency) of revenues over (under) expenditures	(162,590)	(162,590)	138,210	300,800
	OTHER FINANCING SOURCES (USES)				
7911	Issuance of bonds	-	-	17,630,000	17,630,000
7916	Premium or discount on issuance of bonds	-	-	832,340	832,340
8949	Other uses - refunding of bonds	-	-	(18,146,509)	(18,146,509)
7080	Total other financing sources (uses)	-	-	315,831	315,831
1200	Net change in fund balances	(162,590)	(162,590)	454,041	616,631
0100	Fund balance - July 1 (beginning)	13,088,136	13,088,136	13,088,136	-
3000	Fund balance - June 30 (ending)	$ 12,925,546	$ 12,925,546	$ 13,542,177	$ 616,631

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Statistical Section (Unaudited)

Burleson Independent School District
Net Position by Component
Last Ten Years
(accrual basis of accounting)
(Unaudited)

	2008	2009	2010	2011
Governmental Activities				
Net investment in capital assets	$ 1,576,441	$ (1,920,816)	$ (9,471,391)	$(13,749,605)
Restricted	3,807,939	10,575,998	13,963,180	17,531,664
Unrestricted	142,950	8,114,988	15,986,510	7,973,873
Business Type Activities				
Unrestricted	-	-	-	-
Total Primary Government Net Position	$ 5,527,330	$ 16,770,170	$ 20,478,299	$ 11,755,932

Note 1: Fiscal Year End is August 31 for years 2002-2008. Fiscal Year End changed to June 30 effective September 1, 2008.

SCHEDULE 1

2012	2013	2014	2015	2016	2017
$ (18,016,518)	$ (20,842,058)	$ (28,305,183)	$ (30,697,028)	$ (23,725,928)	$ (18,985,241)
15,934,357	12,663,826	10,081,840	8,800,546	9,356,974	9,598,901
14,612,284	10,459,002	19,861,926	17,862,321	11,252,600	6,423,062
78,246	66,612	73,853	112,166	119,030	159,743
$ 12,608,369	$ 2,347,382	$ 1,712,436	$ (3,921,995)	$ (2,997,324)	$ (2,803,535)

Burleson Independent School District
Governmental Activities Revenue and Expense
Last Ten Years
(accrual basis of accounting)
(Unaudited)

	2008	2009	2010	2011
Expenses by Function				
Governmental Activities				
Instruction	$ 40,742,985	$ 40,374,755	$ 46,550,341	$ 50,533,901
Instructional Resources & Media Services	867,896	800,081	1,031,336	1,254,218
Curriculum & Staff Development	1,605,063	1,226,390	1,417,810	1,834,757
Instructional Leadership	1,427,589	1,064,653	1,003,556	1,018,989
School Leadership	4,198,881	4,190,475	4,814,938	5,377,191
Guidance, Counseling, & Evaluation Services	2,677,273	2,854,114	3,067,309	3,012,553
Social Work Services	185,244	163,417	62,780	1,990
Health Services	699,838	798,480	940,645	1,061,363
Student (Pupil) Transportation	1,948,316	2,034,790	2,103,204	1,921,336
Food Services	3,381,141	3,560,810	4,066,610	4,501,219
Extracurricular Activities	3,453,731	3,710,434	3,258,847	3,646,269
General Administration	2,834,436	2,488,798	2,815,412	2,947,019
Plant Maintenance & Operations	6,915,557	6,516,267	7,831,173	9,371,292
Security & Monitoring Services	251,279	295,649	350,455	322,064
Data Processing Services	1,289,998	1,149,780	1,456,979	1,983,971
Community Services	904,386	889,056	970,831	920,207
Debt Service - Interest on Long Term Debt	7,884,567	10,025,985	14,623,053	16,109,185
Debt Service - Bond Issurance Cost & Fees	4,388	3,888	4,300	201,675
Facilities Acquisition & Construction	486,765	192,680	66,160	-
Total Governmental Activities Expense	$ 81,759,333	$ 82,340,502	$ 96,435,739	$ 106,019,199
Business Type Activities Expense				
Child Care	$ -	$ -	$ -	$ -
Program Revenues				
Charges for Services				
Instruction	$ 221,394	$ 299,594	$ 404,912	$ 433,452
Food Service	2,244,002	2,138,260	2,180,157	2,093,910
Extracurricular Activities	1,530,042	1,705,929	1,970,401	2,287,479
Community Services	357,275	450,943	580,681	691,256
Other	39,136	28,993	43,414	42,046
Operating Grants and Contributions	10,258,182	9,946,077	12,429,245	10,681,528
Total Governmental Activities Program Revenue	$ 14,650,031	$ 14,569,796	$ 17,608,810	$ 16,229,671
Business Type Activities Revenues				
Charges for Services	$ -	$ -	$ -	$ -
Operating Grants and Contributions	-	-	-	-
Net (Expense)/Revenue And Changes in Net Position	$ (67,109,302)	$ (67,770,706)	$ (78,826,929)	$ (89,789,528)

Source: District's Financial Audit, Exhibit B-1

Note 1: Fiscal Year End is August 31 for years 2002-2008. Fiscal Year End changed to June 30 effective September 1, 2008.

Schedule 2

2012	2013	2014	2015	2016	2017
$ 48,097,966	$ 48,317,821	$ 51,233,610	$ 52,121,810	$ 59,854,511	$ 65,545,974
1,090,999	1,176,099	1,241,127	1,174,637	1,232,622	1,259,513
1,394,480	1,387,812	1,324,047	1,412,597	1,931,145	2,126,353
875,690	946,455	1,075,638	1,642,223	1,935,294	2,184,617
5,104,708	5,102,142	5,569,981	5,698,793	6,271,740	6,829,731
2,911,712	3,096,151	3,330,123	3,432,098	4,046,727	4,393,048
-	56,328	59,666	64,471	67,371	130,744
1,011,880	1,093,506	1,042,166	1,088,384	1,261,473	1,351,624
1,771,166	1,864,305	1,880,920	1,915,025	2,794,187	2,942,211
4,351,854	4,750,681	5,188,060	5,371,267	5,746,504	5,997,147
2,825,755	3,026,639	3,117,749	3,753,960	3,955,992	4,315,441
2,450,929	2,707,304	2,852,421	3,080,199	3,339,681	4,082,942
7,997,299	9,040,355	8,584,064	8,936,625	8,761,763	9,329,370
265,415	276,481	445,356	314,735	361,066	377,468
1,384,539	1,411,545	1,547,764	2,643,544	2,265,949	2,603,464
1,391,995	643,776	687,624	671,939	815,466	973,505
15,522,282	15,492,377	14,959,125	15,143,300	12,307,683	12,017,106
109,175	624,805	128,539	5,000	1,417,599	320,831
-	-	-	-	-	-
$ 98,557,844	$ 101,014,582	$ 104,267,980	$ 108,470,607	$ 118,366,773	$ 126,781,089
$ 604,630	$ 610,249	$ 543,580	$ 552,290	$ 562,388	$ 566,394
$ 44,285	$ 2,573,230	$ 2,775,865	$ 2,908,785	$ 3,023,031	$ 3,258,332
2,222,403	2,394,643	2,613,549	2,586,788	2,515,875	2,567,586
471,228	441,557	415,322	436,947	461,277	489,433
-	-	-	-	-	-
57,805	48,873	140,105	127,308	99,008	105,560
12,625,718	6,760,500	6,858,969	6,365,989	9,720,657	8,215,605
$ 15,421,439	$ 12,218,803	$ 12,803,810	$ 12,425,817	$ 15,819,848	$ 14,636,516
$ 574,687	$ 566,867	$ 521,753	$ 560,564	$ 540,404	$ 577,388
-	-	29,068	30,039	28,848	29,719
$ (83,136,405)	$ (88,839,161)	$ (91,456,929)	$ (96,006,477)	$ (102,540,061)	$ (112,103,860)

Burleson Independent School District
General Revenues And Changes In Net Position
Last Ten Years
(accrual basis of accounting)
(Unaudited)

	2008	2009	2010	2011
Net (Expense)/Revenue				
Governmental Activities	$ (67,109,302)	$ (67,770,706)	$ (78,826,929)	$ (89,789,528)
Business-type Activities	-	-	-	-
	$ (67,109,302)	$ (67,770,706)	$ (78,826,929)	$ (89,789,528)
General Revenue and Other Changes in Net Position				
Governmental Activities:				
Taxes				
Property Taxes, Levied for General Purposes	$ 25,612,070	$ 33,573,417	$ 38,214,968	$ 35,719,185
Property Taxes, Levied for Debt Service	8,947,708	13,802,085	18,329,719	17,257,445
State Aid - Unrestricted Formula Grants	27,578,651	24,801,197	23,494,941	25,221,315
Investment Earnings	3,041,204	1,155,732	294,249	155,843
Miscellaneous Local and Intermediate Revenue	3,268,926	5,681,115	2,201,181	2,713,373
Total Governmental Activities	68,448,559	79,013,546	82,535,058	81,067,161
Business-type Activities:	-	-	-	-
Total Business-type Activities	-	-	-	-
Total Primary Government	$ 68,448,559	$ 79,013,546	$ 82,535,058	$ 81,067,161
Change in Net Position				
Governmental Activities	$ 1,339,257	$ 11,242,840	$ 3,708,129	$ (8,722,367)
Business-type Activities	-	-	-	-
Total Change in Net Position	$ 1,339,257	$ 11,242,840	$ 3,708,129	$ (8,722,367)

Source: District's Financial Audit, Exhibit B-1

Note 1: Fiscal Year End is August 31 for years 2002-2008. Fiscal Year End changed to June 30 effective September 1, 2008.

2012	2013	2014	2015	2016	2017
$ (83,136,405)	$ (88,839,161)	$ (91,464,170)	$ (96,044,790)	$ (102,546,925)	$ (112,144,573)
(2,339)	(11,634)	7,241	38,313	6,864	40,713
$ (83,138,744)	$ (88,850,795)	$ (91,456,929)	$ (96,006,477)	$ (102,540,061)	$ (112,103,860)
$ 35,171,679	$ 35,332,535	$ 34,367,419	$ 37,232,750	$ 37,793,546	$ 39,179,085
16,855,823	16,919,470	16,495,771	17,896,527	18,104,303	18,733,850
30,548,650	31,980,677	38,320,076	42,264,958	46,369,557	53,075,316
80,209	83,777	57,588	58,632	213,369	351,980
1,266,642	923,169	1,581,129	1,689,255	1,096,123	957,418
83,923,003	85,239,628	90,821,983	99,142,122	103,576,898	112,297,649
-	-	-	-	-	
-	-	-	-	-	-
$ 83,923,003	$ 85,239,628	$ 90,821,983	$ 99,142,122	$ 103,576,898	$ 112,297,649
$ 687,798	$ (3,556,151)	$ (642,187)	$ 3,097,332	$ 1,029,973	$ 153,076
78,246	(11,634)	7,241	38,313	6,864	40,713
$ 766,044	$ (3,567,785)	$ (634,946)	$ 3,135,645	$ 1,036,837	$ 193,789

Burleson Independent School District
Fund Balances, Governmental Funds
Last Ten Years
(modified accrual basis of accounting)
(Unaudited)

	2008	2009	2010	2011
General Fund				
Nonspendable	$ 241,361	$ 12,665	$ 127,843	$ 122,163
Committed	-	-	-	13,874,622
Unassigned	15,020,575	23,016,263	28,042,051	14,707,187
Total General Fund	15,261,936	23,028,928	28,169,894	28,703,972
All Other Governmental Funds				
Nonspendable	-	-	-	86,041
Committed	-	-	-	-
Restricted for:				
Debt Service	15,103,211	33,507,870	23,517,201	21,588,409
Capital Acquisitions	-	-	-	5,466,278
Grant Funds	1,050,084	1,039,337	711,665	1,134,146
Total All Other Governmental Funds	16,153,295	34,547,207	24,228,866	28,274,874
Total All Government Funds	$ 31,415,231	$ 57,576,135	$ 52,398,760	$ 56,978,846
Change in Fund Balance for Governmental Funds	$ (65,269,629)	$ 26,160,904	$ (5,177,375)	$ 4,580,086

Source: District's Financial Audit, Exhibit C-1

Note 1: Fiscal Year End is August 31 for years 2002-2008. Fiscal Year End changed to June 30 effective September 1, 2008.

Schedule 4

	2012	2013	2014	2015	2016	2017
	$ 226,556	$ 304,651	$ 250,157	$ 400,292	$ 278,233	$ 270,614
	99,806	149,325	20,706	287,680	161,186	-
	20,112,493	19,596,818	23,647,503	24,524,180	22,000,000	22,981,552
	20,438,855	20,050,794	23,918,366	25,212,152	22,439,419	23,252,166
	58,212	11,495	34,886	30,963	27,825	8,114
	14,876,611	14,943,344	15,068,464	18,835,540	15,422,545	11,696,613
	19,707,583	17,694,475	15,061,089	14,137,487	13,088,136	13,542,177
	4,647,629	3,469,281	1,934,410	-	-	-
	396,979	241,104	312,276	181,750	181,239	432,066
	39,687,014	36,359,699	32,411,125	33,185,740	28,719,745	25,678,970
	$ 60,125,869	$ 56,410,493	$ 56,329,491	$ 58,397,892	$ 51,159,164	$ 48,931,136
	$ 3,147,023	$ (3,715,376)	$ (81,002)	$ 2,068,401	$ (7,238,728)	$ (2,228,028)

Burleson Independent School District
Governmental Funds Revenues
Last Nine Years
(Unaudited)

	2009	2010	2011	2012
Local Sources:				
Local Maintenance and Debt Service Tax	$ 46,129,572	$ 56,285,603	$ 53,763,202	$ 52,371,892
Tuition from Patrons	89,392	108,451	90,193	-
Other Revenue from Local Sources	7,664,087	4,730,998	6,548,106	4,199,895
Other Revenue from Intermediate Source	-	-	-	-
Co-curricular Revenues	3,863,337	2,552,714	2,505,836	3,309,125
Total Local Sources	57,746,388	63,677,766	62,907,337	59,880,912
State Programs:				
Per Capita and Foundation	25,233,912	23,927,656	21,849,929	27,372,818
Other State Program Revenues	5,947,848	3,946,145	4,250,107	4,741,181
Total State Programs	31,181,760	27,873,801	26,100,036	32,113,999
Federal Programs:				
State Distributed Revenues from Federal Source:	3,786,423	8,333,217	8,557,069	7,180,955
Total Federal Programs:	3,786,423	8,333,217	8,557,069	7,180,955
Other Financing Sources:				
Bond Proceeds and Other	83,252,283	70,342,359	27,106,510	13,874,622
Total Revenues	$ 175,966,854	$ 170,227,143	$ 124,670,952	$ 113,050,488

Note 1: Fiscal Year End is August 31 for years 2004-2008. Fiscal Year End changed to June 30 effective September 1, 2008.

Note 2: Data not available for 2001-2003. District changed financial software in 2004 and 2005 and is unable to obtain local revenue by source prior to 2004.

Note 3: Includes General, Special Revenue, Debt Service, and Capital Projects Funds

Schedule 5

	2013	2014	2015	2016	2017
	$ 52,219,304	$ 51,003,758	$ 55,150,878	$ 55,876,497	$ 58,023,847
	-	-	-	-	
	3,444,393	3,888,383	3,961,718	3,868,962	4,000,853
	-	-		-	
	3,020,855	3,695,172	3,834,222	3,539,722	3,729,456
	58,684,552	58,587,313	62,946,818	63,285,181	65,754,156
	28,670,064	38,320,076	38,654,135	42,197,507	43,220,942
	4,034,466	1,362,739	4,375,445	5,447,670	6,719,491
	32,704,530	39,682,815	43,029,580	47,645,177	49,940,433
	5,654,017	5,652,580	5,650,616	6,171,935	6,981,525
	5,654,017	5,652,580	5,650,616	6,171,935	6,981,525
	12,031,542	-	-	-	-
	$ 109,074,641	$ 103,922,708	$ 111,627,014	$ 117,102,293	$ 122,676,114

Burleson Independent School District

Governmental Funds Expenditures By Function
Last Ten Years
(modified accrual basis of accounting)
(Unaudited)

Expenditures by Function	2008	2009	2010	2011
Current				
Instruction	$ 39,620,427	$ 38,610,549	$ 44,527,640	$ 46,919,595
Instructional Resources & Media Services	851,130	764,992	985,550	1,181,495
Curriculum & Staff Development	1,591,399	1,190,116	1,367,305	1,718,588
Instructional Leadership	1,391,757	1,022,985	961,847	939,953
School Leadership	4,053,084	3,984,545	4,694,167	4,848,447
Guidance, Counseling, & Evaluation Services	2,594,301	2,737,105	2,915,507	2,738,289
Social Work Services	178,541	155,153	62,457	1,796
Health Services	675,910	759,570	890,829	958,774
Student (Pupil) Transportation	1,943,241	2,027,350	2,095,728	1,909,710
Food Services	3,328,198	3,503,925	3,963,316	4,291,391
Extracurricular Activities	3,431,739	3,657,273	3,201,740	3,639,118
General Administration	2,776,922	1,949,950	2,206,564	2,308,809
Plant Maintenance & Operations	7,006,636	6,407,009	7,868,048	8,872,279
Security & Monitoring Services	766,330	856,546	383,195	315,198
Data Processing Services	1,293,798	1,115,070	2,046,096	1,902,742
Community Services	897,874	882,129	959,657	899,742
Debt Service				
Principal on Long Term Debt	1,115,291	-	1,348,967	1,978,720
Interest on Long Term Debt	9,156,321	5,451,736	14,497,891	16,582,361
Bond Issurance Cost & Fees	4,388	249,721	1,621,180	359,923
Capital Outlay				
Facilities Acquisition & Construction	65,796,915	73,923,837	78,210,386	17,178,744
Intergovernmental				
Payments to Fiscal Agent/Member Districts of S	-	69,033	68,394	5,114
Payments to Juvenile Justice Alternative Ed. Pr	9,744	18,481	6,225	316
Other Governmental Charges	-	468,875	521,829	539,762
Total Expenditures	$ 148,483,946	$149,805,950	$ 175,404,518	$ 120,090,866
Debt Service as a percentage of noncapital expenditures	12.43%	7.51%	17.97%	18.39%
Capital Outlay as a percentage of operating expenditures	44.65%	49.75%	45.23%	14.65%

Source: District's Financial Audit, Exhibit C-3

Note 1: Fiscal Year End is August 31 for years 2002-2008. Fiscal Year End changed to June 30 effective September 1, 2008.

Schedule 6

2012	2013	2014	2015	2016	2017
$ 44,241,226	$ 43,964,457	$ 46,101,876	$ 47,663,770	$ 53,309,040	$ 56,467,397
1,053,707	1,083,010	1,132,587	1,083,901	1,117,396	1,104,506
1,273,094	1,282,555	1,223,021	1,325,555	1,785,669	1,921,224
804,834	866,516	975,378	1,504,517	1,727,316	1,898,780
4,561,622	4,600,600	4,967,091	5,167,382	5,552,533	5,831,744
2,721,542	2,860,732	3,044,477	3,171,903	3,603,519	3,811,342
-	56,328	59,666	64,471	67,334	112,998
959,767	986,455	926,800	987,154	1,114,998	1,152,675
1,761,046	1,854,085	1,871,241	1,906,042	2,783,872	3,168,025
4,138,943	4,850,615	4,947,288	5,329,987	5,408,386	5,569,599
2,819,380	3,015,594	3,130,083	3,831,252	3,886,937	4,138,485
1,869,336	2,127,303	2,190,131	2,237,327	2,411,313	3,032,695
7,453,681	8,559,424	8,133,280	8,563,837	8,276,005	8,569,359
264,347	317,253	445,368	314,811	360,600	373,960
1,274,022	1,316,464	1,432,054	2,671,521	2,155,227	2,457,573
784,338	648,288	687,546	675,254	781,105	868,096
2,140,256	2,864,688	3,175,487	3,681,207	5,967,905	7,735,000
16,736,906	16,691,000	17,086,032	16,646,700	14,074,789	12,429,774
3,800	276,535	128,539	5,000	1,417,599	320,831
719,626	3,624,760	1,881,859	2,057,524	8,639,262	3,525,032
6,192	40,048	63,532	74,669	67,632	93,471
10,625	158	7,426	1,501	1,343	-
418,146	384,873	392,948	605,045	627,746	637,407
$ 96,016,436	$ 102,271,741	$ 104,003,710	$ 109,570,330	$ 125,137,526	$ 125,219,973
19.81%	20.10%	19.97%	18.91%	18.42%	16.89%
0.91%	3.90%	1.28%	2.33%	6.73%	3.12%

Burleson Independent School District

Governmental Fund Other Sources, Uses and Changes in Fund Balance

Last Ten Years

(modified accrual basis of accounting)

(Unaudited)

	2008	2009	2010	2011
Excess of revenues over (under) expenditures	$ (65,269,629)	$ (57,091,379)	$ (75,519,734)	$ (22,526,424)
Other Financing Sources (Uses)				
Capital Related Debt Issued (Regular Bonds)	-	82,600,000	66,700,000	51,095,000
Transfers In	357,524	239,192	416,051	-
Transfers Out	-	-	-	-
Premium or Discount on Issuance of Bonds	-	279,259	3,642,359	6,111,165
Prepaid Interest	-	373,024	-	-
Other Uses (Refunding Bonds)	(357,524)	(239,192)	(416,051)	(30,099,655)
Capital Leases	-	-	-	-
Non-Current Loans	-	-	-	-
Sale of Real and Personal Property	-	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-	-
Other (Uses)	-	-	-	-
Total Other Financing Sources (Uses)	-	83,252,283	70,342,359	27,106,510
Net Change in Fund Balances	$ (65,269,629)	$ 26,160,904	$ (5,177,375)	$ 4,580,086

Source: District's Financial Audit, Exhibit C-3

Note 1: Fiscal Year End is August 31 for years 2002-2008. Fiscal Year End changed to June 30 effective September 1, 2008.

Schedule 7

2012	2013	2014	2015	2016	2017
$ 3,159,430	$ (5,228,642)	$ (81,002)	$ 2,056,624	$ (8,035,233)	$ (2,543,859)
-	8,575,000	-	-	146,039,656	17,630,000
13,874,622	1,505,006	-	-	5,558,760	-
(13,973,422)	(1,505,006)	-	-	(5,558,760)	-
-	529,340	-	-	16,247,550	832,340
-	-	-	-	-	-
-	(9,013,270)	-	-	-	-
-	1,422,196	-	-	-	-
-	-	-	-	-	-
-	-	-	11,776	-	-
-	-	-	-	(161,490,701)	(18,146,509)
-	-	-	-	-	-
(98,800)	1,513,266	-	11,776	796,505	315,831
$ 3,060,630	$ (3,715,376)	$ (81,002)	$ 2,068,400	$ (7,238,728)	$ (2,228,028)

Burleson Independent School District — Schedule 8

Assessed and Actual Value - Real and Personal Property
Last Ten Years
(Unaudited)

Tax Roll for Fiscal Year	Actual Value: Real Property	Actual Value: Personal Property	Less Exemptions	Total Taxable Assessed Value	Total Direct Tax Rate[1]	Estimated Actual Value[2]	Assessed Value to Total Estimated Actual Value
2008	2,596,478,583	451,516,000	550,938,663	2,497,055,920	1.41	3,047,994,583	81.92%
2009	3,524,175,672	329,647,356	627,435,498	3,226,387,530	1.47	3,853,823,028	83.72%
2010	3,873,172,152	349,137,487	694,216,279	3,528,093,360	1.54	4,222,309,639	83.56%
2011	3,753,814,574	425,735,259	731,948,413	3,447,601,420	1.54	4,179,549,833	82.49%
2012	3,714,753,439	576,869,842	848,822,476	3,442,800,805	1.54	4,291,623,281	80.22%
2013	3,895,626,794	409,373,981	870,534,656	3,434,466,119	1.54	4,305,000,775	79.78%
2014	3,836,856,513	426,168,092	920,219,408	3,342,805,197	1.54	4,263,024,605	78.41%
2015	4,218,002,480	423,228,388	1,002,131,898	3,639,098,970	1.54	4,641,230,868	78.41%
2016	4,516,474,211	355,362,516	1,162,757,413	3,709,079,314	1.54	4,871,836,727	76.13%
2017	4,802,189,112	391,474,242	1,313,296,869	3,880,366,485	1.54	5,193,663,354	74.71%

Sources: Johnson and Tarrant County Appraisal District

Note 1: Fiscal Year End is August 31 for years 2002-2008. Fiscal Year End changed to June 30 effective September 1, 2008.

Note 2: Effective January 1, 2008, the District was also valued by Tarrant County in accordance with HB1010.

[1]Per $100 of assessed value.
[2]Estimated actual value includes real property, personal property, and oil, gas, and other minerals.

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Burleson Independent School District
Property Tax Rates - Direct And Overlapping Governments
(Per $100 Valuation)
Last Ten Years
(Unaudited)

	2008	2009	2010	2011	2012
Burleson ISD:					
Maintenance and Operations	1.04000	1.04000	1.0400	1.0400	1.0400
Interest and Sinking	0.3651	0.4288	0.5000	0.5000	0.5000
Total	1.4051	1.4688	1.5400	1.5400	1.5400
City of Burleson[1]	0.0661825	0.694	0.694	0.710	0.690
City of Fort Worth[1]	0.855	0.855	0.855	0.855	0.855
Johnson County[1]	0.356962	0.306708	0.300589	0.3275	0.3305
Tarrant County[1]	0.2665	0.264	0.264	0.264	0.264
Tarrant County Hospital District[1]	0.230397	0.227897	0.227897	0.22789	0.22789
Tarrant County College District[1]	0.13938	0.13796	0.13767	0.13764	0.14897
Tarrant County Regional Water District	0.0194	0.0194	0.0194	0.0194	0.0194

Sources: Johnson County and Tarrant County Tax Office, District Records

Note 1: Fiscal Year End is August 31 for years 2002-2008.
Fiscal Year End changed to June 30 effective September 1, 2008.

[1]Overlapping rates

Schedule 9

2013	2014	2015	2016	2017
1.0400	1.0400	1.0400	1.0400	1.0400
0.5000	0.5000	0.5000	0.5000	0.5000
1.5400	1.5400	1.5400	1.5400	1.5400
0.690	0.690	0.740	0.740	0.646027
0.855	0.855	0.855	0.855	0.835
0.333229	0.371154	0.445	0.448	0.431713
0.264	0.264	0.264	0.264	0.264
0.227897	0.227897	0.227897	0.227897	0.227897
0.14897	0.1495	0.1495	0.1495	0.14473
0.0194	0.0194	0.0194	0.0194	0.0194

Burleson Independent School District **Schedule 10**

Ten Largest Taxpayers

Current Year and Nine Years Ago

(Unaudited)

		2017			2008	
Principal Employer	Rank	2016-2017 Taxable Assessed Value[1]	Percentage of Total Taxable Assessed Value	Rank	2007-2008 Total Taxable Assessed Value[2]	Percentage of Total Taxable Assessed Value
XTO Energy, Inc.	1	$ 36,106,136	0.93%	1	$ 33,825,000	1.35%
Barnett Gathering, LP	2	35,209,581	0.91%			
Burleson Gateway	3	32,578,090	0.84%			
Wagner Smith	4	29,847,294	0.77%			
Devon Energy Operating Co, Inc.	5	23,812,079	0.61%			
H E Butt Grovery Co.	6	20,725,568	0.53%			
Halliburton	7	19,393,074	0.50%			
Sam's Real Estate	8	18,817,470	0.48%			
EB Reserve	9	15,808,651	0.41%			
Covington Gateway	10	14,516,770	0.37%			
EE Burleson LP				2	29,804,176	1.19%
Oncor Electric				3	19,986,440	0.80%
Wal-Mart Real Estate				4	17,066,688	0.68%
SW Bell Telephone Co.				5	12,911,920	0.52%
Home Depot				6	12,000,214	0.48%
Centex Homes				7	11,459,097	0.46%
Jahco Burleson Town Center				8	11,456,256	0.46%
Target Corporation				9	11,005,945	0.44%
LynnSmith Investment				10	10,513,121	0.42%
		$ 246,814,713	6.36%		$ 170,028,857	6.81%

Source: Johnson and Tarrant County Appraisal District

Note 1: Fiscal Year End is August 31 for years 2002-2008. Fiscal Year End changed to June 30 effective September 1, 2008.

Note 2: Effective January 1, 2008, the District was also valued by Tarrant County in accordance with HB1010.

[1] Total 2016-2017 taxable assessed value equals $3,880,366,485

[2] Total 2007-2008 taxable assessed value equals $2,497,055,920

Burleson Independent School District

Schedule 11

Property Tax Levies and Collections
Current Year and Last Ten Years
(Unaudited)

		Collected Within Fiscal Year of Levy			Total Collections to Date	
Fiscal Year	Total Tax Levy	Amount[1]	Percentage of Levy	Collections in Subsequent Years	Amount	Percentage of Levy
2008	34,005,554	33,641,590	98.93%	253,098	33,894,688	99.67%
2009	46,373,915	45,656,613	98.45%	165,317	45,821,930	98.81%
2010	56,030,178	54,488,463	97.25%	1,062,866	55,551,329	99.15%
2011	54,162,535	51,759,277	95.56%	1,129,338	52,888,615	97.65%
2012	52,139,195	51,129,246	98.06%	590,759	51,720,005	99.20%
2013	51,689,326	50,678,921	98.05%	528,909	51,207,830	99.07%
2014	50,307,825	49,439,770	98.27%	631,035	50,070,805	99.53%
2015	54,704,182	53,835,542	98.41%	465,112	54,300,654	99.26%
2016	55,572,864	54,656,414	98.35%	231,401	54,887,816	98.77%
2017	57,723,302	56,990,775	98.73%	330,566	57,321,341	99.30%

Note 1: Fiscal Year End is August 31 for years 2002-2008. Fiscal Year End changed to June 30 effective September 1, 2008.

[1]Collected amounts represent total collections before refunds.

Source: Johnson County Tax Office

Burleson Independent School District

Schedule 12

Outstanding Debt by Type
Last Ten Years
(Unaudited)

Fiscal Year	General Obligation Debt	Other Obligations	Capital Leases	Notes Payables	Total Primary Government	Percentage of Personal Income	Per Capita
2008	146,852,976	18,860,047	-	-	165,713,023	3.42%	4,984
2009	229,452,976	20,036,613	-	-	249,489,589	5.26%	7,263
2010	294,804,009	22,417,818	-	-	317,221,827	6.47%	9,235
2011	315,003,199	27,040,861	-	-	342,044,060	6.49%	9,958
2012	312,862,942	25,180,886	-	-	338,043,828	6.27%	9,841
2013	310,441,243	24,364,535	979,175	-	335,784,953	6.07%	9,775
2014	307,661,941	26,463,747	582,990	-	334,708,678	5.76%	9,744
2015	304,395,852	24,703,067	167,874	-	329,266,793	5.67%	9,586
2016	296,800,852	39,757,407	-	-	336,558,259	N/A	9,798
2017	288,945,852	38,695,411	-	-	327,641,263	N/A	9,538

Source: District's Financial Audit, Notes on Long-Term Debt

Note 1: Fiscal Year End is August 31 for years 2002-2008. Fiscal Year End changed to June 30 effective September 1, 2008.

Note 2: See Schedule 16 for personal income and population data.

Burleson Independent School District **Schedule 13**

Direct and Overlapping Governmental Activities Debt
June 30, 2013
(Unaudited)

Taxing Body	Net Debt Outstanding	As of	Percent Overlapping	Amount Overlapping Net
City of Burleson	$ 93,363,213	9/30/2016	6.37%	$ 5,943,134
City of Fort Worth	952,474,000	9/30/2016	64.94%	618,543,480
Johnson County	34,175,000	9/30/2016	2.33%	796,308
Tarrant County	344,185,000	9/30/2016	23.47%	80,769,585
Tarrant County Hospital District	42,485,000	9/30/2016	2.90%	1,230,652
Tarrant County College District	-	9/30/2016	0.00%	-
Total Overlapping Net Debt	1,466,682,213			707,283,160
Burleson ISD	327,280,795	6/30/2017	100%	327,280,795
Total Direct and Overlapping Debt				$ 1,034,563,955
Ratio of Total Direct and Overlapping Net Debt to 2017 Taxable Assessed Valuation $3,880,366,485				26.66%

Note 1: Fiscal Year End is August 31 for years 2002-2008. Fiscal Year End changed to June 30 effective September 1, 2008.

Source: City of Burleson, Johnson County Appraisal District, Tarrant County Appraisal District

[1]The percentage of overlapping debt is estimated using taxable assessed property values. Percentages were estimated by determing the portion of the overlapping taxing authority's taxable assessed value that is within the District boundaries and dividing it by the overlapping taxing authority's total taxable assessed value.

Burleson Independent School District **Schedule 14**

Legal Debt Margin Information
Last Ten Years
(Unaudited)

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total Net Debt Applicable to the Limit as a Percentage of Debt Limit
2008	230,991,165	162,370,933	68,620,232	70.29%
2009	312,736,560	235,510,891	77,225,669	75.31%
2010	344,741,846	298,564,366	46,177,480	86.61%
2011	331,292,375	320,455,951	10,836,424	96.73%
2012	344,280,081	323,795,364	20,484,717	94.05%
2013	343,446,612	323,362,231	20,084,381	94.15%
2014	334,280,520	324,608,422	9,672,098	97.11%
2015	363,909,897	320,647,997	43,261,900	88.11%
2016	370,907,931	327,382,524	43,525,407	88.27%
2017	388,036,649	318,474,428	69,562,221	82.07%

Legal Debt Margin Calculation for Fiscal Year 2010

Assessed value	$ 3,880,366,485
Debt Limit (10% of assessed value)	$ 388,036,649
Debt applicable to limit	$ 318,474,428
Legal debt margin	$ 69,562,221

Note 1: Fiscal Year End is August 31 for years 2002-2008. Fiscal Year End changed to June 30 effective September 1, 2008.

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Burleson Independent School District

Ratio of Net General Debt to Taxable Assessed Valuation
and Net Bonded Debt Per Capita
Last Ten Years
(Unaudited)

Fiscal Year	Total Taxable Assessed Value	Assessment Ratio	Debt Outstanding at Year End[1]	Reserve for Retirement of Bonded Debt	Debt Outstanding at Year End
2008	2,497,055,920	100%	146,852,976	3,012,140	143,840,836
2009	3,312,806,512	100%	229,452,976	9,936,998	219,515,978
2010	3,528,093,360	100%	294,804,009	13,431,061	281,372,948
2011	3,447,601,420	100%	315,003,119	16,311,477	298,691,642
2012	3,442,800,805	100%	312,862,942	14,477,247	298,385,695
2013	3,434,466,119	100%	310,441,243	12,422,722	298,018,521
2014	3,342,805,197	100%	307,661,941	9,769,564	297,892,377
2015	3,639,098,970	100%	304,395,852	8,618,796	295,777,056
2016	3,709,079,314	100%	296,800,852	9,175,735	287,625,117
2017	3,880,366,485	100%	327,280,795	9,166,835	318,113,960

Sources: Johnson and Tarrant County Appraisal District, District records

Note 1: Fiscal Year End is August 31 for years 2002-2008. Fiscal Year End changed to June 30 effective September 1, 2008.

[1]The District's bonded indebtedness consists of general obligation debt.

Fiscal Year	to Taxable Assessed Valuation	Estimated Population	Net Bonded Debt Per Capita	Assessed Value Per Capita
2008	5.76%	33,250	4,326	75,099
2009	6.63%	34,350	6,391	96,443
2010	7.98%	35,050	8,028	100,659
2011	8.66%	36,990	8,075	93,204
2012	8.67%	38,130	7,825	90,291
2013	8.68%	39,000	7,642	88,063
2014	8.91%	39,000	7,638	85,713
2015	8.13%	41,280	7,165	88,156
2016	7.75%	41,818	6,878	88,696
2017	8.20%	42,560	7,474	91,174

Burleson Independent School District

Schedule 16

Demographic and Economic Statistics
Last Ten Years
(Unaudited)

Fiscal Year	Population[1]	Personal Income [2]	Per Capita Personal Income[2]	Unemployment Rate[3]	Residental Units[4]	Assessed Value of Residential Units[4]	Average Assessed Value of Residential Units[4]	Average Daily Attendance
2008	33,250	4,840,657,000	32,567	4.2%	15,084	1,920,896,257	127,347	8,544
2009	34,350	4,746,660,000	31,522	6.6%	17,133	2,066,448,481	120,612	9,025
2010	35,030	4,901,585,000	32,405	7.2%	17,465	2,177,409,710	124,673	9,241
2011	36,690	5,267,069,000	34,662	7.4%	17,651	2,198,943,494	124,579	9,404
2012	38,130	5,388,351,000	35,128	7.1%	18,043	2,207,991,229	122,374	9,704
2013	38,983	5,531,556,000	35,757	6.7%	18,377	2,237,896,377	121,777	9,990
2014	39,000	5,806,055,000	36,931	6.0%	18,583	2,330,451,271	125,408	10,186
2015	41,280	6,164,852,000	38,533	4.4%	18,745	2,479,984,947	132,301	10,389
2016	41,818	N/A	N/A	4.6%	18,932	2,660,145,544	140,511	10,804
2017	42,560	N/A	N/A	4.7%	19,473	3,092,091,053	158,789	11,226

Sources:
[1]City of Burleson Economic Development
[2]Bureau of Economic Analysis. Personal income for Johnson County updated through 2015.
[3]US Department of Labor - Bureau of Labor Statistics
[4]Johnson County and Tarrant County Appraisal District

Note 1: Fiscal Year End is August 31 for years 2002-2008. Fiscal Year End changed to June 30 effective September 1, 2008.

Note 2: Effective January 1, 2008, the District was also valued by Tarrant County in accordance with HB1010.

Burleson Independent School District **Schedule 17**

Principal Employers
Current Year and Five Years Ago
(Unaudited)

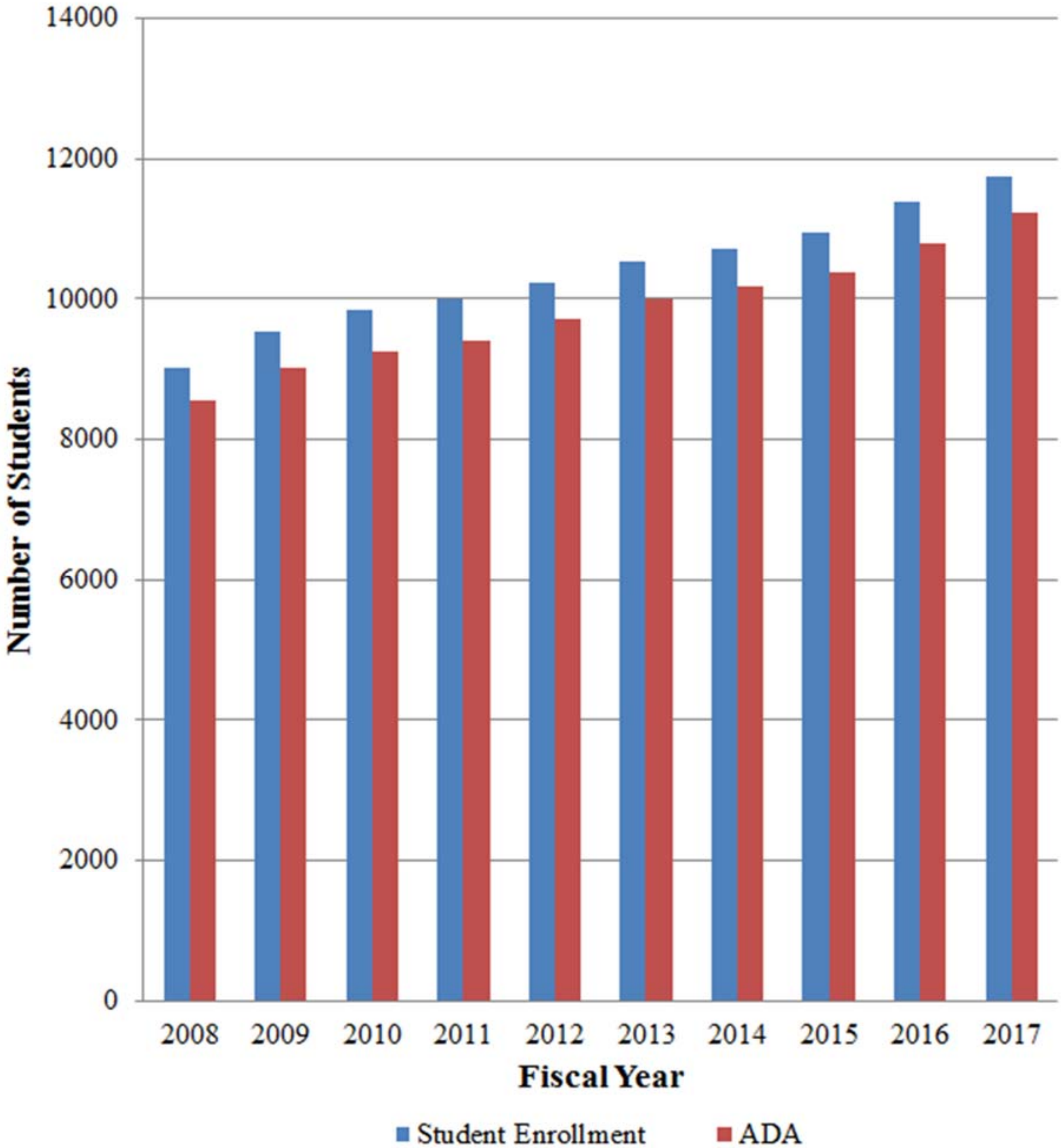
		2016-2017			2011-2012		
Principal Employer	Business Type	Rank	Number of Employees	Percentage of Total Employment	Rank	Number of Employees	Percentage of Total Employment
Burleson ISD	Education	1	1482	10.59%	1	1325	12.05%
City of Burleson	Municipality	2	408	2.91%	3	383	3.48%
Wal-Mart	Retail	3	385	2.75%	2	416	3.78%
H.E.B. Grocery Store	Grocery	4	370	2.64%	4	375	3.41%
Champion Buildings	Manufacturing	5	335	2.39%	7	125	1.14%
Kroger Marketplace	Retail	6	200	1.43%			
Target	Retail	7	175	1.25%	6	144	1.31%
Sam's Club	Retail	8	170	1.21%			
Basden Steel	Manufacturing	9	161	1.15%			
Lowe's	Retail	10	140	1.00%			
Thomas Conveyor	Manufacturing				8	115	1.05%
KWS Manufacturing	Manufacturing				5	145	1.32%
Indicom Buildings	Manufacturing				9	85	0.77%
Industrial Screw	Manufacturing				10	65	0.59%
			3826	27.33%		3178	28.89%

Source: City of Burleson and Comprehensive Annual Financial reports from the corresponding fiscal years.

Note 1: Fiscal Year End is August 31 for years 2002-2008. Fiscal Year End changed to June 30 effective September 1, 2

Burleson Independent School District **Schedule 18**

Total Enrollment and Average Daily Attendance Data Chart
Last Ten Years
(Unaudited)



Burleson Independent School District **Schedule 19**

Full Time Equivalent Employees by Function
Last Nine Years
(Unaudited)

	2010	2011	2012	2013	2014	2015	2016	2017
Instruction								
Elementary Classroom Teachers	345	327	324	329	313	304	322	353
Secondary Classroom Teachers	226	252	255	260	323	324	344	374
Other Teachers	63	82	73	75	39	56	40	32
Total Instruction	634	661	652	665	675	685	706	759
Professional Support								
Guidance Counselors	22	19	19	21	23	22	23	23
Therapists	17	16	15	16	17	17	17	19
Psychologists/Diagnosticians	14	15	15	16	16	15	17	20
Teacher Facilitators	17	17	7	7	8	8	14	13
Other Campus Professional	9	10	7	9	10	17	18	10
Other Non-Instructional	19	19	13	17	18	21	20	24
Athletic Trainer	1	2	1	3	3	2	4	3
Librarians	13	13	13	14	14	13	14	14
Nurses/Physicians	15	16	16	16	14	15	16	16
Total Professional Support	127	127	107	119	123	129	142	142
Administrative Staff								
Principals	14	14	15	15	15	14	15	17
Assistant Principals	29	27	24	25	24	26	26	26
Superintendent	1	1	1	1	1	1	1	1
Assistant Superintendent	4	3	1	1	1	2	2	2
Directors	10	10	13	11	13	15	14	19
Total Central Administration	58	55	53	53	54	58	58	65
Support Staff								
Educational Aides	133	132	123	122	119	128	126	134
Auxiliary	399	400	390	390	363	369	349	382
Total Support and Auxiliary Staff	532	532	513	512	482	497	475	516
Total	1351	1375	1325	1348	1334	1369	1382	1482

Source: Texas Education Agency PEIMS Reports. Minor differences between this schedule and those on the internet are due to rounding.

Note 1: Fiscal Year End is August 31 for years 2002-2008. Fiscal Year End changed to June 30 effective September 1, 2008.

Burleson Independent School District **Schedule 20**

Teacher Salary Data
Last Ten Years
(Unaudited)

Fiscal Year	Minimum Salary	Maximum Salary	District Average Salary	Region Average Salary	State Average Salary
2008	42,500	65,300	46,495	48,394	46,179
2009	43,200	66,000	46,841	49,584	47,159
2010	43,200	66,000	47,302	50,642	48,263
2011	43,200	66,000	47,463	48,014	48,638
2012	43,200	66,000	47,011	50,386	48,375
2013	43,200	66,000	47,795	51,130	48,821
2014	43,200	66,000	47,958	52,208	49,692
2015	46,000	67,200	49,601	53,291	50,715
2016	48,000	68,700	52,345	54,379	51,892
2017	49,000	69,700	53,322	55,194	52,525

Source: District Records and PEIMS Standards Report

Note 1: Fiscal Year End is August 31 for years 2002-2008. Fiscal Year End changed to June 30 effective September 1, 2008.

Note 2: Minimum and Maximum Salary based on Bachelor's 187 Days.

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Burleson Independent School District
Operating Statistics
Last Ten Years
(Unaudited)

Fiscal Year	Total Enrollment	Average Daily Attendance	Operating Expenditures[1]	Cost Per Pupil	Percent Change	Operating Expenses	Cost Per Pupil
2008	9005	8454	72,411,031	8,565		81,759,333	9,671
2009	9588	9025	70,180,656	7,776	-9.21%	82,340,502	9,124
2010	9846	9241	79,726,094	8,627	10.95%	96,435,739	10,436
2011	9989	9404	72,120,557	7,669	-11.11%	106,019,199	11,274
2012	10,160	9705	75,980,885	7,829	2.09%	98,557,844	10,156
2013	10,457	9990	78,814,758	7,890	0.77%	101,014,582	10,112
2014	10,618	10,186	81,731,793	8,024	1.70%	104,267,980	10,236
2015	10,805	10,389	87,023,734	8,377	4.40%	108,470,607	10,441
2016	11,376	10,804	94,337,802	8,731	4.24%	118,366,773	10,956
2017	11,748	11,226	100,028,328	8,910	2.05%	126,781,089	11,293

Source: District's Financial Audit, Exhibit B-1 and C-3, District Records

Note 1: Fiscal Year End is August 31 for years 2002-2008. Fiscal Year End changed to June 30 effective September 1, 2008.

[1]Operating expenditures are total expenditures less debt service and capital outlays.

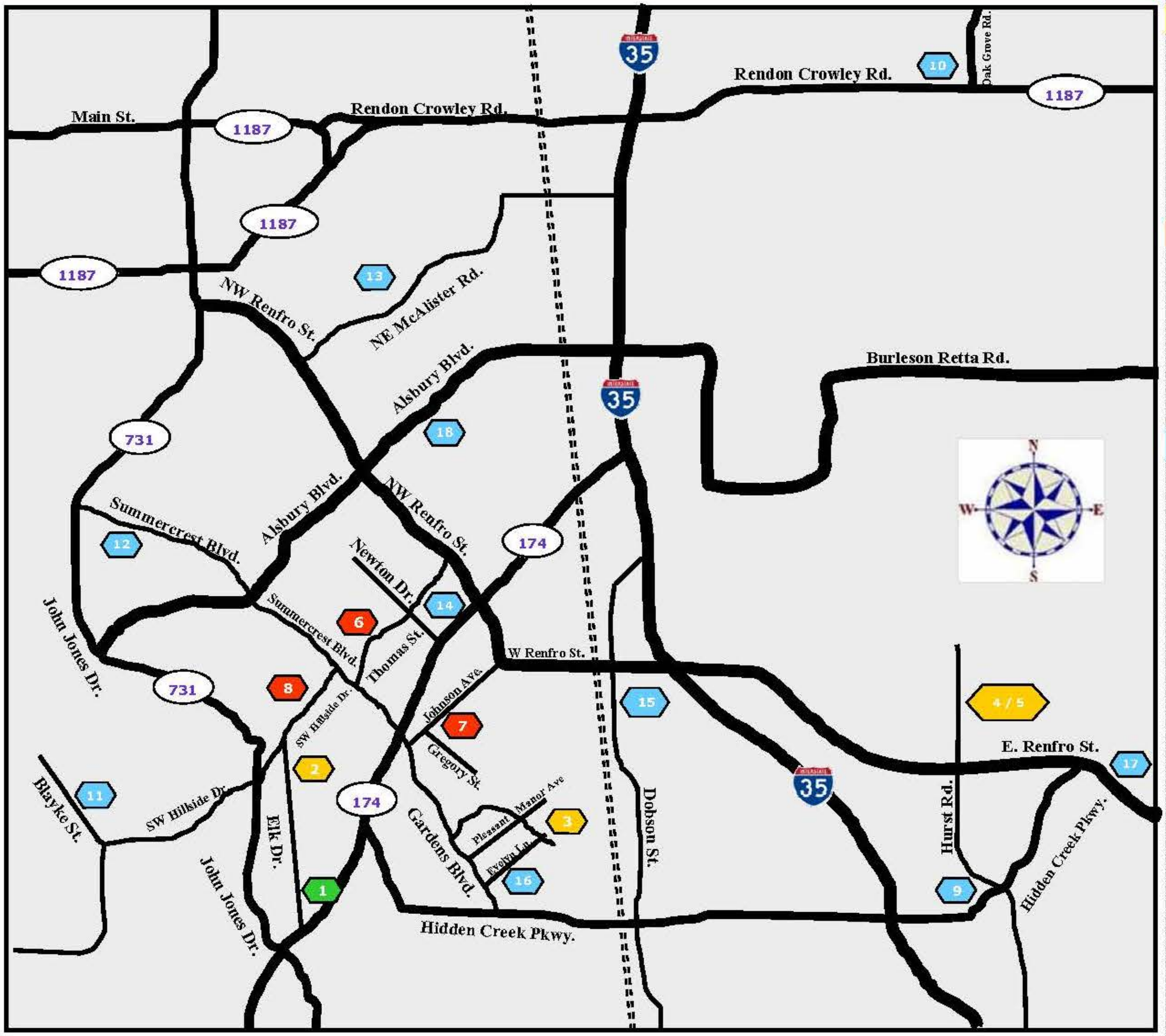
Percent Change	Teaching Staff	Pupil-Teacher Ratio	Students Receiving Free or Reduced-Price Meals
	575	14.7	27.4%
-5.66%	628	14.4	29.5%
14.38%	634	14.6	33.0%
8.03%	661	14.2	35.0%
-9.92%	652	14.9	37.0%
-0.43%	665	15.0	36.0%
1.23%	675	15.1	35.0%
2.00%	685	15.2	38.0%
4.93%	706	15.3	38.0%
3.09%	759	14.8	37.0%

Burleson Independent School District — Schedule 22

School Building Information
Last Ten Years
(Unaudited)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Elementary										
# of Locations	7	10	10	10	10	10	10	10	10	10
Sq. Footage	555,812	813,061	813,061	813,061	813,061	813,061	813,061	813,061	813,061	813,061
Capacity	4,298	6,242	6,242	6,242	6,242	6,242	6,242	6,242	6,242	6,242
Enrollment	4,458	4,749	4,862	4,900	5,078	5,184	5,214	5,283	5,534	5,670
Middle Schools										
# of Locations	2	2	2	2	2	2	2	2	3	3
Sq. Footage	383,563	383,563	383,563	383,563	383,563	383,563	383,563	383,563	434,793	434,793
Capacity	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,700	2,700
Enrollment	2,181	2,339	2,278	2,282	2,331	2,342	2,388	2,446	2,571	2,750
High Schools										
# of Locations	2	2	2	3	3	3	3	3	3	3
Sq. Footage	447,947	447,947	447,947	947,947	947,947	947,947	947,947	947,947	947,947	947,947
Capacity	2,150	2,150	2,150	4,150	4,150	4,150	4,150	4,150	4,150	4,150
Enrollment	2,366	2,500	2,756	2,651	2,750	2,931	3,016	3,076	3,271	3,328
Athletic Facilities										
Football fields	3	3	3	4	4	4	4	4	4	4
Running tracks	4	4	4	5	5	5	5	5	5	5
Ball Fields	2	2	2	4	4	4	4	4	4	4
Playgrounds	7	10	10	10	10	10	10	10	10	10
Administrative										
# of Locations	2	2	2	2	2	2	2	2	2	2
Sq. Footage	42,437	42,437	42,437	42,437	42,437	42,437	42,437	42,437	42,437	42,437

Burleson ISD School Location Map



ADMINISTRATION

1 — **BISD Administration Bldg**
1160 SW Wilshire Blvd
817-245-1000

HIGH SCHOOLS

2 — **Burleson High School** (001)
100 Elk Drive 817-245-0000

3 — **Crossroads High School** (003)
505 Pleasant Manor
817-245-0500

4 — **Centennial High School** (006)
201 N Hurst Rd 817-245-0250

5 — **Burleson Collegiate HS** (007)
201 N Hurst Rd 817-245-1600

MIDDLE SCHOOLS

6 — **Hughes Middle School** (041)
316 SW Thomas Street
817-245-0600

7 — **Kerr Middle School** (042)
517 SW Johnson Avenue
817-245-0750

8 — **STEAM Middle School** (043)
900 SW Hillside Drive
817-245-1500

ELEMENTARY SCHOOLS

9 — **Bransom** (Academy of Arts) (108)
820 S Hurst Road
817-245-3600

10 — **Brock Elementary** (110)
12000 Oak Grove Road
817-245-3800

11 — **Clinkscale Elementary** (111)
600 Blayke Street
817-245-3900

12 — **Frazier Elementary** (102)
1125 NW Summercrest Blvd
817-245-3000

13 — **Hajek Elementary** (109)
555 NE McAlister Road
817-245-3700

14 — **Mound** (Academy of Leadership and Technology) (103)
205 SW Thomas Street
817-245-3100

15 — **Nola Dunn Academy** (101)
201 S Dobson Street
817-245-3300

16 — **Norwood Elementary** (104)
619 Evelyn Lane
817-245-3400

17 — **Stribling** (STEAM Academy) (107)
1881 E Renfro Street
817-245-3500

18 — **Taylor Elementary** (105)
400 NE Alsbury Blvd
817-245-3200

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Federal Awards Section

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

Board of Trustees
Burleson Independent School District

We have audited, in accordance with the 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, the business-type activities, each major fund, and the aggregate remaining fund information of Burleson Independent School District (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 13, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

AN INDEPENDENT MEMBER OF
BAKER TILLY INTERNATIONAL

WEAVER AND TIDWELL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

2821 WEST SEVENTH STREET, SUITE 700, FORT WORTH, TX 76107
P: 817.332.7905 F: 817.429.5936

Board of Trustees
Burleson 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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas
November 13, 2017

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

Board of Trustees
Burleson Independent School District

Report on Compliance for Each Major Federal Program

We have audited Burleson Independent School District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Board of Trustees
Burleson Independent School District

Report on Internal Control over Compliance

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

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

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

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.

Fort Worth, Texas
November 13, 2017

Burleson Independent School District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

Section I – Summary of Auditors' Results

Financial Statements

An unmodified opinion was issued on the financial statements.

Internal control over financial reporting:

• Material weakness(es) identified?	____ Yes	X No
• Significant deficiencies identified that are not considered to be material weakness(es)?	____ Yes	X None Reported
• Noncompliance material to financial statements noted?	____ Yes	X No

Federal Awards

Internal control over major programs:

• Material weakness(es) identified?	____ Yes	X No
• Significant deficiencies identified that are not considered to be material weakness(es)?	____ Yes	X None Reported

An unmodified opinion was issued on compliance for all major programs.

• Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	____ Yes	X No

Identification of major programs:

10.553	National School Breakfast Program (1)
10.555	National School Lunch Program (1)
10.555	National School Lunch Program – Non-cash Assistance (1)
84.010A	ESEA, Title I, Part A

(1) Child Nutrition Cluster

• Dollar threshold used to distinguish between type A and type B programs?	$750,000	
Auditee qualified as low-risk auditee?	X Yes	___ No

Section II – Financial Statement Findings

NONE

Section III – Federal Award Findings and Questioned Costs

NONE

Burleson Independent School District
Schedule of Prior Audit Findings
Year Ended June 30, 2017

Federal Award Finding

Finding 2016-01

Status of Prior Finding: Planned corrective action completed this fiscal year.

Burleson Independent School District
Corrective Action Plan
Year Ended June 30, 2017

There were no matters reported.

Burleson Independent School District **Exhibit K-1**

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2017

(1) FEDERAL GRANTOR PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF DEFENSE			
Direct Programs			
Junior ROTC	12.000	126902	$ 58,549
TOTAL DEPARTMENT OF DEFENSE			58,549
U.S. DEPARTMENT OF EDUCATION			
Passed Through State Department of Education			
ESEA, Title I, Part A	84.010A	15610101126902	18,774
ESEA, Title I, Part A	84.010A	16610101126902	834,057
Total CFDA Number 84.010A			852,831
Special Education Cluster			
IDEA - Part B, Formula	84.027A [(1)]	156600011269026000	145,768
IDEA - Part B, Formula	84.027A [(1)]	166600011269026000	1,666,702
Total CFDA Number 84.027A			1,812,470
IDEA - Preschool	84.173 [(1)]	156610011269026000	266
IDEA - Preschool	84.173 [(1)]	166610011269026000	38,373
Total CFDA Number 84.173			38,639
Total Special Education Cluster			1,851,109
Career and Technical Education- Basic Grant	84.048	16420006126902	93,311
Total CFDA Number 84.048			93,311
Title III, Part A - English Language Acquisition	84.365A	15671001126902	88
Title III, Part A - English Language Acquisition	84.365A	16671001126902	42,488
Total CFDA Number 84.365A			42,576
ESEA, Title II, Part A - Improving Teacher Quality	84.367A	15694501126902	17,792
ESEA, Title II, Part A - Improving Teacher Quality	84.367A	16694501126902	149,071
Total CFDA Number 84.367A			166,863
ESEA, Title VI, Part A - Summer School LEP	84.369A	69551502	2,330
Total CFDA Number 84.369A			2,330
Total Passed Through State Department of Education			3,009,020
TOTAL DEPARTMENT OF EDUCATION			3,009,020

Burleson Independent School District

Schedule Of Expenditures Of Federal Awards - Continued
Year Ended June 30, 2017

(1) FEDERAL GRANTOR PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through State Department of Agriculture			
Child Nutrition Cluster:			
School Breakfast Program	10.553[(2)]	71401501	65,063
School Breakfast Program	10.553[(2)]	71401601	374,080
Total CDFA Number 10.553			439,143
National School Program Lunch - Cash Assistance	10.555[(2)]	71301501	330,135
National School Program Lunch - Cash Assistance	10.555[(2)]	71301601	1,721,671
National School Program Lunch - Non-Cash Assistance	10.555[(2)]	71301001	395,765
Total CDFA Number 10.555			2,447,571
Total Passed Through the State Department of Agriculture			2,886,714
TOTAL DEPARTMENT OF AGRICULTURE			2,886,714
U.S. GENERAL SERVICES ADMINISTRATION			
Direct Programs			
Donation of Federal Surplus Personal Property	39.003	n/a	661
TOTAL GENERAL SERVICES ADMINISTRATION			661
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 5,954,944
School Health & Related Services (SHARS)[(3)]			1,026,581
TOTAL FEDERAL REVENUES, RECONCILED TO EXHIBIT C-3			$ 6,981,525

(1) Reported as Special Education Cluster, as required by Compliance Supplement June 2017
(2) Reported as Child Nutrition Cluster, as required by Compliance Supplement June 2017
(3) SHARS not considered federal financial assistance subject to requirements in accordance with Uniform Guidance

Note 1. Basis of Presentation

The District uses the fund types specified in the Texas Education Agency's *Financial Accountability System Resource Guide*. Special Revenue Funds are used to account for resources restricted to specific purposes by a grantor. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Government Fund types are accounted for using a current financial resources measurement focus. All federal grants were accounted for in a Special Revenue Fund or the General Fund which are Governmental Fund types. With this measurement focus, only current assets, deferred outflows, current liabilities, deferred inflows and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in fund balance. The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues on the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.

Note 2. Basis of Funding

The District participates in numerous state and federal grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at June 30, 2017, may be impaired. In the opinion of the District, there are not significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions has been recorded in the accompanying financial statements for such contingencies. Generally, unused balances are returned to the grantor at the close of specified project periods.

Note 3. Food Donation

Nonmonetary assistance is reported in the Schedule of Expenditures of Federal Awards at the fair market value of the commodities received and disbursed. As of June 30, 2017, the District recognized food commodities totaling $395,765 with a remaining $8,114 in inventory.

Financial Advisory Services
Provided By:

SAMCO CAPITAL MARKETS, INC.