OFFICIAL STATEMENT DATED JANUARY 28, 2019

U.S. Capital Advisors

Rating: Standard & Poor's: "AAA"
(See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "OTHER INFORMATION–Rating" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of McCall, Parkhurst & Horton L.L.P., as Bond Counsel to the District, interest on the Bonds will be 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.

$12,245,000
CARROLL INDEPENDENT SCHOOL DISTRICT
(Tarrant County, Texas)
UNLIMITED TAX REFUNDING BONDS
SERIES 2019

Dated Date: February 1, 2019
(Interest accrues from the delivery date)

Due: February 15, as shown on page ii hereof

The Carroll Independent School District Unlimited Tax Refunding Bonds, Series 2019 (the "Bonds") are being issued pursuant to the Constitution and general laws of the State of Texas (the "State") including particularly Chapter 1207, Texas Government Code, and an order adopted by the Board of Trustees (the "Board") of the Carroll Independent School District (the "District") authorizing the issuance of the Bonds on December 17, 2018. In the order, the Board delegated pricing of the Bonds and certain other matters to a pricing officer who approved a pricing certificate containing the final pricing information for the Bonds (the order and the pricing certificate are jointly referred to herein as the "Order"). The Bonds are direct obligations of the District, payable from the receipts of an ad valorem tax levied, without legal limit as to maximum rate or amount, on all taxable property located within the District, as provided in the Order. See "THE BONDS-Authority for Issuance" herein.

The Bonds are dated February 1, 2019 (the "Dated Date"). Interest on the Bonds will accrue from the date of delivery to the Initial Purchaser (as defined below), and will be payable on each February 15 and August 15, commencing August 15, 2019, until maturity or prior redemption. Principal of the Bonds will be payable by the Paying Agent/ Registrar, initially The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Paying Agent/Registrar"), upon presentation and surrender of the Bonds for payment. See "THE BONDS—Description" herein.

The definitive Bonds will be initially registered and delivered to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 of principal or integral multiples thereof. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal, 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 amount so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS–Book-Entry-Only System" herein.

The District has applied for and received conditional approval for the payment of the principal and interest of the Bonds to be guaranteed by the corpus of the Permanent School Fund of the State of Texas. See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein.

Proceeds from the sale of the Bonds will be used for (i) refunding of a portion of the District's outstanding bonds (see "APPENDIX A – Table 11 – SUMMARY OF BONDS REFUNDED" attached hereto, and (ii) the costs of issuing the Bonds. The refunding is being undertaken to lower the District's debt service and will result in a present value savings to the District. See "THE BONDS—Sources and Uses of Funds" herein.

The Bonds maturing on and after February 15, 2029, are subject to optional redemption in whole or in part on February 15, 2028, or any date thereafter, at a price equal to the par value thereof, plus accrued interest from the most recent interest payment date to the date of redemption. See "THE BONDS—Optional Redemption" herein.

SEE MATURITY SCHEDULE ON PAGE ii

The Bonds are offered for delivery when, as and if issued and received by the initial purchaser (the "Initial Purchaser") and will be subject to the approving opinion of the Attorney General of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton, L.L.P., Dallas, Texas, Bond Counsel (see "APPENDIX C – FORM OF OPINION OF BOND COUNSEL" attached hereto).

It is expected that the Bonds will be available for delivery through the facilities of DTC on or about February 28, 2019.

MATURITY SCHEDULE

CARROLL INDEPENDENT SCHOOL DISTRICT
(Tarrant County, Texas)

$12,245,000 UNLIMITED TAX REFUNDING BONDS, SERIES 2019

Maturity		Principal Amount	Interest Rate	Initial Reoffering Yield [b]	CUSIP No [c]
8/15/2019		$ 60,000	5.000%	1.650%	145232 FQ2
2/15/2020		1,890,000	5.000%	1.700%	145232 FR0
2/15/2021		1,285,000	5.000%	1.740%	145232 FS8
2/15/2022		1,380,000	5.000%	1.780%	145232 FT6
2/15/2023		1,455,000	5.000%	1.850%	145232 FU3
2/15/2024		1,840,000	3.000%	1.900%	145232 FV1
2/15/2025		1,885,000	3.000%	1.950%	145232 FW9
2/15/2026		1,970,000	5.000%	2.050%	145232 FX7
2/15/2027		75,000	5.000%	2.290%	145232 FY5
2/15/2028		90,000	5.000%	2.380%	145232 FZ2
2/15/2029	[a][d]	130,000	3.000%	2.600%	145232 GA6
2/15/2030	[a][d]	185,000	3.000%	2.800%	145232 GB4

(Interest to accrue from the date of delivery)

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[a] The District reserves the right, at its option, to redeem the Bonds having stated maturities on and after February 15, 2029, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2028, or any date thereafter, at the par value thereof plus accrued interest from the most recent interest payment date to the date of redemption. See "THE BONDS-Optional Redemption" herein.

[b] The initial yields at which Bonds are priced are established by and are the sole responsibility of the Initial Purchaser.

[c] CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services ("CGS"), managed by S&P Global Market Intelligence on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the services provided by CGS. None of the District, the Financial Advisor, or the Initial Purchaser shall be responsible for the selection or correctness of CUSIP numbers set forth herein.

[d] Priced to February 15, 2028.

DISTRICT OFFICIALS, STAFF AND CONSULTANTS

Board of Trustees

Name	Title	Years of Service	Term Expires May	Occupation
Sheri Mills	President	4	2020	Director – Medical Research Organization
Michelle Moore	Vice President	3	2020	Director – UNCF
Danny Gilpin	Secretary	6	2021	Executive – Residential Land Investment
Dave Almand	Member	1	2019	Retired - Military
Matt Bryant	Member	<1	2021	Executive – Real Estate
Todd Carlton	Member	2	2019	Executive – Finance Industry
Bradley Taylor	Member	4	2020	Executive – Construction

Administrators

Name	Title	Years in Position
Dr. David J. Faltys	Superintendent	13
Scott Wrehe	Asst. Superintendent, Financial Services	3
Julie Thannum	Asst. Superintendent, Board & Community Relations	21
Matt Miller	Asst. Superintendent, Administrative Services	5
Janet McDade	Asst. Superintendent, Student Services	2
Laurie Grissom	Director of Finance	2

Consultants and Advisors

Certified Public Accountant .... Snow Garrett Williams
Weatherford, Texas

Bond Counsel .... McCall Parkhurst & Horton L.L.P.
Dallas, Texas

Financial Advisor .... USCA Municipal Advisors, LLC
Houston, Texas

USE OF INFORMATION IN OFFICIAL STATEMENT

This Official Statement, 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 Official Statement, and, if given or made, such other information or representations must not be relied upon.

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 Initial Purchaser. This Official Statement 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 Official Statement 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 "CONTINUING DISCLOSURE OF INFORMATION" for a description of the District's undertaking 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 THESE SECURITIES HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

NEITHER THE DISTRICT NOR ITS FINANCIAL ADVISOR MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM DESCRIBED UNDER "THE BONDS–BOOK-ENTRY-ONLY SYSTEM" HEREIN NOR AS TO THE INFORMATION PROVIDED BY TEXAS EDUCATION AGENCY UNDER THE CAPTION "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" HEREIN.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE INITIAL PURCHASER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN 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.

The agreements of the District and others related to the Bonds are contained solely in the contracts described herein. Neither this Official Statement 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 purchasers of the Bonds. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

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OFFICIAL STATEMENT SUMMARY

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

The District .... The Carroll Independent School District (the "District") operates as an independent school district under the laws of the State of Texas (the "State"). The District is located in Tarrant County, Texas. See "THE DISTRICT" herein.

The Bonds .... The Bonds are being issued in the principal amounts and mature on the dates set forth on the inside cover page hereof. The Bonds are dated February 1, 2019. Interest on the Bonds will accrue from the date of delivery to the Initial Purchaser at the rates per annum set forth on page ii, which interest is payable each February 15 and August 15, commencing August 15, 2019, until maturity or prior redemption. See "THE BONDS—Description" herein.

Authority for Issuance .. The Bonds are being issued pursuant to an order adopted by the Board of Trustees of the District on December 17, 2018 and the Constitution and general laws of the State, including particularly Chapter 1207, Texas Government Code. See "THE BONDS-Authority for Issuance" herein.

Use of Proceeds……… Proceeds from the sale of the Bonds will be used for (i) the refunding of a portion of the District's outstanding bonds (see "APPENDIX A – Table 11 – SUMMARY OF BONDS REFUNDED" attached hereto), and (ii) the costs of issuing the Bonds. The refunding is being undertaken to lower the District's debt service and will result in a present value savings to the District. See "THE BONDS—Sources and Uses of Funds" herein.

Security for Bonds .... Principal of and interest on the Bonds will be payable from the receipts of an ad valorem tax levied, without legal limit as to rate or amount, on all taxable property within the District. See "THE BONDS-Security and Source of Payment" and "TAX RATE LIMITATIONS" herein.

Permanent School Fund Guarantee............. The District applied to the Texas Education Agency and has received conditional approval for the Bonds to be guaranteed by the corpus of the Permanent School Fund. See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein.

Redemption .... The Bonds maturing on and after February 15, 2029, are subject to optional redemption in whole or in part on February 15, 2028, or any date thereafter, at a price equal to the par value thereof, plus accrued interest from the most recent interest payment date to the date of redemption. See "THE BONDS—Optional Redemption" herein.

Tax Exemption............... In the opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel for the District, interest on the Bonds is excludable from gross income for federal income tax purposes described under "TAX MATTERS" herein. (see "TAX MATTERS" and the form of opinion of McCall, Parkhurst & Horton L.L.P. in "APPENDIX C – FORM OF OPINION OF BOND COUNSEL").

Rating .... S&P Global Ratings ("S&P") has assigned its municipal bond rating of "AAA" to the Bonds by virtue of the guarantee of the Permanent School Fund of the State of Texas on the Bonds. See "OTHER INFORMATION-Rating" and "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein. S&P generally rates all bonds that are guaranteed by the Permanent School Fund Guarantee Program as "AAA." The District's underlying rating from S&P is "AA+".

Book-Entry-Only System .... The 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. The Bonds will be issued in principal denominations of $5,000, as applicable, or any integral multiple thereof. No physical delivery of the Bonds will be made to the beneficial 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 participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS-Book-Entry-Only System" herein.

Payment Record .... The District has never defaulted in the payment of its tax-supported debt.

SELECTED FINANCIAL INFORMATION

Fiscal Year End	Estimated Population [a]	Taxable Assessed Valuation [b]	Per Capita Assessed Valuation	Ad Valorem Tax Supported Debt [c]	Per Capita Tax Supported Debt	Ratio Tax Debt to Assessed Valuation	Tax Year
2015	27,978	$ 6,350,008,795	$ 226,964	$ 221,888,146	$ 7,931	3.494%	2014
2016	28,544	6,631,191,106	232,315	199,701,047	6,996	3.012%	2015
2017	29,043	7,408,797,867	255,098	265,320,246	9,135	3.581%	2016
2018	29,578	8,238,772,455	278,544	250,129,999	8,457	3.036%	2017
2019	29,578	8,989,237,824	303,916	301,342,164 [d]	10,188	3.352%	2018

[a] Source: Municipal Advisory Council of Texas.

[b] Net of exemptions. Assessed valuations do not include adjustments in supplemental rolls made after the end of the fiscal year.

[c] Includes outstanding sinking fund deposits for the Series 2009D Qualified School Construction Bonds.

[d] Includes the Bonds and excludes the Refunded Bonds.

General Fund Consolidated Statement Summary

	2018	2017	2016	2015	2014
Beginning Balance	$ 36,191,440	$ 34,390,570	$ 37,085,443	$ 33,831,544	$ 34,312,784
Adjustments to Fund Balance	-	(591,583)	-	-	-
Total Revenue	109,815,076	101,341,960	89,952,857	94,272,500	79,823,593
Total Expenses	110,549,335	97,989,774	92,657,823	91,054,671	80,603,386
Net Other Resources (Uses)	3,765,019	(959,733)	10,093	36,072	19,693
Ending Balance	$ 39,222,200	$ 36,191,440	$ 34,390,570	$ 37,085,445	$ 33,552,684

[a] See "APPENDIX A, TABLE 10 - GENERAL FUND REVENUES AND EXPENDITURE HISTORY" for further information on ending balance restatements.

For Additional Information Regarding the District Contact:

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OFFICIAL STATEMENT

CARROLL INDEPENDENT SCHOOL DISTRICT
(Tarrant County, Texas)

$12,245,000
UNLIMITED TAX REFUNDING BONDS
SERIES 2019

INTRODUCTION

This Official Statement, including the Appendices hereto, provides certain information regarding the issuance of the Carroll Independent School District Unlimited Tax Refunding Bonds, Series 2019 (the "Bonds"). Except as otherwise indicated herein, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the order adopted by the Board of Trustees (the "Board of Trustees" or the "Board") of the Carroll Independent School District (the "District") authorizing the issuance of the Bonds on December 17, 2018 (the "Bond Order"). In the Bond Order, the Board delegated the authority to certain District officials (each, a "Pricing Officer") to execute approval of a pricing certificate (the "Pricing Certificate") establishing the final pricing terms for the Bonds (the Pricing Certificate, together with the Bond Order, are collectively referred to herein as the "Order").

There follows in this Official Statement descriptions of the Bonds and certain information regarding 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 from the Financial Advisor, USCA Municipal Advisors, LLC, Houston, Texas, by electronic mail or upon payment of reasonable handling, mailing, and delivery charges.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. A copy of the final Official Statement pertaining to the Bonds will be deposited with the Municipal Securities Rulemaking Board at www.emma.msrb.org. See "CONTINUING DISCLOSURE OF INFORMATION" herein for a description of the District's undertaking to provide certain information on a continuing basis.

THE BONDS

Description

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by the Order which may be obtained upon request to the District.

The Bonds are dated February 1, 2019 (the "Dated Date"). The Bonds mature on August 15 and February 15 in each of the years and in the amounts shown on page ii hereof. Interest on the Bonds will accrue from the date of delivery to the Initial Purchaser and will be payable each February 15 and August 15, commencing August 15, 2019, until maturity or earlier redemption. Interest on the Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

The definitive Bonds will be issued only in fully registered form in any integral multiple of $5,000 of principal amount for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the beneficial owners thereof**. Principal of, premium, if any, and accrued interest on the Bonds will be payable by the Paying Agent/Registrar, initially The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Paying Agent/Registrar") to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS-Book-Entry-Only System" herein.

Authority for Issuance

The Bonds are issued pursuant to the Order and by the authority conferred by the Constitution and laws of the State of Texas, including particularly, Chapter 1207, Texas Government Code. The Pricing Certificate was executed by a Pricing Officer on January 28, 2019, which completed the sale of the Bonds.

Purpose

Proceeds from the sale of the Bonds will be utilized to (i) refund certain of the District's currently outstanding indebtedness as disclosed in "Appendix A – Table 11 – Summary of Bonds Refunded" hereto (the "Refunded Bonds") for debt service savings and (ii) pay the costs of issuance of the Bonds.

Refunded Bonds

The Order provides that from a portion of the proceeds of the sale of the Bonds to the Initial Purchaser, the District will deposit with The Bank of New York Mellon, N.A., Dallas, Texas, the deposit agent for the Refunded Bonds (the "Deposit Agent"), an amount, together with other lawfully available funds of the District, if required, which will be sufficient to accomplish the discharge and final payment of the Refunded Bonds on March 5, 2019 (the "Redemption Date"). Such funds will be held by the Deposit Agent in an account (the "Deposit Fund") and held in cash uninvested. USCA Municipal Advisors, LLC, in its capacity as Financial Advisor to the District, will certify as to the sufficiency of the amounts initially deposited with the Deposit Agent to pay the principal of and interest on the Refunded Bonds on the Redemption Date (the "Report"). Under the Deposit Agreement, the Deposit Fund is irrevocably pledged to the payment of principal of and interest on the Refunded Bonds.

By the deposit of cash with the Deposit Agent pursuant to the Deposit Agreement, the District will have effected the defeasance of the Refunded Bonds pursuant to the terms of Chapter 1207, Texas Government Code, and the order authorizing the issuance of the Refunded Bonds. It is the opinion of Bond Counsel that as a result of such deposit, and in reliance on the Report, the Refunded Bonds will be outstanding only for the purpose of receiving payments from the Federal Securities and cash held for such purpose by the Deposit Agent, and the Refunded Bonds will not be deemed as being outstanding obligations of the District, payable from the sources and secured in the manner provided in the orders authorizing their issuance or for any other purpose, and the District will have no further responsibility with respect to amounts available in the Deposit Fund for the payment of the Refunded Bonds. Upon defeasance of the Refunded Bonds, the payment of the Refunded Bonds will no longer be guaranteed by the Permanent School Fund of Texas.

Security and Source of Payment

The Bonds constitute direct obligations of the District, payable as to principal and interest from an annual ad valorem tax levied, without legal limit as to rate or amount, against all taxable property within the District. Additionally, the payment of principal and interest on the Bonds is expected to be guaranteed by the Permanent School Fund Guarantee Program of Texas. See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein.

Optional Redemption

The District reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2029, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2028, or any date thereafter, at the par value thereof plus accrued interest from the most recent interest payment date to the date of redemption. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date (see "THE BONDS-Notice of Redemption" herein).

Notice of Redemption

Not less than 30 days prior to a redemption date for the bonds, the Paying Agent/Registrar shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the bonds to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar. 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, the bonds called for redemption shall become due and payable on the specified redemption date, notwithstanding that any bonds or portion thereof has not been surrendered for payment, interest on such bonds or portion thereof shall cease to accrue.

With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Order have been met and money sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption is conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the District will not redeem such Bonds, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that such Bonds have not been redeemed.

DTC Notices

The Paying Agent/Registrar and the District, so long as a book-entry-only system is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Order or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the District will reduce the outstanding principal amount of such Bonds held by DTC.

In such an event, DTC may implement, through its book-entry-only system, a redemption of such Bonds held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bonds from the beneficial owners.

Any such selection of Bonds to be redeemed will not be governed by the Order and will not be conducted by the District or the Paying Agent/Registrar. Neither the District nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Bonds for redemption. See "THE BONDS-Book-Entry-Only System" herein.

Defeasance

The Order provides for the defeasance of the Bonds when payment of the principal amount of the Bonds plus interest accrued on the Bonds to their due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent (or other financial institution permitted by applicable State Law), in trust (1) lawful money of the United States of America sufficient to make such payment and/or (2) Defeasance Securities (defined below), that mature as to principal and interest in such amounts and at such times to ensure 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, and thereafter the District will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased Bonds, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The Order provides that "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharges obligations such as the Bonds. Current State law permits defeasance with the following types of securities: (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 the Board of Trustees of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (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 that, on the date the Board of Trustees of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The District has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the District moneys in excess of the amount required for such defeasance.

Upon such deposit as described above, such Bonds shall no longer be regarded as being outstanding or unpaid and such defeased Bonds will no longer be guaranteed by the Texas Permanent School Fund. The District has reserved the option, however, 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 such Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of such 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.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Order does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Defeasance Securities or those for any other Defeasance Security will be maintained at any particular rating category.

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 The Depository Trust Company, New York, New York ("DTC"), 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 Official Statement. The District, the Financial Advisor and the Initial Purchaser believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The District cannot and does not give any assurance that (1) DTC will distribute payment of debt service on the Bonds, or redemption 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 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 Official Statement. 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.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities 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 certificate will be issued for each maturity of the Bonds, in the aggregate principal amount or Maturity 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 Standard & Poor's 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 confirmations from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmation 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 Paying Agent/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 issue 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 the 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 nor its nominee, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, and interest payments on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and reimbursement 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. Discontinuance by the District of use of the system of book-entry transfers through DTC may require compliance with DTC operational arrangements.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). Discontinuance of the system of book-entry transfers by the District may require the consent of Participants under DTC's operational arrangements. In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but neither the District, the Financial Advisor nor the Initial Purchaser take responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Official Statement.

In reading this Official Statement it should be understood that while the Bonds are in the book-entry-only system, references in other sections of this Official Statement to registered owners should be read to include the person for which the 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.

Paying Agent/Registrar

The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. In the Order, the District retains the right to replace the Paying Agent/Registrar. The District covenants to maintain and provide a Paying Agent/Registrar at all times while any Bonds are outstanding and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the United States or any state and duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District agrees 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.

Transfer, Exchange and Registration

In the event the book-entry-only system should be discontinued, the Bonds will be printed and delivered to the beneficial owners thereof and thereafter, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar at its designated payment office and such transfer or exchange shall be without expenses or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds 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 designated payment office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. 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 business days after the receipt of the Bonds to be canceled, 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 any integral multiple of $5,000 of principal amount for any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. See "THE BONDS-Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

Limitation on Transfer of Bonds

The Paying Agent/Registrar shall not be required to make any transfer or exchange of any Bond during the period commencing with the close of business on any Record Date (defined below) and ending with the opening of business on the next following principal or interest payment date, or with respect to any Bonds or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date; provided, however, such limitation on transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bonds called for redemption in part.

Record Date for Interest Payment

The record date ("Record Date") for the interest payable on the Bonds on any interest payment date means the close of business on the last business day of the month preceding such interest payment date. 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 (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 holder of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day preceding the date of mailing of such notice.

Bondholders' Remedies

The Order establishes specific events of default with respect to the Bonds, and provides that if the District defaults in the payment of principal or interest on 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 continuation thereof for a period of 60 days after notice of default is given by any registered owner to the District, the registered owners may seek a writ of mandamus to compel District officials to carry out their legally imposed duties with respect to the Bonds, if there is no other available remedy at law to compel performance of the Bonds or the Order covenants and the District's obligations are not uncertain or disputed. 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 bondholders 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, Texas Government Code, 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 its bonds, but in connection with the issuance of the Bonds, the District has not waived sovereign immunity. As a result, 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.

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 by general principles of equity which permit the exercise of judicial discretion and by governmental immunity.

Sources and Uses of Funds

Proceeds from the sale of the Bonds will be used for (i) the refunding of a portion of the District's outstanding bonds (see "APPENDIX A – Table 11 – SUMMARY OF BONDS REFUNDED" attached hereto), and (ii) the costs of issuing the Bonds. Proceeds from the sale of the Bonds will be applied in the amounts shown below.

Sources of Funds	
Par Amount of Bonds	$12,245,000.00
Net Premium	1,065,246.65
Total	$13,310,246.65
Uses of Funds	
Deposit to Deposit Fund	$13,166,309.17
Costs of Issuance [a]	116,290.85
Initial Purchaser's Discount	27,646.63
Total	$13,310,246.65

[a] Includes issuance costs and additional proceeds.

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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, 2018, the General Land Office (the "GLO") managed approximately 23% 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 2018 distributions to the ASF amounted to an estimated $247 per student and the total amount distributed to the ASF was $1,235.8 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, 2018, as 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, 2018 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, 2018 and for a description of the financial results of the PSF for the year ended August 31, 2018, the most recent year for which audited financial information regarding the Fund is available. The 2018 Annual Report speaks only as of its date and the TEA has not obligated itself to update the 2018 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.

2019 Texas Legislative Session

The Texas Legislature commenced its 86th Regular Legislative Session on January 8, 2019, and that session (the "86th Session") must conclude by May 28, 2019. During the 86th Session, legislation potentially affecting the Fund and the Guarantee Program may be introduced, but TEA is unable to predict whether any such legislation will be enacted during the 86th Session.

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, 2018, the Fund's financial assets portfolio was invested as follows: 40.52% in public market equity investments; 13.25% in fixed income investments; 10.35% in absolute return assets; 9.16% in private equity assets; 7.47% in real estate assets; 6.78% in risk parity assets; 5.95% in real return assets; 6.21% 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, changes in international trade policies, 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, 2018, the State Law Capacity increased from $111,568,711,072 on August 31, 2017 to $118,511,255,268 on August 31, 2018 (but at such date the IRS Limit was lower, $117,318,653,038, so it is the currently effective capacity limit for the Fund).

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 January 23, 2019, there were 181 active open-enrollment charter schools in the State and there were 762 charter school campuses operating under such charters (though as of such date, eight 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 December 31, 2018, the amount of outstanding bond guarantees represented 68.97% of the IRS Limit (which is currently the applicable capacity limit) for the Guarantee Program (based on unaudited data). 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 5.50% in December 2018, representing a cumulative growth during that period of 1.97%. 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 December 31, 2018, the Charter District Reserve Fund represented approximately 00.85% 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 December 31, 2018, the Charter District Reserve Fund contained $14,379,807.

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. For fiscal year 2018, TEA initiated programs designed to hold school districts and charter districts harmless for the loss of State funding associated with declines in average daily attendance. 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, S&P Global Ratings and Fitch Ratings 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)]
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	31,870,581,428	41,438,672,573
2018[(2)]	33,860,358,647	44,074,197,940

(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, 2018, 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 $13.4 million, $238.8 million, $2,983.3 million, $7.5 million, and $4,247.3 million, respectively, and market values of approximately $2,022.8 million, $661.1 million, $3,126.7 million, $4.2 million, and $4,247.3 million, respectively. At December 31, 2018, the PSF had a book value of $34,294,290,975 and a market value of $42,053,979,467. December 31, 2018 values are based on unaudited data, which is subject to adjustment.

Permanent School Fund Guaranteed Bonds

At 8/31	Principal Amount[(1)]
2014	$ 58,364,350,783
2015	63,955,449,047
2016	68,303,328,445
2017	74,266,090,023
2018	79,080,901,069[(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, 2018 (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 $126,346,333,815, of which $47,265,432,746 represents interest to be paid. As shown in the table above, at August 31, 2018, there were $79,080,901,069 in principal amount of bonds guaranteed under the Guarantee Program, and using the IRS Limit at that date of $117,318,653,038 (the IRS Limit is currently the lower of the two federal and State capacity limits of Program capacity), 97.35% of Program capacity was available to the School District Bond Guarantee Program and 2.65% 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	3,253	72,884,480,023	40	1,381,610,000	3,293	74,266,090,023
2018[(3)]	3,249	77,647,966,069	44	1,432,935,000	3,293	79,080,901,069

(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 December 31, 2018 (based on unaudited data, which is subject to adjustment), there were $80,917,388,559 of bonds guaranteed under the Guarantee Program, representing 3,290 school district issues, aggregating $79,217,608,559 in principal amount and 46 charter district issues, aggregating $1,699,780,000 in principal amount. At December 31, 2018, the capacity allocation of the Charter District Bond Guarantee Program was $3,109,688,908 (based on unaudited data, which is subject to adjustment).

Discussion and Analysis Pertaining to Fiscal Year Ended August 31, 2018

The following discussion is derived from the Annual Report for the year ended August 31, 2018, 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, 2018, 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 2018, the Fund balance was $44.0 billion, an increase of $2.6 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, 2018, were 7.23%, 7.68% and 6.92%, 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, five-year, and ten-year annualized total returns for the PSF(SLB) real assets, including cash, were 8.69%, 7.78%, and 4.23%, 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, 2018, 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, 2018, the SBOE has approved and the Fund made capital commitments to externally managed real estate investment funds in a total amount of $4.2 billion and capital commitments to private equity limited partnerships for a total of $5.2 billion. Unfunded commitments at August 31, 2018, totaled $1.5 billion in real estate investments and $2.1 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, 2018, the remaining commitments totaled approximately $2.6 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 19.83%, 23.95%, 3.51%, and -1.07%, respectively, during the fiscal year ended August 31, 2018. The PSF(SBOE)'s investment in domestic fixed income securities produced a return of -0.78% during the fiscal year and absolute return investments yielded a return of 6.66%. The PSF(SBOE) real estate and private equity investments returned 12.01% and 15.94%, respectively. Risk parity assets produced a return of 3.43%, while real return assets yielded 0.70%. Emerging market debt produced a return of -11.40%. Combined, all PSF(SBOE) asset classes produced an investment return of 7.23% for the fiscal year ended August 31, 2018, out-performing the benchmark index of 6.89% by approximately 34 basis points. All PSF(SLB) real assets (including cash) returned 8.69% for the fiscal year ending August 31, 2018.

For fiscal year 2018, total revenues, inclusive of unrealized gains and losses and net of security lending rebates and fees, totaled $4.0 billion, a decrease of $1.4 billion from fiscal year 2017 earnings of $5.4 billion. This decrease reflects the performance of the securities markets in which the Fund was invested in fiscal year 2018. In fiscal year 2018, 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, decreased 17.1% for the fiscal year ending August 31, 2018. This decrease is primarily attributable to a decrease in PSF(SLB) 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 2017 and 2018, the distribution from the SBOE to the ASF totaled $1.1 billion and $1.2 billion, respectively. There were no contributions to the ASF by the SLB in fiscal years 2017 and 2018.

At the end of the 2018 fiscal year, PSF assets guaranteed $79.1 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 7,242 school district and charter district bond issues totaling $176.4 billion in principal amount. During the 2018 fiscal year, the number of outstanding issues guaranteed under the Guarantee Program remained flat at 3,293. The dollar amount of guaranteed school and charter bond issues outstanding increased by $4.8 billion or 6.5%. The State Capacity Limit increased by $6.9 billion, or 6.2%, during fiscal year 2018 due to continued growth in the cost basis of the Fund used to calculate that Program capacity limit. The effective capacity of the Program increased by only $5.7 billion, or 5.2%, during fiscal year 2018 as the IRS Limit was reached during the fiscal year, and it is the lower of the two State and federal capacity limits for the Program.

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%, 3.5% and 3.7% for each of two year periods 2008-2009, 2010-2011, 2012-2013, 2014-2015, 2016-2017 and 2018-2019, respectively. In November 2018, the SBOE approved a $2.2 billion distribution to the ASF for State fiscal biennium 2020-2021, to be made in equal monthly increments of $92.2 million, which represents a 2.981% Distribution Rate for the biennium and a per student distribution of $220.97, based on 2018 preliminary student average daily attendance of 5,004,998. In making the 2020-2021 biennium distribution decision, the SBOE took into account a commitment of the SLB transfer $10 to the PSF in fiscal year 2020 and $45 million in fiscal year 2021.

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 April 2018. 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.

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 $30.2 million for the administration of the PSF for fiscal years 2016 and 2017, respectively, and $30.4 million for each of the fiscal years 2018 and 2019.

As of August 31, 2018, 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 16, 2018, 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.

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; (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; (15) the incurrence of a financial obligation of the Guarantee Program, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Program, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Guarantee Program, any of which reflect financial difficulties. (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.

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 Financing 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" herein). 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 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.

2019 Legislative Session

On January 8, 2019, the 86th Texas Legislature convened in general session, which is scheduled to adjourn on May 27, 2019. Thereafter, the Texas Governor may call one or more additional special sessions. During this time, the Texas Legislature may enact laws that materially change current law as it relates to Texas school finance. The District makes no representation regarding any actions the Texas Legislature may take, but intends to monitor proposed legislation for any developments applicable to the District.

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.

SCHOOL FINANCE SYSTEM AS APPLIED TO THE CARROLL INDEPENDENT SCHOOL DISTRICT

The District's wealth per student for the 2018-19 school year is $874,756 which was more than the equalized wealth value. Accordingly, the District was required to exercise one of the permitted wealth equalization options. As a district with wealth per student in excess of the equalized wealth value, the District has reduced its wealth per student by purchasing "Attendance Credits" in order to transfer revenue from its excess property wealth.

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 exercising of one of the permitted wealth equalization options. Accordingly, if the District's wealth per student should continue to 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. See "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS–Possible Effects of Litigation and Changes in Law on District Bonds."

AD VALOREM TAX PROCEDURES

Tax Code and County-Wide Appraisal District

The Texas Tax Code, as amended (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 Tarrant County Appraisal District (the "Appraisal District") is responsible for appraising property within the District, generally, as of January 1 of each year. The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Boards (the "Appraisal Review Board"), the members of which are appointed by the Appraisal District. Such appraisal rolls, as approved by the 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 Texas 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 Board of Trustees) include property owned by the State of Texas 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; so-called "freeport property" including property detained in the District for up to 175 days for purpose of assembly or other processing; certain household goods, family supplies and personal effects; farm products owned by the producers; certain real property and tangible personal property owned by a non-profit community business organization or a charitable organization. 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 exemption to residential homesteads of disabled persons or persons ages 65 or over; $25,000 in market value for all residential homesteads, (see "Residential Homestead Exemption" below); certain classes of intangible property; an exemption from $5,000 to a maximum of $12,000 for real or personal property of disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; provided, however, that a disabled veteran who receives from the from the United States Department of Veterans Affairs or its successor 100 percent disability compensation due to a service-connected disability and a rating of 100 percent disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead. Furthermore, surviving spouses of a deceased veteran who had received a disability rating of 100% are entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries. A partially disabled veteran or the surviving spouse of a partially disabled veteran is entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated at no cost by a charitable organization. The surviving spouse of a member of the armed forces who was killed in action is entitled to an exemption of the total appraised value of the 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 may be transferred to a subsequent residence homestead 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. 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 who are 65 years of age or over or disabled 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–General"). The school property tax limitation provided by the constitutional amendment and enabling legislation apply to the 2007 and subsequent tax years.

A city or a county may create a tax increment financing district ("TIF") within the city or county, as applicable, 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").

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-n of the Texas Constitution provides for the exemption from taxation of "goods-in-transit." "Goods-in-transit" is defined by a provision of 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. Section 11.253 of the Tax Code permits local governmental entities, on a local option basis, to tax "goods-in-transit" if the governmental entities take official action, after conducting a public hearing, prior to January 1 of the first tax year in which the governing body proposes to tax goods-in-transit. A taxpayer may only receive either the freeport exemption or the good-in-transit exemption for items of personal property.

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 market data comparison method of appraisal. The Appraisal District's chief appraiser determines the method to be used. 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 not to exceed the lesser of (1) the market value of the property or (2) 110% of the appraised value of the resident homestead for the preceding tax year plus the market value of all new improvements to the property.

The Tax Code permits land designated for agricultural use, open space or timberland 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 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 a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate 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 Exemption

The Texas Constitution permits the exemption of certain percentages of the market value of residential homesteads from ad valorem taxation. The Constitution authorizes the governing body of each political subdivision in the State to exempt up to twenty percent (20%) of the market value of all residential homesteads from ad valorem taxation, and permits an additional optional homestead exemption for taxpayers 65 years of age or older and disabled persons. The governing body of a political subdivision which adopted any part of the optional exemption of up to twenty percent (20%) of the market value of residential homesteads for the 2014 tax year (fiscal year ending in 2015) is prohibited from repealing or reducing the amount of such optional homestead exemption for a period ending December 31, 2019.

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, may appeal an order 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.

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 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 Property 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.

Levy and Collection of Taxes

The District is responsible for the collection of its taxes, unless it elects to transfer such function to another governmental entity. By September 30 or the 60th day after the District receives the certified appraisal roll, whichever is later, the rate of taxation must be set by the Board of Trustees of the District based upon the valuation of property within the District as of the preceding January 1. 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 accrued 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.

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. 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.

Penalties and Interest

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

Month	Cumulative Penalty	Cumulative Interest	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, the cumulative penalty remains at 12%, and interest increases at the rate of 1% each month. In addition, if an account is delinquent in July, a 20% attorney's collection fee may be added to the total tax, penalty and interest charge. A taxpayer who is 65 years of age or older or is disabled may defer the collection of delinquent property taxes on his or her residence homestead and prevent the filing of a lawsuit to collect delinquent taxes until the 181st day after the taxpayer no longer owns and occupies the property as a residence homestead. However, taxes and interest continue to accrue against the property, and the delinquent taxes incur a penalty of 8% per annum with no additional penalties or interest assessed. The lien securing such taxes and interest remains in existence during the deferral or abatement period.

District Application of Tax Code

The District has granted an additional $35,000 exemption to the market value of the residence homestead of persons 65 years of age or older, or disabled veterans over the state-mandated exemption. The District has not granted any other additional exemption of the market value of residence homesteads.

Ad valorem taxes are not levied by the District against the exempt value of residence homesteads for the payment of debt. The District does tax nonbusiness personal property. The District does not permit split payments and discounts are not allowed. The District does not tax freeport property. The District has not adopted a tax abatement policy and has no current tax abatements. The District does tax goods-in-transit.

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. 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 next succeeding paragraph. 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 April 9, 1959, pursuant to Article 2784e-1, Texas Revised Civil Statues Annotated, as amended ("Article 2784e-1"). Article 2784e-1 limits the District's annual M&O tax rate based upon a comparison between the District's outstanding bonded indebtedness and the District's taxable assessed value per $100 of assessed valuation. Article 2784e-1 provides for a reduction of $0.10 for each one percent (1%) or major fraction thereof increase in bonded indebtedness beyond seven percent (7%) of assessed valuation of property in the District. This limitation is capped when the District's bonded indebtedness is ten percent (10%) (or greater) of the District's assessed valuation which would result in an annual M&O tax rate not to exceed $1.20. Lastly, the Texas Attorney General in reviewing the District's transcript of proceedings will allow the District to reduce the amount of its outstanding bonded indebtedness by the amount of funds (on a percentage basis) that the District receives in State assistance for the repayment of this bonded indebtedness (For example, if the District anticipates that it will pay 75% of its bonded indebtedness from State assistance, for the purposes of Article 2784e-1, the Texas Attorney General will assume that only 25% of the District's bonded indebtedness is outstanding and payable from local ad valorem taxes). The bonded indebtedness of the District after the issuance of the Bonds will be approximately 3.532% of the District's current taxable assessed valuation of property. See "Appendix A - Table 1 - Valuations, Exemptions and Tax Supported Debt" attached hereto.

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. For a more detailed description of the state compression percentage, see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM-Overview." 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" herein.

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

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 is required 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, the District must, prior to levying an interest and sinking fund tax rate that exceeds $0.50 per $100 of assessed valuation, 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 refunding bonds pursuant to Chapter 1207 and are, therefore, not subject to the $0.50 threshold tax rate test; however, taxes levied to pay debt service on the Bonds are included in the calculation of the $0.50 tax rate test as applied to subsequent issues of "new debt." 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 State assistance, other than EDA or IFA allotment funding, or projected property values to satisfy this threshold test.

EMPLOYEES' BENEFIT PLANS

The District's employees participate in a retirement plan (the "Plan") with the State of Texas. The Plan is administered by the Teacher Retirement System of Texas ("TRS"). State contributions are made to cover costs of the TRS retirement plan up to certain statutory limits. The District is obligated for a portion of TRS costs relating to employee salaries that exceed the statutory limit.

In addition to the TRS retirement plan, the District provides health care coverage for its employees. For a discussion of the TRS retirement plan and the District's medical benefit plan, see the audited financial statements of the District that are attached hereto as APPENDIX B. As a result of its participation in the TRS and having no other post-retirement benefit plans, the District has no obligations for other post-employment benefits within the meaning of Governmental Accounting Standards Board Statement 45.

Formal collective bargaining agreements relating directly to wages and other conditions of employment are prohibited by Texas law, as are strikes by teachers. There are various local, state and national organized employee groups who engage in efforts to better the 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.

THE DISTRICT

The District, an independent school district and political subdivision of the State of Texas is located in Tarrant County, Texas. Tarrant County, along with other governmental entities, have authority to levy ad valorem taxes. See "APPENDIX A - Table 6, Estimated Overlapping Debt" for more information regarding the District.

Administration

The Board of Trustees is the governing body of the District and consists of seven members, who serve three-year terms without salary. The District is under the administrative supervision of the Superintendent of Schools, who is employed by the Board of Trustees.

District School Operations

On January 1, 2019, the District owned and operated two high schools, two middle schools, two intermediate schools and five elementary schools.

	For the Year Ending August 31				
	2019[(a)]	2018	2017	2016	2015
Student Enrollment	8,457	8,380	8,210	7,962	7,932
Average Daily Attendance	8,031	7,919	7,826	7,691	7,614
Cost Per Student	$9,473	$9,250	$8,825	$8,754	$9,298

[(a)] Projected.

Financial Policies

General Fund – primary District's operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

Internal Service Funds – Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis are accounted for in an Internal Service Fund.

Private Purpose Trust Funds – These funds are used to report trust arrangements under which principal and income benefit individuals, private organizations or other governments not reported in other fiduciary funds.

Agency Funds – These funds are used to report student activity funds or other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Fiduciary Funds – these funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity, and are therefore not available to support District programs, these funds are not included in the government-wide statements.

INVESTMENTS

The District invests its funds in investments authorized by Texas law in accordance with investment policies approved by the Board of the District. Both state law and the District's investment policies are subject to change.

Legal Investments

Under State law, the District is authorized to invest in: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations 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 or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") or by the explicit full faith and credit of the United States; (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 FDIC or the National Credit Union Share Insurance Fund (the "NCUSIF") or their respective successors; (8) interest-bearing banking deposits, other than those described in clause (7), that (i) are invested through a broker or institution with a main office or branch office in this state and selected by the District in compliance with the PFIA, (ii) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the District's account, (iii) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States, and (iv) the District appoints as its custodian of the banking deposits, in compliance with the PFIA, the institution in clause (8)(i) above, a bank, or a broker-dealer; (9) certificates of deposit and share certificates meeting the requirements of the PFIA (i) that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8), above, or secured in accordance with Chapter 2257, Texas Government Code, or in any other manner and amount provided by law for District deposits, or (ii) where (a) the funds are invested by the District through a broker or institution that has a main office or branch office in the State and selected by the District in compliance with the PFIA, (b) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the account of the District, (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 District appoints, in compliance with the PFIA, the institution in clause (9)(ii)(a) above, a bank, or broker-dealer as custodian for the District with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described by clause (1) which are pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party selected and approved by the District, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with a stated maturity of 270 days or less, if the short-term obligations of the accepting bank, or of the holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or an equivalent by either (i) two nationally recognized credit rating agencies, or (ii) one nationally recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission and complies with Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are registered and regulated by the Securities and Exchange Commission that have a weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations approved in this paragraph, or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset backed securities; (15) guaranteed investment contracts that have a defined termination date and are secured by obligations described in clause (1), excluding obligations which the District is explicitly prohibited from investing in, and in an amount at least equal to the amount of bond proceeds invested under such contract; and (16) securities lending programs if (i) the securities loaned under the program are 100% collateralized, including accrued income, (ii) a loan made under the program allows for termination at any time, (iii) a loan made under the program is either secured by (a) obligations described in clauses (1) through (8) 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 (8) above, clauses (12) through (14) above, or an authorized investment pool, (iv) the terms of a loan made under the program require that the securities being held as collateral be pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party designated by the District, (v) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State, and (vi) the agreement to lend securities has a term of one year or less.

The District is also authorized to purchase, sell, and invest its funds in corporate bonds. "Corporate bond" is defined as a senior secured debt obligation issued by a domestic business entity and rated not lower than "AA-" or the equivalent by a nationally recognized investment rating firm (does not include convertible bonds or unsecured debt). The bonds must have a stated final maturity that is not later than 3 years from the date the corporate bonds were purchased. The District may not (1) invest more than 15 percent of its monthly average fund balance (excluding bond proceeds, reserves, and other funds held for the payment of debt service), in corporate bonds; or (2) invest more than 25 percent of the funds invested in corporate bonds in any one domestic business entity, including subsidiaries and affiliates of the entity. The District must sell corporate bonds if they are rated "AA-" or its equivalent and are either downgraded or placed on negative credit watch. Corporate bonds are not an eligible investment for a public funds investment pool.

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "Aaa" or an equivalent by at least one nationally recognized rating service. 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 stated final 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.

Investment Policies

Under Texas 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 includes a list of authorized investments for District funds, maximum allowable stated maturity of any individual investment owned by the District, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Public Funds Investment Act. 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 Texas law, District 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 shall submit an investment report detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, 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) adopted investment strategy statements and (b) state law. No person may invest District funds without express written authority from the Board of Trustees.

Additional Provisions

Under Texas law, the District is additionally required to: (1) annually review its adopted policies and strategies, (2) adopt a rule, order, ordinance 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 the respective rule, order, ordinance 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 Board of Trustees; (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 and 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 purchase agreement; (8) restrict the investment in non-money market mutual funds in the aggregate 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; (9) require local government investment pools to conform 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 June 30, 2018, the District had approximately $2,550,496 invested in Lone Star, $25,471,005 invested in Texas Class, $2,234,131 invested in Texas Term, $9,866,642 invested in TD Ameritrade, $13,067,110 invested in First Financial Equity, $5,077,105 invested in USA Mutuals, and $10,040,970 invested in TMI Trust. The market value of such investments is approximately 100% of their 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.

TAX MATTERS

Opinion

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel to the District, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel to the District will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See Bond Counsel's Opinion in Appendix C -- Form of Opinion of Bond Counsel.

In rendering its opinion, Bond Counsel to the District will rely upon (a) certain information and representations of the District, including information and representation contained in the District's federal tax certificate, and (b) covenants of the District contained in the Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed therewith, and (c) the certificate with respect to arbitrage by the Commissioner of Education regarding the allocation and investment of certain investments in the Permanent School Fund. Failure of the District to comply with these representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel to the District is conditioned on compliance by the District with the covenants and the requirements described in the preceding paragraph, and Bond Counsel to the District has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. The Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the facilities financed with the proceeds of the Bonds. Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the representations of the District that it deems relevant to render such opinion and is not a guarantee of a result. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see the discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue 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 Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each accrual period and ratably within each such accrual period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with Subchapter C earnings and profits, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT

WHICH MAY BE ANTICIPATED TO RESULT FROM RECENTLY ENACTED LEGISLATION OR THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount Bonds" to the extent such gain does not exceed the accrued market discount of such Bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local and Foreign Taxes

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

Information Reporting and Backup Withholding

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the IRS. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

Future and Proposed Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

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 material events, to the Municipal Securities Rulemaking Board (the "MSRB"). Information will be available free of charge via the Electronic Municipal Market Access ("EMMA") 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 Official Statement under Tables numbered 1 through 5 and 7 through 10 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 B 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 B 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 and the Financial Statements within six months after the end of each fiscal year, beginning with the fiscal year ending in 2018. If the audit of the Financial Statements is not complete within 6 months after any such fiscal year end, then the District will file unaudited financial statements within such 6-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 August 31. Accordingly, the Annual Operating Report and the Financial Statements must be provided by the last day of February in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change (and of the date of the new fiscal year end) prior to the next date by which the District otherwise would be required to provide the Annual Operating Report and the Financial Statements.

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 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 U.S. 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); (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; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties. 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 the purposes of the above described event notices, the term "financial obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) a guarantee of (i) or (ii); provided however, that a "financial obligation" shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

Notice of Failure to Timely File

The District also will notify the MSRB through EMMA, in a timely manner, of any failure by the District to provide the Annual Operating Report or the Financial Statements in accordance with the provisions described above under Annual Reports.

Availability of Information

Effective July 1, 2009 (the "EMMA Effective Date"), the SEC implemented amendments to the Rule which approved the establishment by the MSRB of EMMA, which is now the sole successor to the nationally recognized municipal securities information repositories with respect to filings made in connection with undertakings made under the Rule. Commencing with the EMMA Effective Date, all information and documentation filing required to be made by the District in accordance with its undertaking made for the Bonds will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB.

With respect to debt of the District issued prior to the EMMA Effective Date, the District remains obligated to make annual required filings, as well as notices of certain events, under its continuing disclosure obligations relating to those debt obligations (which includes a continuing obligation to make such filings with the Texas state information depository (the "SID")). Prior to the EMMA Effective Date, the Municipal Advisory Council of Texas (the "MAC") had been designated by the State and approved by the SEC staff as a qualified SID. Subsequent to the EMMA Effective Date, the MAC entered into a Subscription Agreement with the MSRB pursuant to which the MSRB makes available to the MAC, in electronic format, all Texas-issuer continuing disclosure documents and related information posted to EMMA's website simultaneously with such posting. Until the District receives notice of a change in this contractual agreement between the MAC and EMMA or of a failure of either party to perform as specified thereunder, the District has determined, in reliance on guidance from the MAC, that making its continuing disclosure filings solely with the MSRB will satisfy its obligations to make filings with the SID pursuant to its continuing disclosure agreements entered into prior to the EMMA Effective Date.

Limitations and Amendments

The District has agreed to update information and to provide notices of certain 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. Nothing in this paragraph is intended or shall act to disclaim, waive or limit the District's duties under federal or state securities laws.

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 underwriters 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. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule 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 in the primary offering 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

November 6, 2014, the District filed an event notice relating to the recalibration of its underlying bond rating by Moody's Investors Service. Additionally, the District filed a failure to file event notice in a timely manner. The District privately placed its Series 2009D Bonds and did not link its filings to such bonds. The District inadvertently omitted a certain table required to be filed when it otherwise timely filed annual financial information for fiscal years ending 2013 – 2017, in connection with the District's Variable Rate Unlimited Tax School Building Bonds, Series 1997. Additionally, the District's Unlimited Tax Refunding Bonds, Series 2005, were refunded by the issuance of the Districts Unlimited Tax Refunding Bonds, Series 2014, which delivered on December 11, 2014; notice of such redemption was filed with the MSRB on January 15, 2015. Except as described herein, during the past five years, the District has complied in all material respects with its previous continuing disclosure agreements in accordance with the Rule.

OTHER INFORMATION

Rating

S&P Global Ratings ("S&P") has assigned its municipal bond rating of "AAA" to the Bonds by virtue of the Texas Permanent School Fund Guarantee on the Bonds. An explanation of the rating may be obtained from S&P. S&P generally rates all bonds that are guaranteed by the Permanent School Fund Guarantee Program as "AAA." The rating reflects only the view of S&P and the District makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P if in the judgment of the company circumstances so warrant. Any such downward revision or withdrawal by such rating may have an adverse effect on the market price of the Bonds. See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein. The District's underlying rating for the Bonds from S&P (without consideration of credit enhancement) is "AA+".

No Litigation Certificate

The In the opinion of District officials, except as may be described in this Official Statement, the District is not a party to any litigation or other proceeding 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.

Registration and Qualification of Bonds for Sale

No registration statement relating to the Bonds has been filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and 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 other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration and 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 in such other jurisdictions.

The Bonds as Legal Investments in Texas

Under the Texas Public Security Procedures Act (Texas Government Code, Chapter 1201, as amended), the Bonds (1) are negotiable instruments, (2) are investment securities to which Chapter 8 of the Texas Business and Commerce Code applies, and (3) are legal and authorized investments for (A) an insurance company, (B) a fiduciary or trustee, or (C) a sinking fund of a municipality or other political subdivision or public agency of the State of Texas. The Bonds are eligible to secure deposits of any public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended, requires the Bonds to be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency. (See "OTHER INFORMATION-Rating" above). 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 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.

Legal Matters

The delivery of the Bonds is subject to the approving opinion 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 McCall Parkhurst & Horton, L.L.P., Texas, Bond Counsel to the District ("Bond Counsel"), in substantially the form attached hereto as Appendix C. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds.

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.

Financial Advisor

USCA Municipal Advisors, LLC ("USCA" or the "Financial Advisor"), a subsidiary of U.S. Capital Advisors, LLC, is employed as Financial Advisor to the District in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. USCA, in its capacity as Financial Advisor, has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

USCA has reviewed the information in this Official Statement in accordance with its responsibilities to the District and, as applicable, to investors under federal securities laws as applied to the facts and circumstances of this transaction, but USCA does not guarantee the accuracy or completeness of such information.

Sale of Bonds

After requesting competitive bids for the Bonds, the District has accepted a bid tendered by SAMCO Capital Markets, Inc. (the "Initial Purchaser") to purchase the Bonds at the rates shown on page ii of this Official Statement at a price of $13,282,600.02. No assurance can be given that any trading market will be developed for the Bonds after their initial sale by the District. The District has no control over the prices at which the Bonds will initially be re-offered to the public.

MISCELLANEOUS

Forward-Looking Statements

The statements contained in this Official Statement, 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 such forward-looking statements. All forward-looking statements included in this Official

Statement 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 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 Official Statement would prove to be accurate.

Information from External Sources

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 official statement for purposes of, and as that term is defined in, the Rule.

Closing Certification

At the time of payment for and delivery of the Bonds, the Initial Purchaser will be furnished a certificate, executed by a proper officer acting in his or her official capacity, to the effect that to the best of his or her knowledge and belief: (a) the descriptions and statements of or pertaining to the District contained in its Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of sale of said Bonds and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the District and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading in any material respect; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the District, and their activities contained in such Official Statement are concerned, such statements, and data have been obtained from sources which the District believes to be reliable and the District has no reason to believe that they are untrue in any material respect; (d) except as may be otherwise described in the Official Statement, there has been no material adverse change in the financial condition of the District since the date of the last audited financial statements of the District; and (e) no litigation of any nature has been filed or is pending, as of the date of delivery of the Bonds, to restrain or enjoin the issuance or delivery of the Bonds or which would affect the provisions made for their payment or security or in any manner question the validity of the Bonds.

Approval of the Official Statement

The Bond Order authorized the Pricing Officer to approve the form and content of this Official Statement and any addenda, supplement or amendment hereto and authorized its further use in the re-offering of the Bonds by the Initial Purchaser. The Official Statement has been approved by the Pricing Officer of the District for distribution in accordance with the provisions of the Rule.

CARROLL INDEPENDENT SCHOOL DISTRICT

/s/ Dr. David Faltys

Pricing Officer

APPENDIX A

INFORMATION REGARDING THE DISTRICT

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TABLE 1 - VALUATION, EXEMPTIONS AND TAX SUPPORTED DEBT

2018 Certified Taxable Valuation	$ 8,989,237,824	(a)
(100% of Estimated Market Value)		
Outstanding Debt (November 1, 2018)	$ 318,394,999	(b)
Plus: The Bonds	12,245,000	
Less: The Refunded Bonds	13,130,000	
Total Direct Debt	$ 317,509,999	(c)
As a % of Assessed Valuation	3.532%	

(a) Source: The Tarrant County Appraisal District.

(b) Includes outstanding sinking fund deposits for the Series 2009D Qualified School Construction Bonds.

(c) Includes the Bonds and excludes the Refunded Bonds.

TABLE 2 - ASSESSED VALUATION BY CATEGORY [a]

	Tax Year 2018	Tax Year 2017	Tax Year 2016	Tax Year 2015	Tax Year 2014
Real Property	$ 9,253,112,608	$ 8,457,116,715	$ 7,734,374,945	$ 6,778,191,109	$ 6,556,197,499
Personal Property	624,980,358	604,741,018	541,982,556	489,803,056	512,036,669
Gross Value	$ 9,878,092,966	$ 9,061,857,733	$ 8,276,357,501	$ 7,267,994,165	$ 7,068,234,168
Less Adjustments [b]	888,855,142	823,085,278	867,559,634	636,803,059	718,225,373
Net Taxable Value	$ 8,989,237,824	$ 8,238,772,455	$ 7,408,797,867	$ 6,631,191,106	$ 6,350,008,795

(a) Source: The Tarrant County Appraisal District. Values may differ from those shown elsewhere in the documents due to subsequent adjustments to the tax rolls.

(b) Includes exemptions.

TABLE 3 - TAX RATE, LEVY AND COLLECTION HISTORY; TAX RATE DISTRIBUTION

Fiscal Year End	Tax Year	Taxable Assessed Valuation [a]	Tax Rate	Tax Levy	Percent Collected Current	Percent Collected Total [b]
2015	2014	$ 6,350,008,795	$ 1.4000	$ 87,950,672	102.11%	102.59%
2016	2015	6,631,191,106	1.3950	83,823,782	108.52%	109.13%
2017	2016	7,408,797,867	1.3900	102,122,322	99.48%	100.03%
2018	2017	8,238,772,455	1.3850	111,440,307	99.63%	100.12%
2019	2018	8,989,237,824	1.3800	121,090,152 [c]	(in process of collection)	

(a) Net of exemptions. Assessed valuations include adjustments in supplemental rolls made after the end of each fiscal year.

(b) Excludes penalties and interest.

(c) Source: The District.

Tax Rate Distribution

	2018	2017	2016	2015	2014
Maintenance	$ 1.0400	$ 1.0400	$ 1.0400	$ 1.0400	$ 1.0400
Debt Service	0.3400	0.3450	0.3500	0.3550	0.3600
Total	$ 1.3800	$ 1.3850	$ 1.3900	$ 1.3950	$ 1.4000

TABLE 4 - TEN LARGEST TAX PAYERS [a]

Name	2018 Net Taxable Assessed Valuation	% of Total 2018 Assessed Valuation
Dallas MTA LP	$ 209,858,658	2.335%
Town Square Ventures LP	187,177,155	2.082%
BRE Solana LLC	138,739,949	1.543%
TD Ameritrade Services Co. Inc.	94,053,700	1.046%
SLTS Grand Avenue LP	90,202,055	1.003%
Carroll/1709 Ltd.	59,631,004	0.663%
Excel Southlake LP	51,642,178	0.574%
Sabre Headquarters LLC	46,943,688	0.522%
GAHC3 Southlake TX Hospital LLC	44,000,000	0.489%
HMC Solana LLC	36,105,320	0.402%
	$ 958,353,707	10.661%

[a] Source: Municipal Advisory Council of Texas.

TABLE 5 - TAX ADEQUACY[a]

Average Annual Debt Service Requirements	$ 17,899,798
$ 0.2032 per $100 AV against the 2018 Net Taxable AV, at 98% collection, produces	$ 17,900,809
Maximum Annual Debt Service Requirements (2019)	$ 29,792,602
$ 0.3382 per $100 AV against the 2018 Net Taxable AV, at 98% collection, produces	$ 29,793,570

[a] Includes the Bonds and excludes the Refunded Bonds.

TABLE 6 - ESTIMATED OVERLAPPING DEBT [(a)]

The following summary of estimated ad valorem tax bonds of taxing entities in the District was compiled from a variety of sources listed below. No representation is made with respect to the accuracy or completion of the information obtain from sources other than the District. Furthermore, certain entities listed below may have issued substantial amounts of bonds since the dates shown in this table and may have capital improvement programs requiring the issuance of a substantial amounts of additional bonds. Sources include: The Texas Municipal Reports compiled and published by the Municipal Advisory Council of Texas and the Tarrant County Appraisal District.

Taxing Jurisdiction	Total Debt [(b)]	Estimated % Overlapping	Overlapping Debt
Colleyville, City of	$ 5,665,000	0.63%	$ 35,690
Flower Mound, Town of	159,305,000	0.02%	31,861
Grapevine, City of	149,818,413	4.24%	6,352,301
Keller, City of	57,990,000	0.56%	324,744
Southlake, City of	89,985,000	87.22%	78,484,917
Tarrant County	294,500,000	4.75%	13,988,750
Tarrant County Hospital District	19,300,000	4.75%	916,750
Trophy Club MUD #1	8,725,000	6.77%	590,683
Trophy Club, Town of	23,035,000	1.12%	257,992
Westlake, Town of	36,766,000	59.58%	21,905,183
Estimated Overlapping Debt			$ 122,888,870
The District	$ 317,509,999 [(c)]	100.00%	317,509,999 [(c)]
Total Estimated & Overlapping Debt			$ 440,398,869

[(a)] Source: The Municipal Advisory Council of Texas, as of 11/30/2018.

[(b)] Gross Debt.

[(c)] Includes the Bonds and excludes the Refunded Bonds.

TABLE 7 - TAX SUPPORTED DEBT SERVICE REQUIREMENTS

FYE	Outstanding Debt Service	Refunded Bond Debt Service	The Bonds Principal	The Bonds Interest	The Bonds Total	Total Debt Service
2019	$ 29,812,851	$ 326,783	$ 60,000	$ 246,534	$ 306,534	$ 29,792,602
2020	27,787,230	2,554,815	1,890,000	481,200	2,371,200	27,603,615
2021	29,030,868	1,872,315	1,285,000	401,825	1,686,825	28,845,378
2022	24,982,819	1,897,440	1,380,000	335,200	1,715,200	24,800,579
2023	24,834,107	1,903,190	1,455,000	264,325	1,719,325	24,650,242
2024	24,258,363	2,226,690	1,840,000	200,350	2,040,350	24,072,023
2025	24,256,975	2,212,815	1,885,000	144,475	2,029,475	24,073,635
2026	24,177,350	2,219,065	1,970,000	66,950	2,036,950	23,995,235
2027	24,033,368	177,553	75,000	15,825	90,825	23,946,640
2028	23,167,893	185,690	90,000	11,700	101,700	23,083,903
2029	23,077,075	222,273	130,000	7,500	137,500	22,992,303
2030	23,053,773	271,228	185,000	2,775	187,775	22,970,320
2031	23,044,268	-	-	-	-	23,044,268
2032	20,416,046	-	-	-	-	20,416,046
2033	20,331,426	-	-	-	-	20,331,426
2034	19,786,369	-	-	-	-	19,786,369
2035	14,647,586	-	-	-	-	14,647,586
2036	8,461,584	-	-	-	-	8,461,584
2037	8,472,456	-	-	-	-	8,472,456
2038	8,486,513	-	-	-	-	8,486,513
2039	8,499,838	-	-	-	-	8,499,838
2040	8,622,847	-	-	-	-	8,622,847
2041	8,635,209	-	-	-	-	8,635,209
2042	8,633,772	-	-	-	-	8,633,772
2043	3,267,278	-	-	-	-	3,267,278
2044	3,263,091	-	-	-	-	3,263,091
	$ 467,040,954	$ 16,069,855	$ 12,245,000	$ 2,178,659	$ 14,423,659	$ 465,394,758

Average Annual Debt Service Requirements	$ 17,899,798
Maximum Annual Debt Service Requirements (2019)	$ 29,792,602

TABLE 8 - AUTHORIZED BUT UNISSUED UNLIMITED TAX BONDS

Date Authorized	Purpose	Amount Authorized	Heretofore Issued	The Bonds	Authorized but Unissued
May 6, 2017	School Building	$ 208,000,000	$ 149,000,000	$ -	$ 59,000,000

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

Tax Supported Debt Service Requirements, FYE 2019		$ 29,792,602 [(a)]
Debt Service Fund, FYE 2018	$ 12,709,412 [(b)]	
Additional State Aid for Homestead Exemption	177,714 [(c)]	
Estimated Interest and Sinking Fund Tax Levy @ 98% collection	29,952,140	42,839,266
Estimated Debt Service Fund Balance, FYE 2019		$ 13,046,664

[(a)] Includes the Bonds and excludes the Refunded Bonds.

[(b)] Source: The District. Includes the cumulative sinking fund deposits on the Series 2009D Qualified School Construction Bonds.

[(c)] Source: Texas Education Agency, Summary of Finances, dated 11/16/2018.

TABLE 10 - GENERAL FUND REVENUE AND EXPENDITURE HISTORY [(a)]

For Fiscal Year Ended August 31st	2018	2017	2016	2015	2014
REVENUES					
Local and Intermediate Sources	$ 98,064,946	$ 89,088,464	$ 79,871,413	$ 76,835,678	$ 69,945,828
State Program Revenues	9,419,943	10,106,166	7,775,081	15,106,368	7,296,384
Federal Program Revenues	2,330,187	2,147,330	2,306,363	2,330,454	2,581,381
Total Rever Total Revenues	$ 109,815,076	$ 101,341,960	$ 89,952,857	$ 94,272,500	$ 79,823,593
EXPENDITURES					
Instruction	$ 44,012,697	$ 41,299,628	$ 40,484,071	$ 39,634,805	$ 37,414,065
Instructional Resources & Media Serv.	1,040,120	990,830	970,729	945,808	945,694
Curriculum & Instructional Staff Devel.	1,002,691	971,995	1,016,494	1,049,840	794,520
Instructional Leadership	522,978	484,639	473,389	428,668	432,195
School Leadership	3,910,905	3,751,187	3,649,712	3,551,398	3,370,145
Guidance, Counsel & Evaluation Serv.	2,878,228	2,244,530	2,393,509	2,347,973	2,344,264
Food Services	3,112,932	3,099,402	3,115,611	3,015,327	-
Health Services	757,729	711,466	724,634	729,049	700,974
Student (Pupil) Transportation	2,229,898	2,272,850	2,114,216	2,150,343	1,962,509
Extracurricular Activities	3,271,093	2,954,954	2,774,891	2,687,572	2,620,152
General Administration	4,110,847	3,384,108	3,050,445	2,910,159	2,632,745
Facilities Maintenance and Operations	7,640,926	7,775,385	7,240,235	6,856,705	7,077,896
Security and Monitoring Services	244,409	203,421	270,048	236,532	116,369
Data Processing Services	1,889,679	1,698,227	1,857,000	1,596,917	1,558,177
Community Service	65,571	67,278	48,674	50,922	70,503
Capital Outlay	-	-	-	2,563,936	14,924
Intergovernmental Charges:					
Contracted Instructional Services Between Public Schools	26,290,781	19,388,953	16,514,133	14,501,194	13,024,265
Payments to Fiscal Agent/Member Districts of SSA	-	-	581,877	585,937	627,284
Payments to Tax Increment Fund	6,985,814	6,151,684	5,378,155	5,211,586	4,896,705
Other	582,037	539,237	-	-	-
Total Expenditures	$ 110,549,335	$ 97,989,774	$ 92,657,823	$ 91,054,671	$ 80,603,386
Excess (Deficiency) Rev. Over Exp.	$ (734,259)	$ 3,352,186	$ (2,704,966)	$ 3,217,829	$ (779,793)
Sale of Real and Personal Property	209,879	75,915	10,093	36,072	19,693
Transfers In	3,555,140	-	1,402,815	1,468,156	1,205,340
Transfers Out (Use)	-	(1,035,648)	(1,402,815)	(1,468,156)	(1,205,340)
Net Change in Fund Balances	$ 3,030,760	$ 2,392,453	$ (2,694,873)	$ 3,253,901	$ (760,100)
Special Item - Resource	-	-	-	-	-
Fund Balance - Sept. 1 (Beginning)	$ 36,191,440	$ 34,390,570	$ 37,085,443	$ 33,831,544	$ 34,312,784
Increase (Decrease) in Fund Balance	-	(591,583) [(b)]	-	-	-
Fund Balance - August 31 (Ending)	$ 39,222,200	$ 36,191,440	$ 34,390,570	$ 37,085,445	$ 33,552,684

[(a)] Source: District's audited financial reports.

[(b)] State funding amount overstated on the August 31, 2016 Statement of Net Position.

TABLE 11 - SUMMARY OF BONDS REFUNDED

U/L Tax Refunding Bonds, Series 2009C

Maturity Date	Amount	Call Date
2/15/2020	$ 1,950,000	3/5/2019
2/15/2021	1,350,000	3/5/2019
2/15/2022	1,445,000	3/5/2019
2/15/2023	1,525,000	3/5/2019
2/15/2024	1,935,000	3/5/2019
2/15/2025	2,020,000	3/5/2019
2/15/2026	2,130,000	3/5/2019
2/15/2027	145,000	3/5/2019
2/15/2028	160,000	3/5/2019
2/15/2029	205,000	3/5/2019
2/15/2030	265,000	3/5/2019
	$ 13,130,000	

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APPENDIX B

EXCERPTS FROM THE DISTRICT'S AUDITED FINANCIAL REPORT FOR YEAR ENDED AUGUST 31, 2018

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CARROLL INDEPENDENT SCHOOL DISTRICT

SOUTHLAKE, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

AUGUST 31, 2018



CARROLL INDEPENDENT SCHOOL DISTRICT

SOUTHLAKE, TEXAS

COMPREHENSIVE ANNUAL

FINANCIAL REPORT

For the Fiscal Year Ended August 31, 2018

PREPARED BY:
Financial Services Department

Scott Wrehe, CPA, RTSBA
Assistant Superintendent for Financial Services

Laurie Grissom, RTSBA
Director of Finance

Christy Stinson, RTSBA
Assistant Director of Finance

Carroll Independent School District
Comprehensive Annual Financial Report
For The Year Ended August 31, 2018

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INTRODUCTORY SECTION

CARROLL
INDEPENDENT SCHOOL DISTRICT
2400 North Carroll Ave, Southlake, TX 76092 817.949.8222 FAX 817.949.8277 www.southlakecarroll.edu

January 14, 2019

To the Board of Trustees and the Citizens of Carroll Independent School District:

The Texas Education Code requires that all school districts file financial statements with the Texas Education Agency (TEA) within 150 days of the close of the fiscal year. The financial statements must be presented in conformity with the generally accepted accounting principles (GAAP) and audited by a firm of licensed certified public accounts in accordance with generally accepted auditing standards. Pursuant to the requirement, we submit the Comprehensive Annual Financial Report (CAFR) of the Carroll Independent School District (the District) for the fiscal year ended August 31, 2018.

Responsibility for the accuracy, completeness, and fairness of the presentation, including all disclosures, rests with the District. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial operations have been included.

The CAFR is presented in four sections: (1) introductory, (2) financial, (3) statistical, and (4) federal awards. The introductory section includes this transmittal letter, the Certificate of Board, a listing of the District's principal officials and advisors, and an organizational chart of the District. The financial section includes the basic financial statements, the required supplementary information, combining and individual fund statements and schedules, and other supplementary information. Also included in the financial section is the independent auditors' report on the financial statements and Management's Discussion and Analysis (MD&A). The statistical section consists of unaudited tables which reflect both financial and demographic data. This information is for the purpose of presenting social and economic information, financial trends and fiscal capacity of the District, and is generally presented on a multi-year basis. The federal awards section includes the Single Audit report which is in conformity with the provisions of the Single Audit Act of 1996 and the United States Office of Management and Budget Uniform Guidance.

This report includes all funds of the District. The District is a public school system offering a full prekindergarten through twelve grade education for all school age residents within its geographic boundaries. The CAFR also includes any activities over which the Board has oversight responsibilities and/or the authority to make decisions. The District is not a component unit nor does it have any component units. A component unit is a legally separate organization that a primary government must include as part of its financial reporting entity for fair presentation in conformity with GAAP.

Governing Body

The District is governed by a seven member Board of Trustees (Board) serving staggered three-year terms with elections held in May of each year. All candidates must be qualified voters and residents within the boundaries of the District. Board officers are elected by the members of the Board.

Regular meetings are scheduled for the first and third Monday of the month and are held at the Carroll ISD Administration Center. Special called meetings and workshops are scheduled as needed and announced to the public in compliance with public notice requirements.

The Board has final control over all school matters except as limited by state law, the courts, and the will of its citizens as expressed in elections. In general, the Board is responsible for adopting policy, employing and evaluating the Superintendent, adopting an annual budget and its supporting tax rate, and serving as a board of appeals in personnel and student matters.

General Information

In 1919 the Carroll Common School District was formed from independent schools near Lonesome Dove and White's Church as well as Sam's School. The District was named after B. E. Carroll, Tarrant County Superintendent of Public Instruction. The first school building was known as Carroll High School and was opened in 1919, being used continuously until the opening of the new Carroll High School in 1970-1971. In 1959, the Carroll Common School District officially became an Independent School District. Originally Carroll ISD only offered grades K-8th grade, with students having to attend Grapevine High School for grades 9-12. Then in 1961-1962, the grades were expanded to serve K-12th, with the first graduating class of Carroll High School being in 1965.

The District is located in northeast Tarrant County and encompasses approximately 21 square miles. The District serves students in Southlake, Colleyville, Grapevine, Keller, Trophy Club and Westlake. The District is one of the largest in the state of Texas to earn the top rating of "Exemplary" by the Texas Education Agency.

The District finished the year with an enrollment of 8,366 students. Enrollment has increased by 7% over the past ten years and annual growth is expected in the foreseeable future. Enrollment of 9,285 is projected by 2027-28.

	17-18	**16-17**	**15-16**	**14-15**	**13-14**
Enrollment	8,366	8,190	8,056	7,869	7,791

The District is comprised of the following eleven (11) campuses:

Carroll Senior High School	Grades 11-12
Carroll High School	Grades 9-10
Carroll Middle School	Grades 7-8
Dawson Middle School	Grades 7-8
Durham Intermediate School	Grades 5-6
Eubanks Intermediate School	Grades 5-6
Carroll Elementary School	Grades Pk-4
Johnson Elementary School	Grades K-4
Old Union Elementary School	Grades Pk-4

Rockenbaugh Elementary School	Grades PK-4
Walnut Grove Elementary School	Grades K-4

Five schools have been named National Blue Ribbon Schools by the U.S. Department of Education. The Blue Ribbon Schools include Rockenbaugh Elementary, Johnson Elementary, Carroll Elementary, Carroll Middle School and Carroll Senior High School.

Approximately 98 percent of Carroll's seniors go on to attend a college or university after graduation. More than 90 percent of Carroll students take a college entrance exam, with composite scores on the SAT and ACT that exceed state and national averages. Carroll offers a full array of Advanced Placement and Honors courses, a challenging curriculum for gifted and talented students and special programs for students with special needs.

Each campus shares the same district mascot the Dragon superimposed on an outline of the state of Texas, in the same colors, green, white and black. The current logo was developed in 1984 and has been in use since that time. The original inspiration of the mascot was derived by combining an outline of Texas with a US Navy fighter squadron emblem.

Economic Condition and Outlook

The Southlake area was settled in the 1840s but was not incorporated as Southlake until 1956. The area remained rural until the completion of the nearby DFW International Airport in the 1970s. Due to the close proximity to the airport, Southlake became a boom-burb throughout the 1980s, 1990s and 2000s. The current population projection for Southlake is 29,580 with a projected build-out population of 34,188. Southlake has been recognized as one of the most desirable cities in which to live and work due to a highly successful combination of business, local government, school district, and the overall quality of life. The largest employers in the Southlake area include Sabre Holdings, the District, Keller Williams, Gateway Church, Verizon Wireless, the City of Southlake, Central Market, Hilton Southlake, Texas Health Harris Methodist and the Methodist Hospital.

The District's latest demographic study reports the following unemployment numbers as of October 2017:

United States	3.9%
Texas	3.5%
Dallas/Fort Worth	3.0%
Southlake	2.6%

The District had 721 home sales between January-November 2017. The average sale price of a new home was $844,151. The average sale price of an existing home was $661,425.

Property values have increased an average of 7% over the past five years, and the District's tax base has been increasing due to new residential construction accompanied by growth in retail and commercial development. The District's total assessed property value for the year was $9,061,857,733 with residential property accounting for almost 72% of the value. The net taxable value after exemptions was $8,038,054,472 which was an increase of 8.5% from the prior year. The average taxable value of a home in the District was $614,466.

Long Range Planning

In 2014, the District appointed a Strategic Planning Committee comprised of a cross section of parents, employees, administrators and community/business leaders with varying backgrounds, experiences and expertise. The committee updated the district's mission, vision, and core values, adding belief statements and creating 11 strategic objectives.

The District's mission is "Building on a Dragon tradition of excellence, the Carroll Independent School District will foster a safe, caring, and creative learning environment that inspires students to realize their full potential as they positively impact the world around them". The mission and the District's core values of excellence, relationships, character & integrity, innovation, open & honest communication, and compassionate service help shape the decisions that are made on a daily basis. The District's employees continue to work on making progress on the 11 strategic objectives of the five-year Strategic Plan. Periodic updates are provided to help ensure alignment with the District Improvement Plan and individual Campus Improvement Plans.

The District formed a Capital Needs Planning Committee (CNPC) to serve in an advisory capacity to the Board and Administration on a temporary basis regarding the topic of short-term and long-term capital needs planning. The committee was comprised of approximately 40 citizens and employees representing each of the school attendance zones. The committee spent most of the 2015-2016 school year studying capital needs and building use, safety and security, technology and instructional needs, extra-curricular facilities, and maintenance and transportation needs. The committee made a recommendation to the Board on June 6, 2016 that led to the bond election that was held in May 2017. Following is a summary of the recommendation:

Building Use/Capital Improvements ($18 million)

- Elementary classroom additions
- Core spaces and front office expansions
- ADA compliance projects
- Language labs and robotics
- Canopies over student walkways

Technology/Instructional Programming ($45 million)

- Infrastructure (phones, bell system, wireless, servers, switches, etc.)
- Classroom presentation resources
- 21st Century collaborative spaces
- Student devices (combination of laptops and iPads, etc.)

Maintenance, Transportation, Safety & Security ($104 million)

- General maintenance (flooring, ceiling tiles, paint, roofs)
- Site work (paving, sidewalks, parking lots, driveways)
- Mechanical, electrical and plumbing (MEP) projects
- School buses and maintenance vehicles
- Surveillance cameras and keyless entry systems

Extra-curricular/Co-curricular ($41 million)

- Music facility at CSHS for band/choir
- Renovations for STEM, theatre, language labs, journalism, etc.

- Artificial field turf on competition/practice fields
- Band instruments and uniforms
- Aquatics Center and Dragon Stadium renovations

On May 6, 2017, Carroll ISD voters overwhelming passed the $208 million bond that will provide funding for construction projects at every Carroll ISD campus and support facility over the next three to five years. Work to complete the 2017 Bond Program will be under the guidance and oversight of a Bond Advisory Committee and the Board of Trustees.

Financial Information

The District strives to provide support for all stakeholders, ensuring that all financial operations support the District's instructional goals and objectives thereby providing our students with the best education possible. The District is committed to providing fiscal management through prudent stewardship, integrity and financial transparency. In 2014, the District was awarded the Texas Comptroller Leadership Circle Platinum Award for Financial Transparency. Since that time, the Texas Comptroller has initiated a greater level of accountability and has recognized the District for going above and beyond in their transparency efforts in the areas of Traditional Finance and Debt Obligations.

The District scored the highest possible rating of "Superior" for the School FIRST (Financial Integrity Rating System of Texas), a financial accountability system for Texas school districts. The primary goal of the FIRST rating is to ensure quality performance in the management of a school district's financial resources, a goal made more significant due to the complexity of accounting associated with the Texas school finance system. Since the inception of the rating system in 2002-2003, the District has maintained the highest level of rating.

In September 2016, Moody's upgraded the District's previous general obligation bond rating from Aa2 to Aa1. The rating upgrade primarily reflected the District's trend of tax base growth, affluent residential community, enrollment growth and healthy reserves. The stable outlook reflects the expectation of stable credit fundamentals supported by the District's economy which will remain strong given its location in the Dallas-Fort Worth Metroplex and management's history of maintaining healthy reserves.

In August 2018, S&P affirmed its AA+ underlying rating and long-term rating on the District's existing general obligation debt. The outlook on all the ratings is stable. The underlying rating reflects their assessment of the District's creditworthiness, specifically its expanding property tax base, coupled with access to and participation in the broad and diverse Dallas-Fort Worth Metroplex, very strong income and extremely strong wealth indicators, and historically strong financial position, supporting the maintenance of very strong reserves.

Internal Control

The District's management is responsible for establishing and maintaining internal controls that are designed to ensure that the assets of the District are protected from loss, theft, and misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The cost of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and

(2) the valuation of the cost and benefits requires estimates and judgments by management. Management believes the internal controls adequately meet the above objectives.

Budgetary Control

State law requires that every local education agency prepare and file an annual budget of anticipated revenues and expenditures with the Texas Education Agency. The objective of budgetary controls is to ensure compliance will the legal provisions in the annual budget approved by the Board. Budgetary control, the level at which expenditures cannot legally exceed appropriations, is maintained at the functional category level within each fund. These functional categories are defined by the Texas Education Agency and identify the purpose of the transaction. The budget may be amended during the year to address unanticipated or changing needs of the District. A change to functional expenditure categories, revenue objects, or other sources and uses accounts requires the approval of the Board.

The annual budget is the foundation for the District's financial planning and control. The budget process begins in January of each year. All budget managers of the District are required to submit their requests to the Financial Services Department. The requests are compiled and summarized into a preliminary budget which is presented and discussed with the Board at one or more public budget workshops. Prior to the end of August, a board meeting is called for the purpose of discussing and adopting the budget and the proposed tax rate. The budget must be adopted prior to the beginning of the fiscal year on September 1st.

It is the intent of the District that the budgetary process provides the financial resources that are needed to meet the educational goals and objectives of the District. The ultimate decision of the level of funding and the programs to be funded rests with the Board. After considering all factors, the Board sets an ad valorem tax rate that will generate sufficient revenues to support the expenditure budget of the District. The tax rates per $100 of assessed value for the past five years are shown on the following table.

	17-18	16-17	15-16	14-15	13-14
M&O	$1.0400	$1.0400	$1.0400	$1.0400	$1.0400
I&S	$0.3450	$0.3500	$0.3550	$0.3600	$0.3600
	$1.3850	**$1.3900**	**$1.3950**	**$1.4000**	**$1.4000**

The District also utilizes an encumbrance accounting system to maintain budgetary control. Outstanding encumbrances at the end of a fiscal year lapse at year-end and are treated as expenditures in the subsequent year upon receipt of goods.

The cost of operating schools and the revenues to cover these costs are accounted for through the General Fund. Special programs, primarily funded by the state or federal government and designed to accomplish a defined objective, are accounted for in the Special Revenue Funds. The District allocates a portion of its tax rate for the payment of bond principal and interest and accounts for these transactions in the Debt Service Fund. The District accounts for school construction that is financed through the sale of bonds in the Capital Projects Fund. The District also maintains Trust and Agency Funds which account for private purpose trusts as well as agency funds for student activity and other granting organization.

Fund Balance

The total General Fund balance is an integral part of the subsequent year's budget adoption and tax rate setting process. The Board has been proactive in building the District's fund balances over time striving to maintain at least three months operating expenditures in the unassigned General Fund balance. The

General Fund balance at the end of August 31, 2018 was $39,222,200 which was an increase of $3,030,760 from the prior year.

Cash Management

In accordance with the District's investment strategy, it is the District's practice to maintain a cash management program that invests financial resources in a manner that provides primarily for the safety of principal and secondarily to achieve favorable rates of return. The program is sustained by providing a sufficient level of liquidity to support the daily cash flow needs of the District without subjecting the District to material, unfavorable market conditions and interest rate risk.

The District invests in U.S. Treasury and Agency securities as well as Certificates of Deposit. The District also participates in local government investment pools including Lone Star, Texas Class, and Texas Term. Government pools provide for liquidity, competitive markets returns, and additional diversification of the investment portfolio.

Independent Audit

State law and District policy requires an annual audit of the District's financial statements by independent certified public accountants. The annual audit was performed by Snow Garrett Williams for the year ended August 31, 2018. In addition to meeting the requirements set forth in state statutes, the audit is designed to also meet the requirements of the Government Auditing Standards issued by the Comptroller General of the United States and the Uniform Guidance. The independent auditors' report on the basic financial statements and the combining and individual fund statements and other supplemental schedules are included in the financial section of this report.

2017-2018 Achievements

As reflected in the District's mission statement, activities of the District focus on a creative learning environment that inspires students to realize their full potential as they positively impact the world around them. The following reflects the degree of success that both the District and its students have accomplished in academics, extra and co-curricular activities for the 2017-2018 fiscal year:

- Carroll ISD earned an "A" in the Texas Education Agency's new accountability rating system for 2018.
- Carroll ISD was one of only five districts in the state to earn the Postsecondary Readiness Distinction from the Texas Education Agency for the 5th straight year.
- Carroll ISD was named the third best school district in Texas and the tenth best in the nation by Niche.com.
- Carroll ISD had 22 students named as a National Merit Semifinalist. 51 students were named National Merit Commended Students, and 14 were named National Hispanic Scholars.
- 186 Carroll ISD students were named Advanced Placement Scholars and 82 of them were named National AP Scholars for scoring a 4 or higher on eight or more AP exams.
- Carroll ISD was named to the 8th Annual AP District Honor Roll. Districts on the AP Honor Roll have simultaneously increased access to Advanced Placement coursework while maintaining or increasing the percentage of students earning scores of 3 or higher on AP Exams. Carroll ISD has received the designation six times, more than any other district in Texas.

- Carroll ISD had a composite average ACT score of 27.1, surpassing both the state average of 20.3 and the national average of 20.8.
- Carroll ISD had a composite average SAT score of 1261 on the redesigned tests, exceeding both the state average of 1019 and the national average of 1068.
- The graduating class of 2018 earned over $24 million in scholarships and completed more than 68,000 hours of community service in four years.
- More than 47 student athletes participated in National Signing Day, earning scholarships to further their academic and athletic careers.
- 20 graduating seniors were recognized at the Fine Arts Signing Day for being accepted into their university and Fine Arts program.
- Carroll ISD finished second in the UIL Lone Star Cup for Conference 6A for their overall achievement in a variety of sanctioned academic, athletic and music championships.
- UIL State Championships were won in baseball and boys swimming.
- The Carroll Robotics team was awarded a World Championship from a competition that included over 600 teams from around the world.
- The Carroll Senior High School debate team received a School of Honor Award in Debate at the national tournament.
- Eight Dragon Odyssey of the Mind teams advanced to the World Finals.
- The Carroll Jazz Orchestra was named one of 15 bands from around the country as an Essentially Ellington High School Jazz Band finalist.

Acknowledgments

The preparation of this report could not have been accomplished without the dedication of the Financial Services Department staff and the staff of Snow Garrett Williams. We would like to extend sincere appreciation for their time and efforts. We would also like to thank the Board of Trustees for their support in ensuring fiscal transparency to the citizens of the District and for its leadership of one of the highest ranked school districts in Texas. We also want to thank the teachers, principals, administrators, and support staff who have worked so hard to foster a safe, caring, and creative learning environment that inspires students to realize their full potential as they positively impact the world around them.

Respectfully submitted,

Janet McDade

Janet McDade
Acting Superintendent

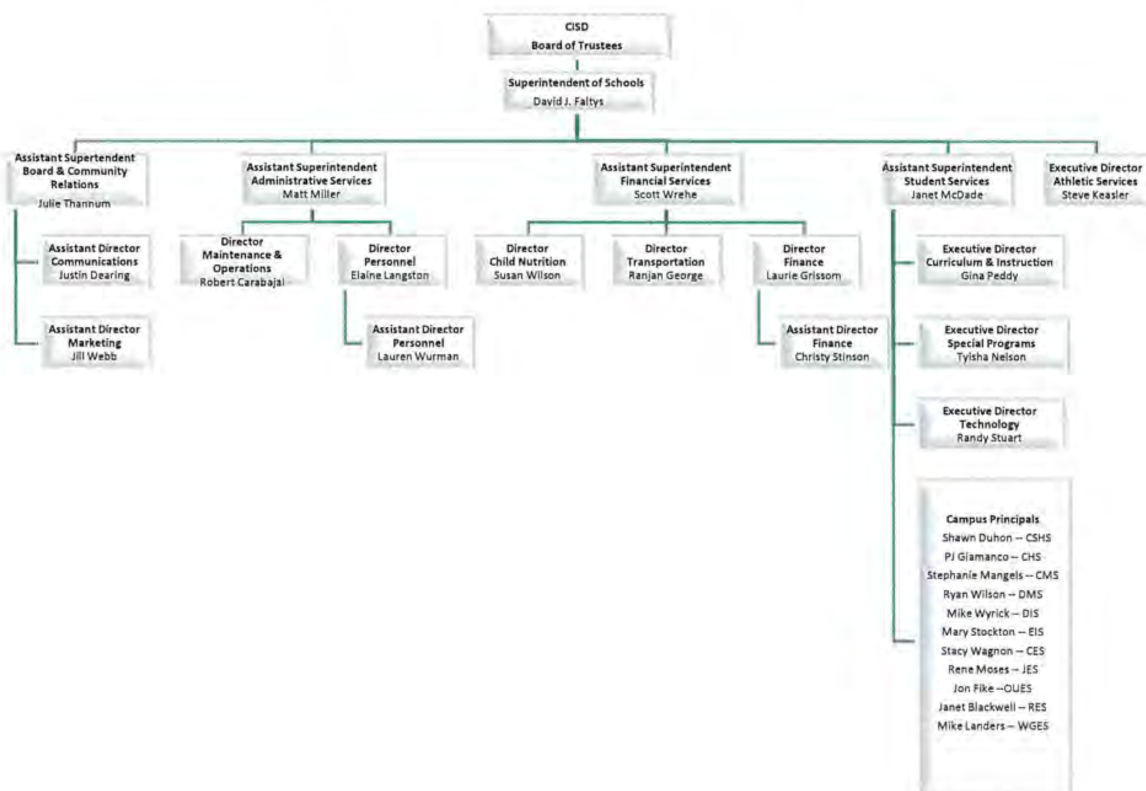
Scott Wrehe

Scott Wrehe
Assistant Superintendent for Financial Services

The District's organizational hierarchy begins with the seven Board of Trustee members and Superintendent. The Superintendent is responsible for the day to day operations and operations of the District. The Superintendent's Cabinet consists of four Assistant Superintendents; Board and Community Relations, Administrative Services, Financial Services and Student Services.

The purpose of this structure is to support student instruction as it occurs on each campus. Campus leadership reports directly to the Assistant Superintendent of Student Services.

CARROLL ISD
ORGANIZATIONAL STRUCTURE



CARROLL INDEPENDENT SCHOOL DISTRICT

PRINCIPAL OFFICIALS

Elected Officials:

Sheri Mills	Board President
Michelle Moore	Board Vice President
Danny Gilpin	Board Secretary
Bradley Taylor	Board Member
Matt Bryant	Board Member
Todd Carlton	Board Member
Dave Almand	Board Member

Appointed Officials:

David Faltys, Ed.D.	Superintendent
Scott Wrehe, CPA, RTSBA	Assistant Superintendent for Financial Services
Janet McDade	Assistant Superintendent for Student Services
Matt Miller	Assistant Superintendent for Administrative Services
Julie Thannum, APR	Assistant Superintendent for Board & Community Relations
Steve Keasler	Executive Director for Athletics
Tyisha Nelson	Executive Director for Special Programs
Gina Peddy	Executive Director for Curriculum & Instruction
Randy Stuart	Executive Director of Technology
Susan Wilson	Director of Child Nutrition
Bob Carabajal	Director of Facilities
Laurie Grissom, RTSBA	Director of Financial Services
Elaine Langston, Ph.D.	Director of Personnel Services
Ranjan George	Director of Transportation
Shawn Duhon	Carroll Senior High School Principal
P.J. Giamanco	Carroll High School Principal
Stephanie Mangels	Carroll Middle School Principal
Ryan Wilson	Dawson Middle School Principal
Mike Wyrick	Durham Intermediate School Principal
Mary Stockton	Eubanks Intermediate School Principal
Rene Moses, Ed.D.	Johnson Elementary School Principal
Stacy Wagnon	Carroll Elementary School Principal
Mike Landers	Walnut Grove Elementary School Principal
Janet Blackwell	Rockenbaugh Elementary School Principal
Jon Fike	Old Union Elementary School Principal

CERTIFICATE OF BOARD

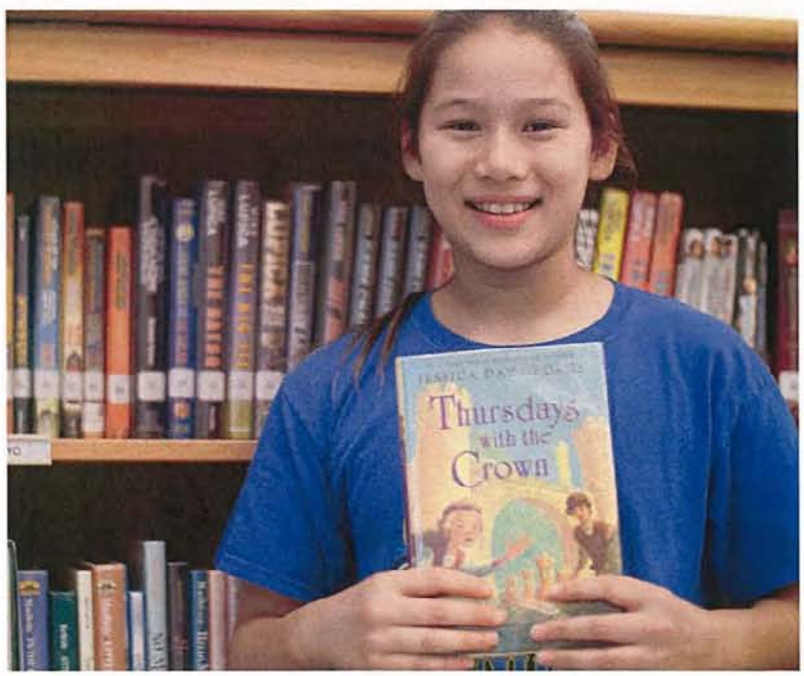
Carroll Independent School District	Tarrant	220-919
Name of School District	County	Co.-Dist. Number

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 August 31, 2018, at a meeting of the board of trustees of such school district on the ____ day of ______________, _______.

______________________________	______________________________
Signature of Board Secretary	Signature of Board President

If the board of trustees disapproved of the auditor's report, the reason(s) for disapproving it is (are):
(attach list as necessary)

FINANCIAL SECTION



SNOW GARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Trustees
Carroll Independent School District
2400 North Carroll Avenue
Southlake, Texas 76092

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Carroll Independent School District ("the District") as of and for the year ended August 31, 2018, 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 District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

1207 Santa Fe Drive • Weatherford, Texas 76086 • 817-596-9301 • Fax 817-596-9304

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Carroll Independent School District as of August 31, 2018, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Note A to the financial statements, in 2018, Carroll Independent School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Carroll Independent School District's basic financial statements. The introductory section, combining financial statements, and statistical section are presented for purposes of additional analysis and are not required parts 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 Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and other supplementary information, except for Exhibit J-2, 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 and other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections and Exhibit J-2 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2019 on our consideration of Carroll Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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 Carroll Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

Snow Garrett Williams

Snow Garrett Williams
January 9, 2019

Management's Discussion and Analysis
(Unaudited)

As management of the 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 August 31, 2018. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent period by $30,293,141 (*net position*). Of this amount, negative $4,917,403 is *unrestricted net* position.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of $101,863,293. Approximately 28 percent of this total amount, $28,504,814, is *available for spending* at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was $28,504,814 or 26 percent of the total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net position.* Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information for all of the current year's revenues and expenses regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the District's government-wide financial statements distinguish the functions of the District as being principally supported by taxes and intergovernmental revenues (*governmental activities*) as opposed to *business-type activities* that are intended to recover all or a significant portion of their costs through user fees and charges. The District has no component units for which it is financially accountable. The government-wide financial statements can be found on pages 24-25 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. The fund financial statements provide more detailed information about the District's most significant funds-not the District as a whole.

- Some funds are required by State law and/or bond covenants.
- Other funds may be established by the Board to control and manage money for particular purposes or to show that it is properly using certain taxes or grants.

All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

- ***Governmental funds***. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources,* as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The District adopts an annual appropriated budget for its general fund and debt service fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets. The basic governmental fund financial statements can be found on pages 26-31 of this report.

- ***Fiduciary funds***. *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The District is the trustee, or *fiduciary*, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position that can be found on pages 32-33.

Notes to the financial statements. The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 34-62 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements. Required supplementary information can be found on pages 63-69 of this report.

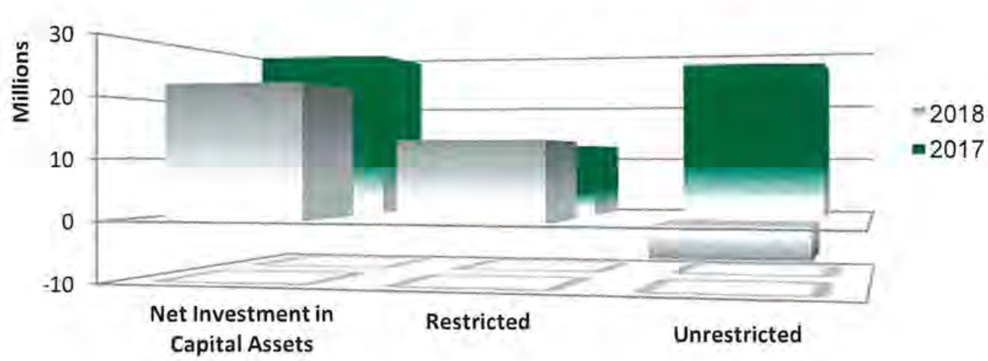
Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, governmental type assets exceeded liabilities by $30,293,141 as of August 31, 2018.

The District's Net Position-Governmental Activities

	August 31, 2018	August 31, 2017
Current assets	$ 107,313,931	$ 51,142,055
Capital assets	237,119,619	226,014,055
Long-term investments	4,795,000	4,255,000
Total assets	349,228,550	281,411,110
Deferred outflows of resources:		
Deferred outflow related to pensions	6,036,196	9,156,984
Deferred outflow related to OPEB	423,659	-
Total deferred outflows	6,459,855	9,156,984
Current liabilities	10,211,919	5,593,172
Long-term liabilities outstanding	302,567,782	214,720,312
Total liabilities	312,779,701	220,313,484
Deferred inflows of resources:		
Deferred inflow related to pensions	2,207,812	2,705,264
Deferred inflow related to OPEB	10,407,751	-
Total deferred inflows	12,615,563	2,705,264
Net position		
Net Investment in capital assets	22,309,610	28,922,622
Restricted	12,900,934	12,215,234
Unrestricted	(4,917,403)	26,411,490
Total net position	$ 30,293,141	$ 67,549,346

Net Position as of 8/31/18



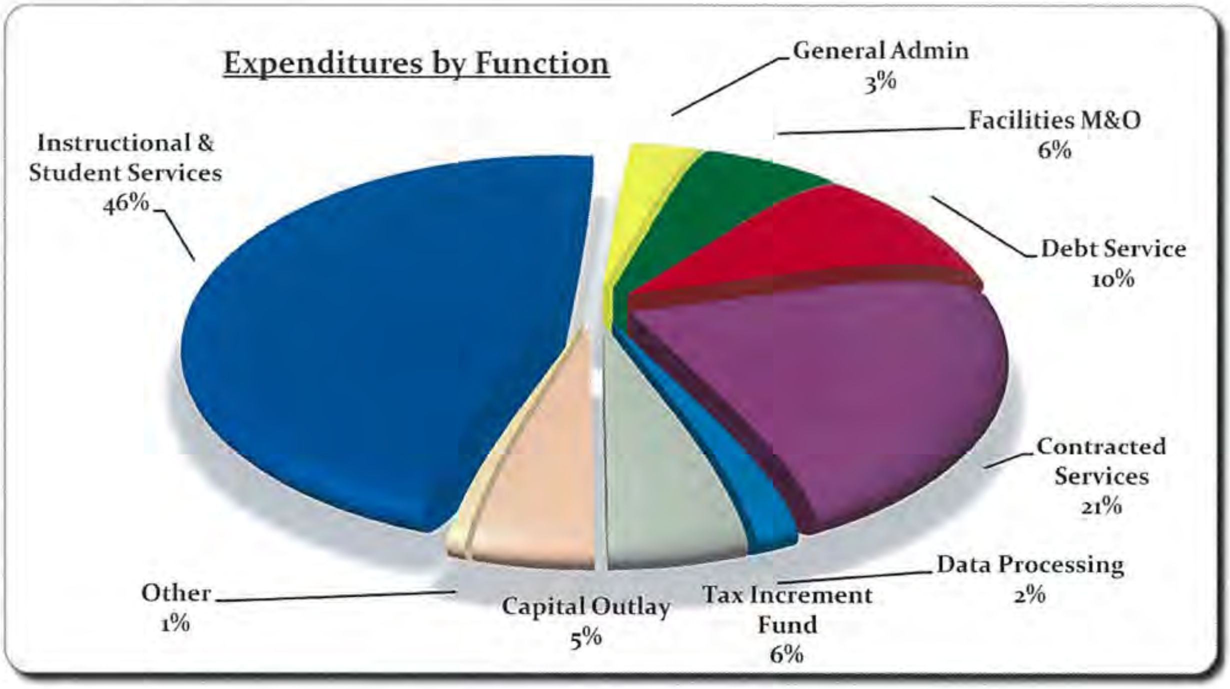
Net investment in capital assets (e.g., land, buildings, furniture and equipment, and construction in progress) is $22,309,610. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net position, $12,900,934, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position,* negative $4,917,403, may be used to meet the District's ongoing obligations. This deficit is not an indication that the District has insignificant resources available to meet financial obligations next year, but rather the result of having long-term commitments that are in excess of currently available resources.

In fiscal year 2018, the District adopted the Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* – which superseded GASB Statement No. 45. Statement No. 75 establishes financial reporting standards and/or accounting standards for state and local government defined other postemployment benefit (OPEB) plans and defined contribution OPEB plans. Statement No. 75 requires that, at transition, a government recognizes a beginning deferred outflow of resources for its OPEB contributions, if any, made subsequent to the measurement date of the beginning net OPEB liability. The effects of the adoption of this statement has no impact on the District's governmental fund financial statements. However, adoption has resulted in certain changes to the presentation of the District's government-wide financial statements. More information on the adoption of this statement and the District's OPEB plan is available in Note J, Note O, and Note P.

Governmental activities. The District's total net position increased $6,372,402. The total cost of all *governmental activities* this year was $121,979,017. The amount that our taxpayers paid for these activities through property taxes was $111,925,019 or 92%.

Changes in the District's Net Position

	Fiscal Year August 31, 2018	Fiscal Year August 31, 2017
Revenues:		
Program revenues		
Charges for services	$ 7,608,180	$ 7,460,241
Operating grants and contributions	(7,199,972)	7,979,137
General revenues		
Property taxes	111,925,019	102,099,400
State grants	5,737,651	6,699,004
Other	10,280,541	8,029,147
Total revenues	128,351,419	132,266,929
Expenses:		
Instruction	37,962,798	52,487,950
Instruction resources and media services	986,603	1,310,650
Curriculum and staff development	1,083,635	1,298,649
Instructional leadership	417,732	582,261
School leadership	3,211,053	4,628,435
Guidance, counseling & evaluation services	2,610,937	3,688,509
Health services	591,142	855,265
Student transportation	2,247,510	2,647,031
Food service	3,029,666	3,655,061
Cocurricular/extracurricular activities	3,853,624	4,588,687
General administration	3,889,777	4,048,700
Facilities maintenance and operations	7,267,979	8,797,780
Security and monitoring services	274,678	237,761
Data processing services	2,220,541	2,209,540
Community services	53,758	80,837
Interest on long-term debt	11,245,769	9,552,928
Bond issuance costs and fees	1,094,277	89,680
Capital outlay	6,042,463	511,545
Contracted instructional services	26,290,781	19,388,953
Payments related to shared service arrangements	36,443	-
Payments to tax increment fund	6,985,814	6,151,684
Other intergovernemental charges	582,037	539,237
Total expenses	121,979,017	127,351,143
Increase (decrease) in net position	6,372,402	4,915,786
Beginning net position	67,549,346	61,977,487
Prior period adjustment	(43,628,607)	656,073
Net position - beginning, as restated	23,920,739	62,633,560
Ending net position	$ 30,293,141	$ 67,549,346



Financial Analysis of the District's Funds

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

Governmental funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of the District's net resources available for spending at the end of a fiscal year. As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of $101,863,293, an increase of $52,061,019. Approximately 28 percent of this total amount, $28,504,814, constitutes *unassigned fund balance*. The remainder of fund balance is *restricted, committed,* or *assigned* to indicate that it is not available for new spending because it is (1) considered non-spendable for inventory ($143,661) and has already been restricted to pay (2) debt service ($7,914,412), (3) capital acquisitions ($48,317,915), (4) other restrictions for sinking fund deposits ($4,795,000); and committed for (5) other committed balances ($12,187,491).

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was $28,504,814, out of a total fund balance of $39,222,200. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the total fund expenditures. Unassigned fund balance represents 26 percent of the total general fund expenditures. Total fund balance represents 35 percent of the total general fund expenditures.

The fund balance of the District's general fund increased $3,030,760 during the current fiscal year. Key factors in this increase include an increase in property tax revenue and a transfer in from the capital projects fund to reimburse the fund for capital projects expenditures paid in fiscal year 2017 prior to the Series 2017 Building Bond proceeds being received.

The debt service fund has a total fund balance of $12,709,412, of which $7,914,412 is restricted for the payment of debt service and $4,795,000 is restricted for sinking fund deposits. The net increase in fund balance during the period in the debt service was $700,635. The key factor in the increase was an increase in property tax revenue.

The capital projects fund has a total fund balance of $48,317,915 all of which is restricted for capital acquisitions. The net increase in fund balance during the period in the capital projects fund was $48,259,770 which was the net effect of issuing the Series 2017 Building Bond and various capital projects expenditures.

General Fund Budgetary Highlights

During the year, the District recommended and the Board approved an amendment to provide additional funds for legal services relating to the District's boundary dispute, and an amendment to provide additional funds to cover a one-time supplemental payment to employees.

In August, the District recommended and the Board approved a revision to budget appropriations. The amendment provided for the reclassification of expenditures at the function level to account for end of year projections including payroll savings in Function 11 and TIF payments that were higher than budgeted.

The following are significant variations between the final budget and actual amounts for the general fund:

- Actual revenues were higher than budgeted by $1,156,675, primarily related to increases in local and intermediate revenue sources, as well as, state program revenues: and
- Actual expenditures were lower than budgeted by $1,863,275, primarily due to budgeting variances within instruction, student (pupil) transportation, food services, cocurricular/extracurricular activities, general administration, and plant maintenance and operations.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its governmental activities as of August 31, 2018, amounts to $237,119,619 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment, and construction in progress.

Major capital asset events during the year included classroom audit-video upgrades, bus purchases, turf and track replacements, softball/baseball field renovations, and renovations to various campus buildings.

District's Capital Assets

(net of depreciation)

	August 31, 2018	August 31, 2017
Land	$ 14,010,235	$ 14,010,235
Buildings and improvements	199,677,791	205,955,540
Furniture and equipment	9,881,181	6,044,680
Construction in progress	13,550,412	3,600
Totals at historical cost	$ 237,119,619	$ 226,014,055

Additional information on the District's capital assets can be found in Note C on page 45 of this report.

Long-term debt. As of August 31, 2018, the District had total general obligation bonded debt outstanding of $254,925,000, an increase of $62,894,752 over the prior year. The District issued Tax School Building Bonds, Series 2017 during fiscal year 2018 at a par amount of $77,545,000 and premium of $3,546,996. The unamortized premium balance at August 31, 2018 was $8,202,924, an increase from the prior year of $3,083,593. Accumulated accretion on CABs decreased $1,116,970, resulting in an ending balance of $117,783. The net pension liability for fiscal year 2018 had an ending balance of $14,441,119, derived from GASB 68 and a decrease of $1,894,862 from the prior year. And finally, the net OPEB liability for fiscal year 2018 had an ending balance of $24,880,956 due to the implementation of GASB 75.

The District's bonds are rated "AAA" by virtue of the guarantee of the Permanent School Fund of the State of Texas. The district's underlying rating on outstanding bonds is "AA+" by Standard and Poor's and "Aa1" by Moody's.

The "AAA" long-term rating on the District's Texas' bonds reflects the Texas Permanent School Fund guarantee. The "AA+" Standard & Poor's underlying rating on the District's unenhanced debt reflects the District's: (1) participation in the strong and growing Dallas/Fort Worth area economy, (2) strong administrative management, and (3) continued satisfactory financial performance.

State statutes limit the amount of general obligation debt a government entity may issue up to 10 percent of its total assessed valuation. The current debt limitation for the District is $804,623,154, which is significantly in excess of the District's outstanding general obligation debt.

Additional information on the District's long-term debt can be found in Note F on pages 47-48 of this report.

Economic Factors and Next Year's Budgets and Rates

- The District's student attendance rate remains stable at the 96.2 percent level.
- The District's enrollment increased by approximately 176 students in 2017-2018. Enrollment for 2018-2019 is expected to increase by 91 students.
- The District's taxable valuation has increased by 10.4%.
- The District has appropriated revenues and expenditures in the 2018-2019 budgets of $120,469,294 and $122,895,544 respectively in its general fund. This deficit of $2,426,250 should be offset by payroll savings as a result of vacancies and property tax revenue greater than what was anticipated at the time the budget was approved.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances as well as demonstrate accountability for funds the District receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Carroll ISD Financial Services Department, 2400 North Carroll Avenue, Southlake, TX 76092.

Basic Financial Statements

CARROLL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2018

Data Control Codes		1 Governmental Activities
	ASSETS:	
1110	*Cash and Cash Equivalents*	$ 3,527,926
1120	*Current Investments*	100,387,179
1225	*Property Taxes Receivable (Net)*	760,299
1240	*Due from Other Governments*	538,558
1267	*Due from Fiduciary*	776,448
1290	*Other Receivables (Net)*	1,084,594
1300	*Inventories*	143,661
1410	*Unrealized Expenses*	95,266
	Capital Assets:	
1510	*Land*	14,010,235
1520	*Buildings and Improvements, Net*	199,677,791
1530	*Furniture and Equipment, Net*	9,881,181
1580	*Construction in Progress*	13,550,412
1910	*Long-Term Investments*	4,795,000
1000	Total Assets	349,228,550
	DEFERRED OUTFLOWS OF RESOURCES:	
	Deferred Outflow Related to Pensions	6,036,196
	Deferred Outflow Related to OPEB	423,659
1700	Total Deferred Outflows of Resources	6,459,855
	LIABILITIES:	
2110	*Accounts Payable*	4,325,375
2140	*Interest Payable*	726,580
2165	*Accrued Liabilities*	2,862,974
2180	*Due to Other Governments*	35,728
2300	*Unearned Revenue*	2,261,262
	Noncurrent Liabilities:	
2501	*Due Within One Year*	9,137,836
2502	*Due in More Than One Year*	254,107,871
2540	*Net Pension Liability*	14,441,119
2545	*Net OPEB Liability*	24,880,956
2000	Total Liabilities	312,779,701
	DEFERRED INFLOWS OF RESOURCES:	
	Deferred Inflow Related to Pensions	2,207,812
	Deferred Inflow Related to OPEB	10,407,751
2600	Total Deferred Inflows of Resources	12,615,563
	NET POSITION:	
3200	Net Investment in Capital Assets	22,309,610
	Restricted For:	
3890	Other Purposes - Sinking Fund	4,795,000
3850	Debt Service	8,105,934
3900	Unrestricted	(4,917,403)
3000	Total Net Position	$ 30,293,141

The accompanying notes are an integral part of this statement.

EXHIBIT B-1

CARROLL INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues Charges for Services	4 Program Revenues Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Governmental Activities
	Governmental Activities:				
11	*Instruction*	$ 37,962,798	$ 1,692,124	$ (6,940,051)	$ (43,210,725)
12	*Instructional Resources and Media Services*	986,603	98,303	(48,031)	(936,331)
13	*Curriculum and Staff Development*	1,083,635	129,441	8,118	(946,076)
21	*Instructional Leadership*	417,732	10,201	(33,742)	(441,273)
23	*School Leadership*	3,211,053	190,134	(247,573)	(3,268,492)
31	*Guidance, Counseling, & Evaluation Services*	2,610,937	317,272	(168,366)	(2,462,031)
33	*Health Services*	591,142	16,103	(47,266)	(622,305)
34	*Student Transportation*	2,247,510	43,457	(104,335)	(2,308,388)
35	*Food Service*	3,029,666	3,138,572	(106,050)	2,856
36	*Cocurricular/Extracurricular Activities*	3,853,624	1,166,476	(151,974)	(2,839,122)
41	*General Administration*	3,889,777	80,182	(107,191)	(3,916,786)
51	*Facilities Maintenance and Operations*	7,267,979	152,260	(133,280)	(7,248,999)
52	*Security and Monitoring Services*	274,678	21,309	3,550	(249,819)
53	*Data Processing Services*	2,220,541	36,929	68,489	(2,115,123)
61	*Community Services*	53,758	2,088	(4,395)	(56,065)
72	*Interest on Long-term Debt*	11,245,769	--	196,380	(11,049,389)
73	*Bond Issuance Costs and Fees*	1,094,277	--	--	(1,094,277)
81	*Capital Outlay*	6,042,463	--	(7,034)	(6,049,497)
91	*Contracted Instructional Services between Schools*	26,290,781	513,329	586,275	(25,191,177)
93	*Payments Related to Shared Services Arrangements*	36,443	--	36,504	61
97	*Payments to Tax Increment Fund*	6,985,814	--	--	(6,985,814)
99	*Other Intergovernmental Charges*	582,037	--	--	(582,037)
TG	Total Governmental Activities	121,979,017	7,608,180	(7,199,972)	(121,570,809)
TP	Total Primary Government	$ 121,979,017	$ 7,608,180	$ (7,199,972)	(121,570,809)

Data Control Codes		
	General Revenues:	
MT	*Property Taxes, Levied for General Purposes*	84,071,750
DT	*Property Taxes, Levied for Debt Service*	27,853,269
IE	*Investment Earnings*	2,199,487
GC	*Grants and Contributions Not Restricted to Specific Programs*	5,737,651
MI	*Miscellaneous*	8,081,054
TR	Total General Revenues	127,943,211
CN	Change in Net Position	6,372,402
NB	Net Position - Beginning	67,549,346
PA	Prior Period Adjustment	(43,628,607)
	Net Position - Beginning, as Restated	23,920,739
NE	Net Position - Ending	$ 30,293,141

The accompanying notes are an integral part of this statement.

CARROLL INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2018

Data Control Codes		10 General Fund	50 Debt Service Fund
	ASSETS:		
1110	*Cash and Cash Equivalents*	$ 1,403,603	$ 573
1120	*Current Investments*	41,134,471	7,832,680
1225	*Taxes Receivable*	1,195,810	410,641
1230	*Allowance for Uncollectible Taxes (credit)*	(627,033)	(219,119)
1240	*Due from Other Governments*	235,853	--
1260	*Due from Other Funds*	1,079,153	81,159
1290	*Other Receivables*	308,471	--
1300	*Inventories*	143,661	--
1410	*Unrealized Expenditures*	22,266	--
1900	*Long Term Investments*	--	4,795,000
1000	Total Assets	44,896,255	12,900,934
	LIABILITIES:		
	Current Liabilities:		
2110	*Accounts Payable*	$ 447,139	$ --
2120	*Short-Term Debt Payable*	923	--
2160	*Accrued Wages Payable*	2,862,051	--
2170	*Due to Other Funds*	81,159	--
2180	*Due to Other Governments*	35,728	--
2300	*Unearned Revenue*	1,678,278	--
2000	Total Liabilities	5,105,278	--
	DEFERRED INFLOWS OF RESOURCES:		
	Property Taxes	568,777	191,522
2600	Total Deferred Inflows of Resources	568,777	191,522
	FUND BALANCES:		
	Nonspendable Fund Balances:		
3410	*Inventories*	143,661	--
	Restricted Fund Balances:		
3470	*Capital Acquisitions & Contractual Obligations*	--	--
3480	*Retirement of Long-Term Debt*	--	7,914,412
3490	*Other Restrictions of Fund Balance - Sinking Fund*	--	4,795,000
	Committed Fund Balances:		
3545	*Other Committed Fund Balance*	10,573,725	--
3600	Unassigned	28,504,814	--
3000	Total Fund Balances	39,222,200	12,709,412
	Total Liabilities, Deferred Inflow		
4000	of Resources and Fund Balances	$ 44,896,255	$ 12,900,934

The accompanying notes are an integral part of this statement.

EXHIBIT C-1

60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
$ --	$ 2,123,750	$ 3,527,926
51,420,028	--	100,387,179
--	--	1,606,451
--	--	(846,152)
--	302,705	538,558
--	--	1,160,312
776,123	--	1,084,594
--	--	143,661
--	73,000	95,266
--	--	4,795,000
52,196,151	2,499,455	112,492,795
$ 3,878,236	$ --	$ 4,325,375
--	--	923
--	--	2,862,051
--	302,705	383,864
--	--	35,728
--	582,984	2,261,262
3,878,236	885,689	9,869,203
--	--	760,299
--	--	760,299
--	--	143,661
48,317,915	--	48,317,915
--	--	7,914,412
--	--	4,795,000
--	1,613,766	12,187,491
--	--	28,504,814
48,317,915	1,613,766	101,863,293
$ 52,196,151	$ 2,499,455	$ 112,492,795

CARROLL INDEPENDENT SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AUGUST 31, 2018

Total fund balances - governmental funds balance sheet	$ 101,863,293
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	237,119,619
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	760,299
Payables for bond principal which are not due in the current period are not reported in the funds.	(254,925,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(726,580)
Premiums on bonds which are not due and payable in the current period are not reported in the funds.	(8,202,924)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(14,441,119)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(2,207,812)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	6,036,196
The accumulated accretion of interest on capital appreciation bonds is not reported in the funds.	(117,783)
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(24,880,956)
Deferred Resource Inflows related to OPEB are not reported in the funds.	(10,407,751)
Deferred Resource Outflows related to the OPEB are not reported in the funds.	423,659
Net position of governmental activities - Statement of Net Position	$ 30,293,141

The accompanying notes are an integral part of this statement.

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CARROLL INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes		10 General Fund	50 Debt Service Fund
	REVENUES:		
5700	*Local and Intermediate Sources*	$ 98,064,946	$ 28,073,737
5800	*State Program Revenues*	9,419,943	196,380
5900	*Federal Program Revenues*	2,330,187	--
5020	Total Revenues	109,815,076	28,270,117
	EXPENDITURES:		
	Current:		
0011	*Instruction*	44,012,697	--
0012	*Instructional Resources and Media Services*	1,040,120	--
0013	*Curriculum and Staff Development*	1,002,691	--
0021	*Instructional Leadership*	522,978	--
0023	*School Leadership*	3,910,905	--
0031	*Guidance, Counseling, & Evaluation Services*	2,878,228	--
0033	*Health Services*	757,729	--
0034	*Student Transportation*	2,229,898	--
0035	*Food Service*	3,112,932	--
0036	*Cocurricular/Extracurricular Activities*	3,271,093	--
0041	*General Administration*	4,110,847	--
0051	*Facilities Maintenance and Operations*	7,640,926	--
0052	*Security and Monitoring Services*	244,409	--
0053	*Data Processing Services*	1,889,679	--
0061	*Community Services*	65,571	--
0071	*Principal on Long-term Debt*	--	14,650,247
0072	*Interest on Long-term Debt*	--	12,916,953
0073	*Bond Issuance Costs and Fees*	--	5,015
0081	*Capital Outlay*	--	--
0091	*Contracted Instructional Services*		
0091	*Between Public Schools*	26,290,781	--
0093	*Payments to Shared Service Arrangements*	--	--
0097	*Payments to Tax Increment Fund*	6,985,814	--
0099	*Other Intergovernmental Charges*	582,037	--
6030	Total Expenditures	110,549,335	27,572,215
1100	Excess (Deficiency) of Revenues Over (Under)		
1100	Expenditures	(734,259)	697,902
	Other Financing Sources and (Uses):		
7911	*Capital-Related Debt Issued (Regular Bonds)*	--	2,733
7912	*Sale of Real or Personal Property*	209,879	--
7915	*Transfers In*	3,555,140	--
7916	*Premium or Discount on Issuance of Bonds*	--	--
8911	*Transfers Out*	--	--
7080	Total Other Financing Sources and (Uses)	3,765,019	2,733
1200	Net Change in Fund Balances	3,030,760	700,635
0100	Fund Balances - Beginning	36,191,440	12,008,777
3000	Fund Balances - Ending	$ 39,222,200	$ 12,709,412

The accompanying notes are an integral part of this statement.

60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
$ 1,122,478	$ 2,407,130	$ 129,668,291
8,712	741,653	10,366,688
--	1,586,477	3,916,664
1,131,190	4,735,260	143,951,643
--	3,011,699	47,024,396
--	92,518	1,132,638
--	199,711	1,202,402
--	--	522,978
--	134,940	4,045,845
--	333,004	3,211,232
--	1,336	759,065
3,118,756	973	5,349,627
--	--	3,112,932
49,500	713,492	4,034,085
--	36,525	4,147,372
80,083	--	7,721,009
--	--	244,409
300,194	103,652	2,293,525
--	1,113	66,684
--	--	14,650,247
--	--	12,916,953
1,089,262	--	1,094,277
25,767,747	--	25,767,747
--	--	26,290,781
--	36,443	36,443
--	--	6,985,814
--	--	582,037
30,405,542	4,665,406	173,192,498
(29,274,352)	69,854	(29,240,855)
77,542,266	--	77,544,999
--	--	209,879
--	--	3,555,140
3,546,996	--	3,546,996
(3,555,140)	--	(3,555,140)
77,534,122	--	81,301,874
48,259,770	69,854	52,061,019
58,145	1,543,912	49,802,274
$ 48,317,915	$ 1,613,766	$ 101,863,293

CARROLL INDEPENDENT SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2018

Net change in fund balances - total governmental funds	$ 52,061,019
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	22,961,991
The depreciation of capital assets used in governmental activities is not reported in the funds.	(11,850,701)
The gain or loss on the sale of capital assets is not reported in the funds.	204,151
All proceeds from the sale of capital assets are reported in the funds but not in the SOA.	(209,878)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(58,701)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	14,650,247
Bond premiums are amortized in the SOA but not in the funds.	463,403
The accretion of interest on capital appreciation bonds is not reported in the funds.	1,116,970
(Increase) decrease in accrued interest from beginning of period to end of period.	90,811
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(77,544,999)
Bond premiums are reported in the funds but not in the SOA.	(3,546,996)
Pension contributions made before the measurement date and during the previous fiscal year were expended and recorded as a reduction to NPL.	(1,480,223)
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan increased net position by:	1,580,764
The proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased net position by:	(829,015)
OPEB contributions made before the measurement date and during the previous fiscal year were expended and recorded as a reduction in the net OPEB liability.	(297,465)
GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan increased net position by:	419,766
The proportionate share of the TRS Care expense on the plan as a whole had to be recorded. This increased net position by:	8,641,258
Change in net position of governmental activities - Statement of Activities	$ 6,372,402

The accompanying notes are an integral part of this statement.

EXHIBIT E-1

CARROLL INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2018

Data Control Codes		Private-Purpose Trust Funds	Agency Funds
	ASSETS:		
1110	*Cash and Cash Equivalents*	$ --	$ 1,147,387
1800	*Restricted Assets*	8,903	33,075
1000	Total Assets	8,903	1,180,462
	LIABILITIES:		
	Current Liabilities:		
2150	*Payroll Deduction & Withholdings*	--	253,289
2170	*Due to Other Funds*	--	776,448
2190	*Due to Student Groups*	--	150,725
2000	Total Liabilities	--	1,180,462
	NET POSITION:		
3800	*Held in Trust*	8,903	--
3000	Total Net Position	$ 8,903	$ --

The accompanying notes are an integral part of this statement.

CARROLL INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

	Private-Purpose Trusts
Additions:	
Investment Income	$ 103
Contributions	--
Total Additions	103
Deductions:	
Scholarship Awards	2,667
Total Deductions	2,667
Change in Net Position	(2,564)
Net Position-Beginning of the Year	11,467
Net Position-End of the Year	$ 8,903

The accompanying notes are an integral part of this statement.

A. Summary of Significant Accounting Policies

The basic financial statements of Carroll Independent School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide ("Resource Guide"). The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The Board of School Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has 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 ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental reporting entity and there are no component units included within the District's reporting entity.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Financial Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

General Fund: This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

Debt Service Fund: This fund is used to account for and report financial resources restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Fund: This fund is used to account for all financial resources restricted, committed or assigned to expenditures for the acquisitions or construction of capital assets.

In addition, the District reports the following fund types:

Private-Purpose Trust Funds: These funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments not reported in other fiduciary fund types.

Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

b. Measurement Focus, Basis of Accounting

Government-wide and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

3. Financial Statement Amounts

a. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

b. Inventories and Prepaid Items

Inventories of supplies on the balance sheet are stated at weighted average cost, while inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Inventory items are recorded as expenditures when they are consumed. Supplies are used for almost all functions of activity, while food commodities are used only in the food service program. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount. Inventories also include plant maintenance and operation supplies as well as instructional supplies.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of $5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings & Improvements	10-50
Vehicles	7-10
Equipment	5-15

d. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide Statement of Net Position and governmental funds balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

e. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

f. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

g. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

h. Data Control Codes

Data Control Codes appear in the rows and above the columns of certain financial statements. The TEA requires the display of these codes in the financial statements filed with TEA in order to ensure accuracy in building a statewide database for policy development and funding plans.

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Trustees. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself. The District authorizes the Superintendent or the Superintendent's designee to assign fund balance.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

The District established a minimum fund balance policy requiring at least 45 days of operating expenditures in fund balance at all times. In the event the fund balance should fall below an amount equal to 45 days of operating expenses in any year, the Board shall determine and implement measures that will increase the fund balance, if appropriate, to ensure the standard of 45 days of operating expenditures for the next school year. The District was in compliance with this policy at August 31, 2018.

j. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

k. Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

4. Pensions

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS' 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.

5. Other Post-Employment Benefits

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

6. New Accounting Standards Adopted

In fiscal year 2018, the District adopted a new statement of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about support for OPEB that is provided by other entities.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB measurements by Agent Employers and Agent Multiple-Employer Plans.*

The financial statements and note disclosures have been updated for the affects of the adoption of GASB Statement No. 75.

B. 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.

1. Cash Deposits:

At August 31, 2018, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was $47,776,844 and the bank balance was $51,663,603. The District's cash deposits at August 31, 2018 and during the year ended August 31, 2018, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, 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, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

The District's investments at August 31, 2018 consisted of long-term certificates of deposit, money market saving accounts, investment pools, municipal bonds, and FHLB - agency bonds. Certificates of deposits and money market savings accounts are covered by FDIC and pledged collateral by the bank and are included in the balance in Note B-1. The District's investments at August 31, 2018 are shown below.

Investment or Investment Type	Maturity	Fair Value
Texas CLASS - LGIP	Wtd Avg = 39 days	$ 42,605,636
LoneStar - LGIP	Wtd Avg = 48 days	3,056,394
Texas Term (TexasDAILY) - LGIP	Daily	1,770,279
TMI Trust - Certificates of Deposit	<1 year	10,535,111
First Financial Equity		
Money Market Savings Account	N/A	680,998
Certificates of Deposit	Various	31,863,995
TD Ameritrade - Municipal Bonds		
Municipal Bonds	<2 years	6,849,074
FHLB - Agency Bonds	<2 years	181,742
Certificates of Deposit	<3 years	2,835,717
Cash Equivalents	N/A	8,234
Total Investments		$ 100,387,180

3. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

At August 31, 2018, the District's investments, other than those which are obligations of or guaranteed by the U. S. Government, are rated as to credit quality as follows:

Texas CLASS - LGIP	AAAm
LoneStar - LGIP	AAAm
Texas Term (TexasDAILY) - LGIP	AAAm
TD Ameritrade	
Municipal Bonds	Aa1
FHLB - Agency Bonds	Aaa

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was exposed to interest rate risk for the investments in municipal bonds and FHLB - agency bonds described in Note B-2. The District's investments advisors used the simulation model to calculate the interest rate risk for the bonds noting that due to the short maturity of all of the bonds (less than 2 years) the interest rate risk would be minimal and the affect of the investment values would be insignificant.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Public Funds Investment Pools

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 market value of its underlying investment portfolio within one half of one percent of the value of its shares.

Lone Star

The Lone Star Investment Pool (Lone Star) is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Texas Government Code, Chapter 791, and the Public Funds Investment Act, Texas Government Code, Chapter 2256. Lone Star is administered by First Public, a subsidiary of the Texas Association of School Boards (TASB), with Standish and American Beacon Advisors managing the investment and reinvestment of Lone Star's assets. State Street Bank provides custody and valuation services to Lone Star. All of the board of trustees' eleven members are Lone Star participants by either being employees or elected officials of a participant. Lone Star has established an advisory board composed of both pool members and non-members. Lone Star is rated AAAm by Standard and Poor's. Lone Star has no limitations or restrictions on withdrawals. The District is invested in the Corporate Overnight Plus Fund of Lone Star. Lone Star has 3 different funds: Government Overnight, Corporate Overnight, and Corporate Overnight Plus. Government and Corporate Overnight maintain a net asset value of one dollar and the Corporate Overnight Plus maintains a net asset value of 50 cents. The Government Overnight and Corporate Overnight Funds value all investments at amortized cost and are operated in accordance with GASB 79. The Corporate Overnight Plus Fund values all investments at fair value and is operated in accordance with GASB 72. Plus. Government and Corporate Overnight maintain a net asset value of one dollar and the Corporate Overnight Plus maintains a net asset value of 50 cents.

TexasTERM

The Texas Term Local Government Investment Pool (TexasTERM) is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. TexasTERM is administered by PFM Asset Management LLC, which also serves as the investment advisor. The reported value of the pool is the same as the fair value of the pool shares. Investment options include TexasDAILY, a money market portfolio, is rated AAAm by Standard & Poor's, and TexasTERM CD Purchase Program, a fixed rate, fixed-term investment option enabling investors to invest in FDIC insured CD's from banks throughout the United States. Texas Daily is operated in accordance with GASB 79 and uses amortized cost in the calculation of the net asset value at the conclusion of each business day. There are no limitations or restrictions on withdrawals.

Texas CLASS

In accordance with FASB guidance, Texas CLASS utilitizes ASC 820 "Fair Value Measurement and Disclosure" to define fair value, establish a framework for measuring fair value, and expand disclosure requirements regarding fair value measurements. ASC 820 does not require new fair value measurements, but is applied to the extent that other accounting pronouncements require or permit fair value measurements. This standard emphasizes that participants would use in pricing an asset or liability. Various input are used in determining the value of Texas Class's portfolio investments defined pursuant to this standard. All investments are categorized as Level 2 for the fair value hierarchy. Level 2 inputs are prices determined using other significant observable inputs. Observable inputs are inputs that reflect the assumptions market participants woud use in pricing a security and are developed based on market data obtained from sources independent of the reporting entitity.

TD Ameritrade

The District's investments with TD Ameritrade consists of certificates of deposits, municipal bonds, and FHLB - agency bonds. The municipal bonds are categorized as Level 2 for the fair value hierachy. The fair value is obtained via a pricing method used by Bloomberg Professional Services whereby bonds with similar credit qualities, coupons, maturities, state locations, etc are used to obtain a value for the portfolio bonds, as many of the bonds do not trade on a regular basis.

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, Fair Value Measurement and Application, provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure the 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. See relevant investment notes above for specific valuation models used.

- Level 3 inputs are unobservable inputs for an assets 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 hierarhcy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

In accordance with GASB Statement No. 79, Certain External Investment Pools and Pool Participants, the Local Government Investment Pools do not have any limitations and restrictions on withdrawals such as notice period of maximum transaction amounts. These pools do not impose any liquidity fees or redemption gates.

Investments' fair value measurements are as follows at August 31, 2018:

		Fair Value Measurement Using		
Investments	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Texas CLASS	$ 42,605,636	--	$ 42,605,636	--
TD Ameritrade				
Municipal Bonds	6,849,074	--	6,849,074	--
FHLB - Agency Bonds	181,742	--	181,742	--
LoneStar	3,056,394	--	3,056,394	--
Total Investments	$ 52,692,846	$ --	$ 52,692,846	$ --

C. Capital Assets

Capital asset activity for the year ended August 31, 2018, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 14,010,235	$ --	$ --	$ 14,010,235
Construction in progress	3,600	13,546,812	--	13,550,412
Total capital assets not being depreciated	14,013,835	13,546,812	--	27,560,647
Capital assets being depreciated:				
Buildings and improvements	311,126,182	3,634,580	--	314,760,762
Equipment	29,091,411	2,636,033	--	31,727,444
Vehicles	6,656,777	3,144,566	1,285,155	8,516,188
Total capital assets being depreciated	346,874,370	9,415,179	1,285,155	355,004,394
Less accumulated depreciation for:				
Buildings and improvements	(105,170,642)	(9,912,329)	--	(115,082,971)
Equipment	(23,961,123)	(1,675,287)	--	(25,636,410)
Vehicles	(5,742,385)	(263,085)	(1,279,429)	(4,726,041)
Total accumulated depreciation	(134,874,150)	(11,850,701)	(1,279,429)	(145,445,422)
Total capital assets being depreciated, net	212,000,220	(2,435,522)	5,726	209,558,972
Governmental activities capital assets, net	$ 226,014,055	$ 11,111,290	$ 5,726	$ 237,119,619

Depreciation was charged to functions as follows:

Instruction	$ 6,567,110
Instructional Resources and Media Services	158,176
Curriculum and Staff Development	167,919
Instructional Leadership	73,035
School Leadership	565,013
Guidance, Counseling, & Evaluation Services	448,457
Health Services	106,005
Student Transportation	747,090
Food Services	434,729
Extracurricular Activities	563,371
General Administration	579,191
Plant Maintenance and Operations	1,076,863
Security and Monitoring Services	34,132
Data Processing Services	320,297
Community Services	9,313
	$ 11,850,701

D. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2018, consisted of the following:

Due To Fund	Due From Fund		Amount	Purpose
General Fund	Special Revenue Funds	$	302,705	For transfer of federal receipts
General Fund	Trust and Agency Funds		776,448	Short-term loan
Debt Service Fund	General Fund		81,159	Short-term loan
	Total	$	1,160,312	

All amounts due are scheduled to be repaid within one year.

2. Transfers To and From Other Funds

Transfers to and from other funds at August 31, 2018, consisted of the following:

Transfers From	Transfers To		Amount	Reason
Capital Projects Fund	General Fund	$	3,555,140	To reimburse the General Fund for prior year bond construction expenditures.
	Total	$	3,555,140	

E. Other Committed Fund Balance

The District's Other Committed Fund Balance at August 31, 2018 consists of the following:

Fund			
General Fund	$	10,573,725	State Funding Decreases
Special Revenue Fund		1,350,011	Campus Activity
Special Revenue Fund		263,755	Summer School, Scholarships, etc
Total	$	12,187,491	

F. Long-Term Obligations

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, 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.

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2018, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	$ 192,030,248	$ 77,544,999	$ 14,650,247	$ 254,925,000	$ 9,137,836
Premium amortized	5,119,331	3,546,996	463,403	8,202,924	--
Accumulated Accretion on CABs	1,234,753	--	1,116,970	117,783	--
Net Pension Liability *	16,335,981	(414,639)	1,480,223	14,441,119	--
Net OPEB Liability *	43,926,072	(18,747,651)	297,465	24,880,956	--
Total governmental activities	$ 258,646,385	$ 61,929,705	$ 18,008,308	$ 302,567,782	$ 9,137,836

* Other long-term liabilities
The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Net Pension Liability *	Governmental	General
Net OPEB Liability *	Governmental	General

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2018, are as follows:

	Governmental Activities		
Year Ending August 31,	Principal	Interest	Total
2019	$ 9,137,836	$ 11,449,041	$ 20,586,877
2020	9,347,164	11,036,607	20,383,771
2021	10,805,000	10,569,496	21,374,496
2022	11,070,000	10,034,323	21,104,323
2023	11,535,000	9,449,235	20,984,235
2024-2028	75,645,000	37,825,337	113,470,337
2029-2033	70,950,000	20,140,930	91,090,930
2034-2038	37,430,000	5,407,827	42,837,827
2039-2043	19,005,000	1,211,011	20,216,011
Totals	$ 254,925,000	$ 117,123,807	$ 372,048,807

General Obligation Bonds - Description	Interest Rate	Maturity	Balance
Tax School Building Bonds, Series 1997	5.000 to 6.375%	02/15/22	$ 3,250,000
Tax School Building Bonds, Series 2009A (BAB)	5.000 to 5.409%	02/15/34	50,010,000
Tax School Building Bonds, Series 2009 QSCB	.300%	08/15/26	9,155,000
Tax School Building Bonds, Series 2009C	3.500 to 5.250%	02/15/30	15,575,000
Tax School Building Bonds, Series 2010A (BAB)	3.710 to 5.140%	02/15/35	43,235,000
Tax School Building Bonds, Series 2010B	3.000 to 4.500%	02/15/19	1,500,000
Tax School Building Bonds, Series 2010C (BAB)	6.800 to 6.950%	02/15/35	13,830,000
Tax School Refunding Bonds, Series 2011	2.500 to 4.250%	02/15/33	2,320,000
Tax School Refunding Bonds, Series 2014	3.000 to 5.000%	02/15/35	18,235,000
Tax School Refunding Bonds, Series 2015A	2.500 to 3.000%	02/15/28	1,860,000
Tax School Refunding Bonds, Series 2015B	3.000%	02/15/33	6,250,000
Tax School Refunding Bonds, Series 2016A	2.0 00to 4.000%	02/15/33	15,935,000
Tax School Refunding Bonds, Series 2016C	3.000 to 5.000%	02/15/35	2,865,000
Tax School Building Bonds, Series 2017	3.000 to 5.000%	02/15/40	70,905,000
		$	254,925,000

G. Commitments Under Noncapitalized Leases

Commitments under operating (noncapitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of August 31, 2018, as follows:

Year Ending August 31,		
2019	$	43,422
2020		33,613
2021		8,847
2022		4,745
Total Minimum Rentals	$	90,627
Rental Expenditures in 2018	$	119,586

H. Risk Management

Property Casualty Program

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2018, the District participated in the Texas Association of School Boards Risk Management Fund (the Fund) with coverage in Auto Liability, Auto Physical Damage, Legal Liability & Privacy, and Information Security. The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. 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 years.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for its Auto, Liability and Property programs. The terms and limits of the stop-loss program vary by line coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2018, the Fund anticipates Carroll ISD has no additional liability beyond the contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2017 are available on the TASB Risk Managment Fund website and have been filed with the Texas Department of Insurance in Austin.

During the year ended February 28, 2018, Carroll ISD met its statutory property casualty obligations through participation in the Property Casualty Alliance of Texas (the Fund). The Fund was created pursuant to the provisions of the Interlocal Cooperation Act. Chapter 791, Title I of the Texas Government Code. All districts participating in the Fund execute Interlocal Agreement that define the responsibilities of the parties. The Fund provides property and casualty coverage and services to its members.

The Fund and its members are protected against higher than expected claims costs through reinsurance contracts for claims in excess of the Fund's self-insured retentions. The Fund uses the services of an independent actuary to help determine the reserve adequacy. As of February 28, 2018, the Fund carries a total of $13,182,000 in current loss reserves, including $4,884,944 for claims incurred but not yet reported. Losses and reserves are based on estimates, and could be more or less than originally estimated.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on the last day of February. The Fund's audited financial statements are available for inspection at the Fund's administrative offices.

Workers' Compensation

During the year ended August 31, 2018, Carroll ISD met its statutory workers' compensation obligations through participating in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791, Texas Labor Code. The Fund's Workers' Compensation is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members' injured employees.

Carroll ISD participates in the Fund's reimbursable aggregate deductible program. As such, the member is responsible for a certain amount of claims liability as outlined in the member's Contribution and Coverage Summary document. After the member's deductible has been met, the Fund is responsible for additional claims liability.

The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any covered claims in excess of the Fund's self-insured retention of $2 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2017 the Fund carries a discounted reserve of $49,076,113 or future development on reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2018, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions and reimbursable aggregate deductibles.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2017 are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

I. Pension Plan

1. Plan Description

The District participates in 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). It is a defined benefit pension plan 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.

2. Pension Plan Fiduciary Net Position

Detail 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.state.tx.us/about/documents/cafr.pdf#CAFR; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

3. 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 in (1.) above.

4. 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 through 2017. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

Contribution Rates

		2017	2018
Member		7.7%	7.7%
Non-Employer Contributing Entity (NECE - State)		6.8%	6.8%
Employers		6.8%	6.8%
District's 2018 Employer Contributions	$	1,580,764	
District's 2018 Member Contributions	$	4,165,517	
NECE 2017 On-Behalf Contributions to District	$	2,668,429	

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.

5. Actuarial Assumptions

The total pension liability in the August 31, 2017 actuarial evaluation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8%
Long-term expected Investment Rate of Return	8%
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 based primarily on a study of actual experience for the four year period ending August 31, 2014 and adopted on September 24, 2015.

6. Discount Rate

The discount rate used to measure the total pension liability was 8%. 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, 2017 are summarized below:

Teacher Retirement System of Texas
Asset Allocation and Long-Term Expected Real Rate of Return
As of August 31, 2017

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 & 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%

* Target allocations are based on the FY2014 policy model. Infrastructure was moved from Real Assets to Energy and Natural Resources in FY2017, but the reallocation does not affect the long term expected geometric real rate of return or expected contribution to long-term portfolio returns.
** The expected contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.

7. 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 Net Pension Liability.

	1% Decrease in Discount Rate 7%	Discount Rate 8%	1% Increase in Discount Rate 9%
District's proportionate share of the net pension liability	$ 24,344,872	$ 14,441,119	$ 6,194,636

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

At August 31, 2018, the District reported a liability of $14,441,119 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	$	14,441,119
State's proportionate share that is associated with District		26,088,035
Total	$	40,529,154

The net pension liability was measured as of August 31, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2016 through August 31, 2017.

At August 31, 2017 the employer's proportion of the collective net pension liability was 0.0451643%. which was an increase of 0.0019343% from its proportion measured as of August 31, 2016.

Changes Since the Prior Actuarial Valuation - There were no changes to the actuarial assumptions of 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, 2018, the District recognized pension expense of $1,989,892 and revenue of $1,989,892 for support provided by the State.

At August 31, 2018, the District reported its proportionate share of the TRS' deferred outflows of resources and deferred inflows of resources related to pensions from the following sources: (The amounts below will be the cumulative layers from the current and prior years combined)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 211,280	$ 778,791
Changes in actuarial assumptions	657,816	376,584
Difference between projected and actual investment earnings	--	1,052,437
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	3,586,336	--
Contributions paid to TRS subsequent to the measurement date	1,580,764	--
Total	$ 6,036,196	$ 2,207,812

The net amounts of the District's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended August 31		Pension Expense Amount
2019	$	387,124
2020	$	1,308,938
2021	$	315,610
2022	$	19,995
2023	$	154,978
Thereafter	$	60,975

J. Defined Other Post-Employment Benefit Plans

1. Plan Description

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

2. OPEB Plan Fiduciary Net Position

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

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2017 are as follows:

Net OPEB Liability:	Total
Total OPEB liability	$ 43,885,784,621
Less: plan fiduciary net position	399,535,986
Net OPEB liability	$ 43,486,248,635
Net position as a percentage of total OPEB liability	0.91%

3. Benefits Provided

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

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes, including automatic COLAs.

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for the average retiree with Medicare Parts A&B coverage, with 20 to 29 years of service for the basic plan and the two optional plans:

Monthly TRS-Care Plan Premium Rates Effective September 1, 2016 - December 31, 2017			
	TRS-Care 1 Basic Plan	TRS-Care 2 Optional Plan	TRS-Care 3 Optional Plan
Retiree*	$ --	$ 70	$ 100
Retiree and Spouse	20	175	255
Retiree* and Children	41	132	182
Retiree and Family	61	237	337
Surviving Children Only	28	62	82

* or surviving spouse

4. Contributions

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.0% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

Contribution Rates		
	2017	2018
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (NECE) - State	1.00%	1.25%
Employers	0.55%	0.75%
Federal/Private Funding Remitted by Employers	1.00%	1.25%

Current fiscal year District contributions	$ 419,766
Current fiscal year Member contributions	$ 351,634
2017 measurement year NECE contributions	$ 507,557

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to, regardless of whether they participate in the TRS-Care OPEB program. When employers hire a TRS retiree, they are required to pay to TRS-Care a monthly surcharge of $535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the NECE in the amount of $15.6 million in fiscal year 2017 and $182.6 million in fiscal year 2018.

5. Actuarial Assumptions

The total OPEB liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

The actuarial valuation of TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including mortality, and most of the economic assumptions are identical to those adopted by the Board in 2015 and are based on the 2014 actuarial experience study of TRS.

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females. The post-retirement mortality rates were based on the 2015 TRS of Texas Healthy Pensioner Mortality Tables.

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2017 TRS pension actuarial valuation:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Expected Payroll Growth
Rates of Disability Incidence	

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.50%
Discount Rate *	3.42% *
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Payroll Growth Rate	2.50%
Projected Salary Increases **	3.50% to 9.50% **
Healthcare Trend Rates ***	4.50% to 12.00% ***
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Ad Hoc Post-Employment Benefit Changes	None

*Source: Fixed income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of August 31, 2017.

**Includes inflation at 2.50%

***Initial trend rates are 7.00% for non-Medicare retirees; 10.00% for Medicare retirees and 12.00% for prescriptions for all retirees. Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 10 years.

6. Discount Rate

A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of 0.44% in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, there are no investments and the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected not to be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of August 31, 2017.

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact on the net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used in measuring the net OPEB liability.

	1%Decrease in Discount Rate (2.42%)	Current Single Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
District's proportionate share of net OPEB liability	$ 29,365,705	$ 24,880,956	$ 21,276,229

8. Healthcare Cost Trend Rates Sensitivity Analysis

The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% less than and 1% greater than the assumed healthcare cost trend rate:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of net OPEB liability	$ 20,715,882	$ 24,880,956	$ 30,346,059

9. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At August 31, 2018, the District reported a liability of $24,880,956 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	$ 24,880,956
State's proportionate share that is associated with the District	$ 42,453,785
Total	$ 67,334,741

The net OPEB liability was measured as of August 31, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an acturial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's contributions to their OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2016 through August 31, 2017.

At August 31, 2017 the District's proportion of the collective net OPEB liability was 0.0572157%. Since this is the first year of implentation, the District does not have the proportion measured as of August 31, 2016. The Notes to the Financial Statements for August 31, 2016 for TRS stated that the change in proportion was immaterial and, therefore, disregarded this year.

10. Changes Since the Prior Actuarial Valuation.

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

a. Significant plan changes were adopted during the fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates.

b. The August 31, 2016 valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017 valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment and its impact was included as an assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.

c. The discount rate changed from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017. This change lowered total OPEB liability.

The Affordable Care Act includes a 40% excise tax on high-cost health plans known as the "Cadillac tax." In this valuation the impact of this tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

a. 2018 thresholds of $850/$2,292 were indexed annually by 2.50%.

b. Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.

c. There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

Results indicate that the value of the excise tax would be reasonably represented by a 25 basis-point addition to the long-term trend rate assumption.

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provision or applicable law.

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

For the year ended August 31, 2018, the District recognized OPEB expense of $(14,206,165) and revenue of $(14,206,165) for support provided by the State.

At August 31, 2018, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ --	$ 519,409
Changes in actuarial assumptions	--	9,888,342
Differences between projected and actual investment earnings	3,779	--
Changes in proportion and difference between the District's congtributions and the proportionate share of contributions	114	--
Contributions paid to TRS subsequent to the measurement date	419,766	
	$ 423,659	10,407,751

The net amounts of the District's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended August 31,	Amount
2019	$ (1,372,800)
2020	$ (1,372,800)
2021	$ (1,372,800)
2022	$ (1,372,800)
2023	$ (1,373,745)
Thereafter	$ (3,538,913)

K. Employee Health Care Coverage

During the year ended August 31, 2018, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of $290 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

The contract between the District and the third party administrator is renewable annually, and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for the Company are available for their year end and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

L. Commitments and Contingencies

1. Contingencies

The District participates in 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, refunds of any money received may be required and the collectibility of any related receivable 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 basic financial statements for such contingencies.

As of August 31, 2018, the District had multiple construction commitments across multiple projects with remaining costs to complete totaling $6,918,205, which will be funded from the Capital Projects Fund. The District was not obligated at August 31, 2018 for the construction commitments.

Vendor	Amount
Natex Architects	$ 712,225
LPA	652,875
Huckabee	1,633,000
Glenn Partners	15,591
NETSYNC Network Solutions	313,359
Hellas Construction	3,472,184
Delcom Group, L.P.	118,971
Total	$ 6,918,205

2. Litigation

During fiscal year 2018, the District was involved in litigation with Northwest ISD regarding the establishment of the boundary line between the two districts. An unfavorable judgement was initially obtained and the case is currently in the Court of Appeals. The possible range of loss cannot be made at this time, and therefore, a liablity has not been recorded.

M. Shared Services Arrangements

Shared Services Arrangement - Membership
The District participates in a shared services arrangement ("SSA") for deaf education with the following school districts:

Member Districts

Birdville ISD
Carroll ISD
Eagle Mountain-Saginaw ISD
Grapevine-Colleyville ISD
Hurst - Euless - Bedford ISD
International Leadership Texas Charter
Keller ISD
Westlake Academy

The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in capital assets purchased by the fiscal agent, Birdville ISD, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

N. Subsequent Events

On October 1, 2018 the District issued Unlimited Tax School Building Bonds, Series 2018 in the amount of $68,265,000. The proceeds of the bond will be used for the construction, renovation, acquisition, and equipment of school buildings in the District.

O. Prior Period Adjustment

During fiscal year 2018, the District adopted GASB Statement No. 75 for *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. With GASB 75, the District must assume their proportionate share of the Net OPEB liability of the Teacher Retirement System of Texas. Adoption of GASB 75 required a prior period adjustment to report the effect of GASB 75 retroactively. The prior period adjustment totaled $(43,628,607) which resulted in a restated beginning net position balance of $23,920,739.

P. Statement of Activities Negative Operating Grants

With the implementation of GASB 75, the District is required to report on-behalf contributions at the government-wide level for their proportion of the change in OPEB liability and deferred balances recognized by the State of Texas on-behalf of the District. As Described in Note J, the current year OPEB expense recognized by the State was a negative $14,206,165 and the actual on-behalf payments were $507,557. As a result of this negative amount, the Statement of Activities reflects an overall negative operating grants and contributions of $7,199,972. Had this adjustment not been required, the Statement of Activities would have shown $7,006,193 in program revenue for oeprating grants and contributions for the year ended August 31, 2018.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

CARROLL INDEPENDENT SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2018

EXHIBIT G-1

Data Control Codes		1 Budgeted Amounts Original	2 Budgeted Amounts Final	3 Actual	Variance with Final Budget Positive (Negative)
	REVENUES:				
5700	*Local and Intermediate Sources*	$ 94,695,818	$ 97,695,818	$ 98,064,946	$ 369,128
5800	*State Program Revenues*	8,178,410	8,678,410	9,419,943	741,533
5900	*Federal Program Revenues*	2,275,714	2,275,714	2,330,187	54,473
5020	Total Revenues	105,149,942	108,649,942	109,815,076	1,165,134
	EXPENDITURES:				
	Current:				
	Instruction & Instructional Related Services:				
0011	*Instruction*	43,312,173	44,305,178	44,012,697	292,481
0012	*Instructional Resources and Media Services*	1,060,624	1,067,323	1,040,120	27,203
0013	*Curriculum and Staff Development*	1,120,018	1,073,671	1,002,691	70,980
	Total Instruction & Instr. Related Services	45,492,815	46,446,172	46,055,508	390,664
	Instructional and School Leadership:				
0021	*Instructional Leadership*	540,834	543,877	522,978	20,899
0023	*School Leadership*	3,904,295	3,943,865	3,910,905	32,960
	Total Instructional & School Leadership	4,445,129	4,487,742	4,433,883	53,859
	Support Services - Student (Pupil):				
0031	*Guidance, Counseling and Evaluation Services*	2,990,245	2,963,985	2,878,228	85,757
0033	*Health Services*	766,111	792,810	757,729	35,081
0034	*Student (Pupil) Transportation*	2,416,675	2,354,414	2,229,898	124,516
0035	*Food Services*	3,305,275	3,235,101	3,112,932	122,169
0036	*Cocurricular/Extracurricular Activities*	3,617,181	3,500,266	3,271,093	229,173
	Total Support Services - Student (Pupil)	13,095,487	12,846,576	12,249,880	596,696
	Administrative Support Services:				
0041	*General Administration*	3,704,249	4,518,849	4,110,847	408,002
	Total Administrative Support Services	3,704,249	4,518,849	4,110,647	406,002
	Support Services - Nonstudent Based:				
0051	*Plant Maintenance and Operations*	7,883,855	7,836,812	7,640,926	195,886
0052	*Security and Monitoring Services*	323,179	323,788	244,409	79,379
0053	*Data Processing Services*	1,926,055	1,984,577	1,889,679	94,898
	Total Support Services - Nonstudent Based	10,133,089	10,145,177	9,775,014	370,163
	Ancillary Services:				
0061	*Community Services*	68,446	78,446	65,571	12,875
	Total Ancillary Services	68,446	78,446	65,571	12,875
	Intergovernmental Charges:				
0091	*Contracted Instr. Services Between Public Schools*	26,244,648	26,306,648	26,290,781	15,867
0097	*Payments to Tax Increment Fund*	6,200,000	7,000,000	6,985,814	14,186
0099	*Other Intergovernmental Charges*	575,000	583,000	582,037	963
	Total Intergovernmental Charges	33,019,648	33,889,648	33,858,632	31,016
6030	Total Expenditures	109,958,863	112,412,610	110,549,335	1,863,275

CARROLL INDEPENDENT SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes		1 Budgeted Amounts Original	2 Budgeted Amounts Final	3 Actual	Variance with Final Budget Positive (Negative)
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	(4,808,921)	(3,762,668)	(734,259)	3,028,409
	Other Financing Sources (Uses):				
7912	*Sale of Real or Personal Property*	--	--	209,879	209,879
7915	*Transfers In*	2,051,967	2,051,967	3,555,140	1,503,173
8911	*Transfers Out*	(2,051,967)	(2,051,967)	--	2,051,967
7080	Total Other Financing Sources and (Uses)	--	--	3,765,019	3,765,019
1200	Net Change in Fund Balance	(4,808,921)	(3,762,668)	3,030,760	6,793,428
0100	Fund Balance - Beginning	36,191,440	36,191,440	36,191,440	--
3000	Fund Balance - Ending	$ 31,382,519	$ 32,428,772	$ 39,222,200	$ 6,793,428

EXHIBIT G-2

CARROLL INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY TEACHER RETIREMENT SYSTEM OF TEXAS LAST TEN FISCAL YEARS **

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the net pension liability (asset)	0.045%	0.043%	0.044%	0.026%	--	--	--	--	--	--
District's proportionate share of the net pension liability (asset)	$ 14,441,119	$ 16,335,981	$ 15,600,075	$ 7,128,759	$ --	$ --	$ --	$ --	$ --	$ --
State's proportionate share of the net pension liability (asset) associated with the District	26,088,035	31,268,218	29,978,787	26,923,208	--	--	--	--	--	--
Total	$ 40,529,154	$ 47,604,199	$ 45,578,862	$ 34,051,967	$ --	$ --	$ --	$ --	$ --	$ --
District's covered payroll	$ 52,116,439	$ 49,728,770	$ 47,710,376	$ 45,445,803	$ --	$ --	$ --	$ --	$ --	$ --
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	27.71%	32.85%	32.70%	15.69%	--	--	--	--	--	--
Plan fiduciary net position as a percentage of the total pension liability	82.17%	78.00%	78.43%	83.25%	--	--	--	--	--	--

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

** This schedule displays amounts for the measurement year (i.e. Fiscal Year 2018 displays amounts for Measurement Year 2017).

EXHIBIT G-3

CARROLL INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
*LAST TEN FISCAL YEARS **

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	$ 1,580,764	$ 1,480,223	$ 1,373,527	$ 1,306,768	$ 669,023	$ --	$ --	$ --	$ --	$ --
Contributions in relation to the contractually required contribution	(1,580,764)	(1,480,223)	(1,373,527)	(1,306,768)	(669,023)	--	--	--	--	--
Contribution deficiency (excess)	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --
District's covered payroll	$ 54,097,605	$ 52,116,439	$ 49,728,770	$ 47,710,376	$ 45,445,803	$ --	$ --	$ --	$ --	$ --
Contributions as a percentage of covered-employee payroll	2.92%	2.84%	2.76%	2.74%	1.47%	--	--	--	--	--

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

EXHIBIT G-4

CARROLL INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY TEACHER RETIREMENT SYSTEM OF TEXAS LAST TEN FISCAL YEARS **

	Measurement Year Ended									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
District's proportion of the collective net OPEB liability	0.057%	--	--	--	--	--	--	--	--	--
District's proportionate share of the collective net OPEB liability	$ 24,880,956	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --
State proportionate share of the collective net OPEB liability associated with the District	$ 42,453,785	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --
Total	$ 67,334,741	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --
District's covered payroll	$ 52,116,439	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	47.74%	--	--	--	--	--	--	--	--	--
Plan fiduciary net position as a percentage of the total OPEB liability	0.91%	--	--	--	--	--	--	--	--	--

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

** This schedule is presented to illusttrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

EXHIBIT G-5

CARROLL INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
*LAST TEN FISCAL YEARS **

	Fiscal Year Ended									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Statutorily or contractually required District contribution	$ 419,766	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --
Contributions recognized by OPEB in relation to statutorily or contractually required contribution	(419,766)	--	--	--	--	--	--	--	--	--
Contribution deficiency (excess)	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --
District's covered payroll	$ 54,097,605	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --
Contributions as a percentage of covered-employee payroll	0.78%	--	--	--	--	--	--	--	--	--

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

** This schedule displays amounts for the fiscal year (Fiscal Year 2018 displays amounts for the current fiscal year, not the measurement year).

Budget

The official budget was prepared for adoption for all Governmental Fund Types legally required to adopt a budget (General Funds and Debt Service Funds). The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data:

a. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.

b. 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.

c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the Board.

Once a budget is approved, it can be amended at function and fund level only by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings.

Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end as required by law.

Each amendment is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no end-of-year outstanding encumbrances that were provided for in the subsequent year's budget.

Defined Benefit Pension and OPEB Plans

Changes of benefit terms

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

Changes of assumptions

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

Changes of assumptions that affected the measurement of the net OPEB liability during the measurement period are described in the notes to the financial statements (Note J).

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Combining Statements and Budget Comparisons
as Supplementary Information

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

CARROLL INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (COMPRISED OF NONMAJOR SPECIAL REVENUE FUNDS)
AUGUST 31, 2018

Data Control Codes		211 ESEA Title I Improving Basic Programs	224 IDEA-B Formula	225 IDEA-B Preschool Grant	244 Career and Tech Basic Grant
	ASSETS:				
1110	*Cash and Cash Equivalents*	$ --	$ --	$ --	$ --
1240	*Due from Other Governments*	25,695	238,969	2,234	--
1410	*Unrealized Expenditures*	--	--	--	--
1000	Total Assets	25,695	238,969	2,234	--
	LIABILITIES:				
	Current Liabilities:				
2170	*Due to Other Funds*	$ 25,695	$ 238,969	$ 2,234	$ --
2300	*Unearned Revenue*	--	--	--	--
2000	Total Liabilities	25,695	238,969	2,234	--
	FUND BALANCES:				
	Committed Fund Balances:				
3545	*Other Committed Fund Balance*	--	--	--	--
3000	Total Fund Balances	--	--	--	--
4000	Total Liabilities and Fund Balances	$ 25,695	$ 238,969	$ 2,234	$ --

255 ESEA Title II Training & Recruiting	263 English Language Acquisition and Enhancement	289 Other Federal Special Revenue Fund	385 Supplemental Visually Impaired	397 Advanced Placement Incentives
$ --	$ --	$ 392	$ --	$ 16,927
10,624	3,238	21,945	--	--
--	--	--	--	--
10,624	3,238	22,337	--	16,927
$ 10,624	$ 3,238	$ 21,945	$ --	$ --
--	--	392	--	16,927
10,624	3,238	22,337	--	16,927
--	--	--	--	--
--	--	--	--	--
$ 10,624	$ 3,238	$ 22,337	$ --	$ 16,927

CARROLL INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (COMPRISED OF NONMAJOR SPECIAL REVENUE FUNDS)
AUGUST 31, 2018

Data Control Codes		410 State Textbook Fund	429 State Funded Special Revenue Fund	461 Campus Activity Funds
	ASSETS:			
1110	*Cash and Cash Equivalents*	$ 123,959	$ --	$ 1,350,011
1240	*Due from Other Governments*	--	--	--
1410	*Unrealized Expenditures*	73,000	--	--
1000	Total Assets	196,959	--	1,350,011
	LIABILITIES:			
	Current Liabilities:			
2170	*Due to Other Funds*	$ --	$ --	$ --
2300	*Unearned Revenue*	196,959	--	--
2000	Total Liabilities	196,959	--	--
	FUND BALANCES:			
	Committed Fund Balances:			
3545	*Other Committed Fund Balance*	--	--	1,350,011
3000	Total Fund Balances	--	--	1,350,011
4000	Total Liabilities and Fund Balances	$ 196,959	$ --	$ 1,350,011

490 Department Activity Fund	497 Local Support Programs	498 We Care Program	499 Local Grants	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
$ 176,278	$ 387,663	$ 31,831	$ 36,689	$ 2,123,750
--	--	--	--	302,705
--	--	--	--	73,000
176,278	387,663	31,831	36,689	2,499,455
$ --	$ --	$ --	$ --	$ 302,705
176,225	124,338	31,623	36,520	582,984
176,225	124,338	31,623	36,520	885,689
53	263,325	208	169	1,613,766
53	263,325	208	169	1,613,766
$ 176,278	$ 387,663	$ 31,831	$ 36,689	$ 2,499,455

CARROLL INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR FOVERNMENTAL FUNDS (COMPRISED OF NONMAJOR SPECIAL REVENUE FUNDS)
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes		211 ESEA Title I Improving Basic Programs	224 IDEA-B Formula	225 IDEA-B Preschool Grant	244 Career and Tect Basic Grant
	REVENUES:				
5700	*Local and Intermediate Sources*	$ --	$ --	$ --	$ --
5800	*State Program Revenues*	--	--	--	--
5900	*Federal Program Revenues*	155,069	1,270,959	11,308	38,401
5020	Total Revenues	155,069	1,270,959	11,308	38,401
	EXPENDITURES:				
	Current:				
0011	*Instruction*	155,069	1,211,303	11,228	38,401
0012	*Instructional Resources and Media Services*	--	--	--	--
0013	*Curriculum and Staff Development*	--	--	80	--
0023	*School Leadership*	--	--	--	--
0031	*Guidance, Counseling, & Evaluation Services*	--	23,213	--	--
0033	*Health Services*	--	--	--	--
0034	*Student Transportation*	--	--	--	--
0036	*Cocurricular/Extracurricular Activities*	--	--	--	--
0041	*General Administration*	--	--	--	--
0053	*Data Processing Services*	--	--	--	--
0061	*Community Services*	--	--	--	--
0093	*Payments to Shared Service Arrangements*	--	36,443	--	--
6030	Total Expenditures	155,069	1,270,959	11,308	38,401
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	--	--	--	--
1200	Net Change in Fund Balances	--	--	--	--
0100	Fund Balances - Beginning	--	--	--	--
3000	Fund Balances - Ending	$ --	$ --	$ --	$ --

255 ESEA Title II Training & Recruiting	263 English Language Acquisition and Enhancement	289 Other Federal Special Revenue Fund	385 Supplemental Visually Impaired	397 Advanced Placement Incentives
$ --	$ --	$ --	$ --	$ --
--	--	--	2,882	15,664
65,542	19,428	25,770	--	--
65,542	19,428	25,770	2,882	15,664
65,542	19,428	24,237	2,882	671
--	--	--	--	--
--	--	1,533	--	14,993
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
65,542	19,428	25,770	2,882	15,664
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
$ --	$ --	$ --	$ --	$ --

CARROLL INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR FOVERNMENTAL FUNDS (COMPRISED OF NONMAJOR SPECIAL REVENUE FUNDS)
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes		410 State Textbook Fund	429 State Funded Special Revenue Fund	461 Campus Activity Funds
	REVENUES:			
5700	*Local and Intermediate Sources*	$ --	$ --	$ 2,097,090
5800	*State Program Revenues*	715,244	29	641
5900	*Federal Program Revenues*	--	--	--
5020	Total Revenues	715,244	29	2,097,731
	EXPENDITURES:			
	Current:			
0011	*Instruction*	568,482	--	665,129
0012	*Instructional Resources and Media Services*	--	29	92,489
0013	*Curriculum and Staff Development*	43,110	--	130,315
0023	*School Leadership*	--	--	134,940
0031	*Guidance, Counseling, & Evaluation Services*	--	--	309,791
0033	*Health Services*	--	--	1,336
0034	*Student Transportation*	--	--	--
0036	*Cocurricular/Extracurricular Activities*	--	--	713,492
0041	*General Administration*	--	--	--
0053	*Data Processing Services*	103,652	--	--
0061	*Community Services*	--	--	1,113
0093	*Payments to Shared Service Arrangements*	--	--	--
6030	Total Expenditures	715,244	29	2,048,605
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	--	--	49,126
1200	Net Change in Fund Balances	--	--	49,126
0100	Fund Balances - Beginning	--	--	1,300,885
3000	Fund Balances - Ending	$ --	$ --	$ 1,350,011

490 Department Activity Fund	497 Local Support Program	498 We Care Program	499 Local Grants	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
$ 1,589	$ 129,318	$ 36,733	$ 142,400	$ 2,407,130
--	7,193	--	--	741,653
--	--	--	--	1,586,477
1,589	136,511	36,733	142,400	4,735,260
563	116,213	--	132,551	3,011,699
--	--	--	--	92,518
--	--	--	9,680	199,711
--	--	--	--	134,940
--	--	--	--	333,004
--	--	--	--	1,336
973	--	--	--	973
--	--	--	--	713,492
--	--	36,525	--	36,525
--	--	--	--	103,652
--	--	--	--	1,113
--	--	--	--	36,443
1,536	116,213	36,525	142,231	4,665,406
53	20,298	208	169	69,854
53	20,298	208	169	69,854
--	243,027	--	--	1,543,912
$ 53	$ 263,325	$ 208	$ 169	$ 1,613,766

CARROLL INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
AUGUST 31, 2018

Data Control Codes		863 Payroll Clearing	865 Student Activity	893 Annuity - VALIC	Total Agency Funds (See Exhibit E-1)
	ASSETS:				
1110	*Cash and Cash Equivalents*	$ 996,662	$ 150,725	$ --	$ 1,147,387
1800	*Restricted Assets*	--	--	33,075	33,075
1000	Total Assets	996,662	150,725	33,075	1,180,462
	LIABILITIES:				
	Current Liabilities:				
2150	*Payroll Deduction & Withholdings*	$ 253,289	$ --	$ --	$ 253,289
2170	*Due to Other Funds*	743,373	--	33,075	776,448
2190	*Due to Student Groups*	--	150,725	--	150,725
2000	Total Liabilities	996,662	150,725	33,075	1,180,462
	NET POSITION:				
3000	Total Net Position	$ --	$ --	$ --	$ --

CARROLL INDEPENDENT SCHOOL DISTRICT

EXHIBIT H-4

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED AUGUST 31, 2018

Data Control Codes		97 Balance September 1, 2017	5030 Additions	6050 Deductions	98 Balance August 31, 2018
	STUDENT ACTIVITIES:				
	ASSETS				
	Cash & Temporary Investments	$ 136,824	$ 429,761	$ (415,860)	$ 150,725
	Total Assets	$ 136,824	$ 429,761	$ (415,860)	$ 150,725
	LIABILITIES				
	Due to Student Groups	136,824	281,863	(267,962)	150,725
	Total Liabilities	$ 136,824	$ 281,863	$ (267,962)	$ 150,725
	CLEARING ACCOUNTS:				
	ASSETS				
	Cash	$ 884,934	$ 85,679,018	$ (85,567,290)	$ 996,662
	Total Assets	$ 884,934	$ 85,679,018	$ (85,567,290)	$ 996,662
	LIABILITIES				
	Payroll Withholdings	241,220	24,930,401	(24,918,332)	253,289
	Due to Other Funds	643,714	125,533	(25,874)	743,373
	Total Liabilities	$ 884,934	$ 25,055,934	$ (24,944,206)	$ 996,662
	Annuity - VALIC:				
	ASSETS				
	Restricted Assets	32,112	963	--	33,075
	Total Assets	$ 32,112	$ 963	$ --	$ 33,075
	LIABILITIES				
	Due to Other Funds	32,112	963	--	33,075
	Total Liabilities	$ 32,112	$ 963	$ --	$ 33,075
	TOTAL AGENCY FUNDS:				
	ASSETS				
1110	*Cash & Temporary Investments*	$ 1,021,758	$ 86,108,779	$ (85,983,150)	$ 1,147,387
1800	*Restricted Assets*	32,112	963	--	33,075
1000	Total Assets	$ 1,053,870	$ 86,109,742	$ (85,983,150)	$ 1,180,462
	LIABILITIES				
2150	*Payroll Withholdings*	241,220	24,930,401	(24,918,332)	253,289
2170	*Due to Other Governments*	675,826	126,496	(25,874)	776,448
2190	*Due to Student Groups*	136,824	281,863	(267,962)	150,725
2000	Total Liabilities	$ 1,053,870	$ 25,338,760	$ (25,212,168)	$ 1,180,462

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Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

CARROLL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2018

	1	2	3
	Tax Rates		Assessed/Appraised
Year Ended August 31	Maintenance	Debt Service	Value For School Tax Purposes
2009 and Prior Years	$ Various	$ Various	$ Various
2010	1.04	.375	5,627,437,598
2011	1.04	.375	5,524,847,802
2012	1.04	.375	5,508,840,000
2013	1.04	.360	5,477,850,143
2014	1.04	.360	6,074,605,100
2015	1.04	.360	6,199,078,884
2016	1.04	.355	6,008,873,261
2017	1.04	.350	7,346,929,640
2018 (School Year Under Audit)	1.04	.345	8,046,231,536
1000 Totals			

9000 - Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code

Column 20, the current year's levy is the ending levy due provided by Tarrant County Tax Office.

Column 3, Assessed/Appraised Value for School Tax Purposes is calculated based on current year total levy divided by current year total tax rate. This amount includes adjustments for frozen values.

10 Beginning Balance 9/1/17	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/18
$ 531,249	$ --	$ 1	$ --	$ (1)	$ 531,247
53,863	--	78	28	1	53,758
62,682	--	2,991	1,078	--	58,613
57,456	--	5,412	1,951	--	50,093
57,072	--	19,984	6,918	23,790	53,960
54,151	--	39,227	13,578	55,100	56,446
49,520	--	49,610	17,173	66,840	49,577
208,573	--	106,630	36,398	77,330	142,875
542,864	--	184,758	62,178	(100,291)	195,637
--	111,440,307	83,369,539	27,656,239	(284)	414,245
$ 1,617,430	$ 111,440,307	$ 83,778,230	$ 27,795,541	$ 122,485	$ 1,606,451
$ --	$ --	$ 6,045,218	$ --	$ --	$ (6,045,218)

CARROLL INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-2

FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET (UNAUDITED)
GENERAL FUND
AS OF AUGUST 31, 2018

Data Control Codes	Explanation	Amount
1	Total General Fund Fund Balance as of August 31, 2018 (Exhibit C-1 object 3000 for the General Fund only)	$ 39,222,200
2	Total General Fund Nonspendable Fund Balance (from Exhibit C-1 - total of object 341X-344X for the General Fund only)	143,661
3	Total General Fund Restricted Fund Balance (from Exhibit C-1 - total of object 345X-349X for the General Fund only)	--
4	Total General Fund Committed Fund Balance (from Exhibit C-1 - total of object 351X-354X for the General Fund only)	10,573,725
5	Total General Fund Assigned Fund Balance (from Exhibit C-1 - total of object 355X-359X for the General Fund only)	--
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues)	9,212,445
7	Estimate of two months' average cash disbursements during the fiscal year	18,424,890
8	Estimate of delayed payments from state sources (58XX)	25,222
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount	--
10	Estimate of delayed payments from federal sources (59XX)	--
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	--
12	General Fund Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10+11)	38,379,943
13	Excess (Deficit) Unassigned General Fund Fund Balance (1-12)	$ 842,257

Excess fund balance will be used for future safety and security needs.

CARROLL INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-3

DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes		1 Budget	2 Actual	3 Variance Positive (Negative)
	REVENUES:			
5700	*Local and Intermediate Sources*	$ 28,228,338	$ 28,073,737	$ (154,601)
5800	*State Program Revenues*	200,000	196,380	(3,620)
5020	Total Revenues	28,428,338	28,270,117	(158,221)
	EXPENDITURES:			
	Debt Service:			
0071	*Principal on Long-Term Debt*	15,190,248	14,650,247	540,001
0072	*Interest on Long-Term Debt*	12,916,953	12,916,953	--
0073	*Bond Issuance Costs and Fees*	300,000	5,015	294,985
	Total Debt Service	28,407,201	27,572,215	834,986
6030	Total Expenditures	28,407,201	27,572,215	834,986
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	21,137	697,902	676,765
	Other Financing Sources (Uses):			
7911	*Capital-Related Debt Issued (Regular Bonds)*	--	2,733	2,733
7080	Total Other Financing Sources and (Uses)	--	2,733	2,733
1200	Net Change in Fund Balance	21,137	700,635	679,498
0100	Fund Balance - Beginning	12,008,777	12,008,777	--
3000	Fund Balance - Ending	$ 12,029,914	$ 12,709,412	$ 679,498

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FEDERAL AWARDS SECTION

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
Carroll Independent School District
2400 North Carroll Avenue
Southlake, Texas 76092

Members of the Board of Trustees:

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, each major fund, and the aggregate remaining fund information of Carroll Independent School District, as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise Carroll Independent School District's basic financial statements, and have issued our report thereon dated January 9, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Carroll Independent School 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 Carroll Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Carroll Independent School 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.

1207 Santa Fe Drive • Weatherford, Texas 76086 • 817-596-9301 • Fax 817-596-9304

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Carroll Independent School 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*.

We noted certain matters we reported to management of Carroll Independent School District in a separate letter dated January 9, 2019.

Purpose of this Report

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

Respectfully submitted,

Snow Garrett Williams

Snow Garrett Williams
January 9, 2019

SNOW GARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Trustees
Carroll Independent School District
2400 North Carroll Avenue
Southlake, Texas 76092

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited the Carroll Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Carroll Independent School District's major federal program for the year ended August 31, 2018. Carroll Independent School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Carroll Independent School 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* 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 Carroll Independent School 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 Carroll Independent School District's compliance.

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Opinion on Each Major Federal Program

In our opinion, the Carroll Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended August 31, 2018.

Report on Internal Control Over Compliance

Management of the Carroll Independent School 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 Carroll Independent School 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 Carroll Independent School 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Respectfully submitted,

Snow Garrett Williams

Snow Garrett Williams
January 9, 2019

CARROLL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2018

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued:	Unmodified			
Internal control over financial reporting:				
One or more material weaknesses identified?	____	Yes	X	No
One or more significant deficiencies identified that are not considered to be material weaknesses?	____	Yes	X	None Reported
Noncompliance material to financial statements noted?	____	Yes	X	No

2. Federal Awards

Internal control over major programs:				
One or more material weaknesses identified?	____	Yes	X	No
One or more significant deficiencies identified that are not considered to be material weaknesses?	____	Yes	X	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200?	____	Yes	X	No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027 & 84.173	Special Education Cluster (IDEA)

Dollar threshold used to distinguish between type A and type B programs:	$750,000			
Auditee qualified as low-risk auditee?	X	Yes	____	No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

CARROLL INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2018

A corrective action plan is not needed.

CARROLL INDEPENDENT SCHOOL DISTRICT

EXHIBIT K-1

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2018

(1) Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	(2) Federal CFDA Number	(2A) Pass-Through Entity Identifying Number	(3) Federal Expenditures
SPECIAL EDUCATION (IDEA) CLUSTER:			
U. S. Department of Education			
Passed Through State Department of Education:			
IDEA-B Formula	84.027	176600012209196600	$ 16,512
IDEA-B Formula	84.027	186600012209196600	1,254,447
Total CFDA Number 84.027			1,270,959
IDEA-B Preschool	84.173	186610012209196610	11,308
Total Passed Through State Department of Education			1,282,267
Total U. S. Department of Education			1,282,267
Total Special Education (IDEA) Cluster			1,282,267
OTHER PROGRAMS:			
U. S. Department of Education			
Passed Through State Department of Education:			
ESEA Title I Part A - Improving Basic Programs	84.010	18610101220919	155,069
Career and Technical - Basic Grant	84.048	18420006220919	38,401
Title III Part A English Language Acquisition and Language Enhancement	84.365	18671001220919	19,428
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367	18694501220919	65,542
Title IV, Part A, Subpart 1	84.424	18680101220919	1,533
Summer School LEP	84.369	69551702	2,293
Hurricane Education Recovery	84.938	51271901	21,945
Total Passed Through State Department of Education			304,211
Total U. S. Department of Education			304,211
U.S. Department of the Interior			
Passed Through Texas Comptroller:			
Flood Control Act Lands	15.433		131,872
Total Passed Through Texas Comptroller			131,872
Total U.S. Department of Interior			131,872
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 1,718,350

The accompanying notes are an integral part of this schedule.

CARROLL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2018

Basis of Presentation

The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal grant activity of Carroll Independent School District. The information in the 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"). Therefore, some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. These 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. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Carroll Independent School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

CARROLL INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2018

Data Control Codes			Responses
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?		No
SF4	Was there an unmodified opinion in the Annual Financial Report?		Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?		No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts and laws related to local, state or federal funds?		No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other governmental agencies?		Yes
SF8	Did the school district <u>not</u> receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?		Yes
SF10	What was the total accumulated accretion on capital appreciation bonds (CABs) included in government-wide financial statements at fiscal year-end?	$	117,783
SF11	Net Pension Assets (object 1920) at fiscal year-end.	$	--
SF12	Net Pension Liabilities (object 2540) at fiscal year-end.	$	14,441,119
SF13	Pension Expense (object 6147) at fiscal year-end.	$	N/A

STATISTICAL SECTION

CARROLL INDEPENDENT SCHOOL DISTRICT **TABLE L-1 Page 1 of 2**

NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	Fiscal Year			
	2018	2017	2016	2015
Governmental Activities				
Net Investment in Capital Assets	$22,309,610	$28,922,622	$22,850,360	$38,377,265
Restricted	12,900,934	12,215,234	7,132,077	10,768,196
Unrestricted	(4,917,403)	26,411,490	31,995,049	14,482,655
Total Governmental Activities Net Position	$30,293,141	$67,549,346	$61,977,486	$63,628,116

Source: The Statement of Net Position for the Carroll Independent School District (Exhibit A-1)

Fiscal Year					
2014	2013	2012	2011	2010	2009
$24,227,515	$22,832,910	$24,357,723	$9,995,552	$15,996,552	$13,987,383
9,696,332	12,303,125	28,728,965	50,606,111	7,629,258	6,994,584
31,390,946	34,262,797	17,314,928	1,706,639	34,390,988	29,875,005
$65,314,793	$69,398,832	$70,401,616	$62,308,302	$58,016,798	$50,856,972

CARROLL INDEPENDENT SCHOOL DISTRICT

EXPENSES, PROGRAM REVENUES, AND NET (EXPENSE)/REVENUE
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	Fiscal Year			
	2018	2017	2016	2015
Expenses				
Governmental Activities:				
Instruction	$ 37,962,798	$ 52,487,950	$ 50,267,811	$ 49,555,265
Instruction Resources and Media Services	986,603	1,310,650	1,240,819	1,387,042
Curriculum and Staff Development	1,083,635	1,298,649	1,039,007	1,111,869
Instructional Leadership	417,732	582,261	455,108	426,021
School Leadership	3,211,053	4,628,435	3,679,383	3,664,451
Guidance, Counseling & Evaluation Services	2,610,937	3,688,509	2,823,715	2,771,420
Health Services	591,142	855,265	689,288	721,097
Student Transportation	2,247,510	2,647,031	2,540,245	2,632,885
Food Services	3,029,666	3,655,061	3,062,717	2,639,804
Cocurricular/Extracurricular Activities	3,853,624	4,589,687	4,730,719	4,701,114
General Administration	3,889,777	4,048,700	3,259,148	3,203,532
Plant Maintenance and Operations	7,267,979	8,797,780	7,325,756	7,130,280
Security and Monitoring Services	274,678	237,761	269,427	236,232
Data Processing Services	2,220,541	2,209,540	3,537,714	3,461,029
Community Services	53,758	80,837	49,048	51,363
Debt Service-Interest on Long Term Debt	11,245,769	9,552,928	13,279,744	11,866,012
Debt Service-Bond Issuance Cost & Fees	1,094,277	89,680	267,901	356,161
Capital Outlay	6,042,463	511,545	-	-
Contracted Instructional Services	26,290,781	19,388,953	16,514,133	14,501,194
Payments to Fiscal Agent/Member Districts of SSA	36,443	-	581,877	585,937
Payments to Tax Increment Fund	6,985,814	6,151,684	5,378,155	5,211,586
Other Intergovernmental Charges	582,037	539,237	-	-
Total Governmental Activities Expenses	121,979,017	127,351,143	120,991,715	116,214,294
Business-Type Activities	$ -	$ -	$ -	$ -
Total Primary Government Expenses	$ 121,979,017	$ 127,351,143	$ 120,991,715	$ 116,214,294
Program Revenues				
Governmental Activities:				
Charges for services				
Instruction	$ 1,692,124	$ 1,687,643	$ 594,654	$ 558,358
Instructional Resources and Media Services	98,303	120,331	-	-
Curriculum and Staff Development	129,441	117,755	-	-
Instructional Leadership	10,201	9,462	-	-
School Leadership	190,134	177,925	-	-
Guidance, Counseling & Evaluation Services	317,272	294,839	-	-
Health Services	16,103	15,159	-	-
Student Transportation	43,457	43,920	400,436	404,004
Food Services	3,138,572	2,954,610	2,929,678	2,689,443
Cocurricular/Extracurricular Activities	1,166,476	1,395,388	3,912,178	3,920,217
General Administration	80,182	65,523	699,110	1,148,432
Plant Maintenance and Operations	152,260	152,764	359,841	275,632
Security and Monitoring Services	21,309	14,527	-	-
Data Processing Services	36,929	32,851	-	-
Community Services	2,088	2,258	-	-
Contracted Instructional Services	513,329	375,286	-	-
Operating grants and contributions	(7,199,972)	7,979,137	10,111,113	7,721,953
Total Governmental Activities Program Revenues	408,208	15,439,378	19,007,010	16,718,039
Business-Type Activities	$ -	$ -	$ -	$ -
Total Primary Government Program Revenues	$ 408,208	$ 15,439,378	$ 19,007,010	$ 16,718,039
Net (Expense)/Revenue				
Governmental Activities	$ (121,570,809)	$ (111,911,765)	$ (101,984,705)	$ (99,496,255)
Business-Type Activities	-	-	-	-
Total Primary Government Net Expense	$ (121,570,809)	$ (111,911,765)	$ (101,984,705)	$ (99,496,255)

Source: The Statement of Activities for the Carroll Independent School District (Exhibit B-1)

Fiscal Year					
2014	2013	2012	2011	2010	2009
$ 48,333,919	$ 46,773,254	$ 44,114,449	$ 42,865,165	$ 43,509,696	$ 43,828,184
1,303,230	1,154,951	1,173,869	1,118,947	1,242,896	1,278,166
813,084	784,696	803,944	841,691	598,121	625,668
434,514	436,906	454,233	555,015	986,062	954,126
3,373,249	3,415,153	3,427,434	3,443,663	3,437,262	3,323,106
2,368,654	2,321,022	2,327,275	2,193,476	2,302,313	2,172,971
700,974	684,245	672,684	579,306	558,479	602,002
2,451,218	2,412,709	2,407,123	2,293,317	2,217,718	2,119,004
2,865,602	2,845,033	2,809,041	2,759,595	2,811,468	2,816,265
4,528,107	4,385,658	4,253,749	4,188,672	4,186,977	4,045,948
2,951,897	2,405,934	2,355,678	2,381,359	3,140,551	3,080,281
7,202,017	6,796,849	7,015,054	6,966,180	8,882,077	1,919,950
121,374	130,430	79,006	86,306	79,180	74,267
3,503,296	2,989,805	1,795,320	1,293,877	1,086,306	1,356,948
70,989	21,938	42,000	35,808	16,179	24,971
13,649,181	12,492,184	11,687,040	11,248,078	10,805,702	7,279,117
83,659	120,978	125,191	126,296	77,057	941,815
-	-	-	-	-	-
13,024,265	14,173,812	14,816,610	13,148,146	10,444,832	16,071,624
627,284	627,062	687,429	884,183	443,695	420,369
4,896,705	4,313,200	4,198,940	4,200,041	4,460,794	4,555,311
-	-	-	-	-	-
113,303,218	109,285,819	105,246,069	101,209,121	101,287,365	97,490,093
$ -	$ -	$ -	$ -	$ -	$ -
$ 113,303,218	$ 109,285,819	$ 105,246,069	$ 101,209,121	$ 101,287,365	$ 97,490,093
$ 441,313	$ 490,891	$ 410,566	$ 398,331	$ 361,775	$ 435,221
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
396,034	400,828	176,340	168,392	149,094	152,000
2,623,522	2,406,774	2,354,895	2,413,914	2,354,450	2,552,952
3,257,663	2,534,672	2,156,635	2,159,517	2,226,581	2,100,705
440,806	399,661	246,658	274,098	297,239	341,852
418,349	210,718	273,563	247,242	260,109	409,268
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
8,216,069	8,127,280	9,016,157	7,957,230	10,771,068	9,250,737
15,793,756	14,570,824	14,634,814	13,618,724	16,420,316	15,242,735
$ -	$ -	$ -	$ -	$ -	$ -
$ 15,793,756	$ 14,570,824	$ 14,634,814	$ 13,618,724	$ 16,420,316	$ 15,242,735
$ (97,509,462)	$ (94,714,995)	$ (90,611,255)	$ (87,590,397)	$ (84,867,049)	$ (82,247,358)
-	-	-	-	-	-
$ (97,509,462)	$ (94,714,995)	$ (90,611,255)	$ (87,590,397)	$ (84,867,049)	$ (82,247,358)

CARROLL INDEPENDENT SCHOOL DISTRICT

GENERAL REVENUES AND TOTAL CHANGE IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	Fiscal Year			
	2018	2017	2016	2015
Net (Expense)/Revenue				
Governmental Activities	$ (121,570,809)	$ (111,911,765)	$ (101,984,705)	$ (99,496,255)
Business- type Activities	-	-	-	-
Total Primary Government Net Expense	(121,570,809)	(111,911,765)	(101,984,705)	(99,496,255)
General Revenues and Other Changes in Net Position				
Governmental Activities:				
Taxes				
Property Taxes Levied for General Purposes	84,071,750	76,416,331	68,236,098	65,455,270
Property Taxes Levied for Debt Service	27,853,269	25,683,069	23,237,231	22,286,379
Grants and Contributions (Unrestricted)	5,737,651	6,699,004	1,526,311	536,599
Investment Earnings	2,199,487	510,181	341,411	129,691
Miscellaneous Local and Intermediate Revenues	8,081,054	7,518,966	6,993,024	-
Total Governmental Activities	127,943,211	116,827,551	100,334,075	88,407,939
Business- type Activities	-	-	-	-
Total Primary Government	$ 127,943,211	$ 116,827,551	$ 100,334,075	$ 88,407,939
Change in Net Position				
Governmental Activities	$ 6,372,402	$ 4,915,786	$ (1,650,630)	$ (11,088,316)
Business-Type Activities	-	-	-	-
Total Primary Government	$ 6,372,402	$ 4,915,786	$ (1,650,630)	$ (11,088,316)

Source: The Statement of Activities for the Carroll Independent School District (Exhibit B-1)

Fiscal Year					
2014	2013	2012	2011	2010	2009
$ (97,509,462)	$ (94,714,995)	$ (90,611,255)	$ (87,590,397)	$ (84,867,049)	$ (82,247,358)
-	-	-	-	-	-
(97,509,462)	(94,714,995)	(90,611,255)	(87,590,397)	(84,867,049)	(82,247,358)
61,750,103	59,192,226	57,732,713	57,048,162	58,455,404	55,189,647
21,368,567	20,467,299	20,807,989	20,537,738	20,576,748	-
7,006,103	8,474,633	16,044,076	6,039,857	12,548,764	14,182,464
69,818	155,451	252,553	232,062	268,612	504,480
3,227,832	5,422,602	3,867,238	8,024,082	177,347	15,242,735
93,422,423	93,712,211	98,704,569	91,881,901	92,026,875	85,119,326
-	-	-	-	-	-
$ 93,422,423	$ 93,712,211	$ 98,704,569	$ 91,881,901	$ 92,026,875	$ 85,119,326
$ (4,087,039)	$ (1,002,784)	$ 8,093,314	$ 4,291,504	$ 7,159,826	$ 2,871,968
-	-	-	-	-	-
$ (4,087,039)	$ (1,002,784)	$ 8,093,314	$ 4,291,504	$ 7,159,826	$ 2,871,968

CARROLL INDEPENDENT SCHOOL DISTRICT

FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCURAL BASIS OF ACCOUNTING)
(UNAUDITED)

	Fiscal Year			
	2018	2017	2016	2015
General Fund				
Reserved	$ -	$ -	$ -	$ -
Unreserved	-	-	-	-
Non-Spendable	143,661	108,895	-	-
Committed	10,573,725	10,573,725	10,573,725	10,573,725
Assigned	-	-	-	-
Unassigned	28,504,814	25,508,820	23,816,845	26,511,720
Total General Fund	$ 39,222,200	$ 36,191,440	$ 34,390,570	$ 37,085,445
All Other Governmental Funds				
Reserved				
Food Services	$ -	$ -	$ -	$ -
Debt Service Fund	-	-	-	-
Capital Projects Fund	-	-	-	-
Other Governmental Funds	-	-	-	-
Unreserved				
Debt Service Fund	-	-	-	-
Special Revenue Funds	-	-	-	-
Capital Projects Fund	-	-	-	-
Restricted				
Federal or State Funds Grant Restriction	-	-	-	0
Capital Acquisitions & Contractual Obligations	48,317,915	58,145	698,736	2,585,377
Retirement of Long-Term Debt	7,914,412	7,753,777	5,101,181	6,891,820
Other Restrictions of Fund Balance	4,795,000	4,255,000	-	-
Committed				
Special Revenue Funds	1,613,766	1,543,912	-	1,290,999
Total All Other Governmental Funds	$ 62,641,093	$ 13,610,834	$ 5,799,917	$ 10,768,196

Note: During 2011, the District implemented GASB 54, which changed the classifications for fund balances.

Source: The Balance Sheet of Governmental Funds for the Carroll Independent School District (Exhibit C-1)

Fiscal Year					
2014	2013	2012	2011	2010	2009
$ -	$ -	$ -	$ -	$ 7,714,057	$ 7,714,057
-	-	-	-	21,665,108	17,120,120
-	-	-	-	-	-
10,573,725	10,573,725	10,573,725	10,573,725	-	-
-	-	-	-	-	-
22,978,959	23,739,059	24,641,936	18,985,141	-	-
$ 33,552,684	$ 34,312,784	$ 35,215,661	$ 29,558,866	$ 29,379,165	$ 24,834,177
$ -	$ -	$ -	$ -	$ -	$ 312,182
-	-	-	-	3,503,733	3,503,733
-	-	-	-	2,535,746	2,535,746
-	-	-	-	325,808	325,808
-	-	-	-	953,908	247,591
-	-	-	-	310,063	69,524
-	-	-	-	42,294,474	61,702,692
326,596	313,197	280,309	326,597	-	-
3,199,217	5,704,042	22,181,021	44,831,744	-	-
4,956,619	5,887,369	5,859,685	5,008,434	-	-
1,210,900	-	-	-	-	-
-	398,517	407,949	439,336	-	-
$ 9,693,332	$ 12,303,125	$ 28,728,964	$ 50,606,111	$ 49,923,732	$ 68,697,276

CARROLL INDEPENDENT SCHOOL DISTRICT

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	Fiscal Year			
	2018	2017	2016	2015
Revenues				
Local and Intermediate Sources	$ 129,668,291	$ 117,501,513	$ 105,933,424	$ 102,288,110
State Program Revenues	10,366,688	11,033,358	8,644,979	15,885,703
Federal Program Revenues	3,916,664	3,644,783	3,544,877	3,704,661
Total Revenues	143,951,643	132,179,654	118,123,280	121,878,474
Expenditures				
Instruction	$ 47,024,396	$ 43,658,838	$ 42,887,651	$ 42,600,799
Instruction Resources and Media Services	1,132,638	1,102,213	1,060,891	1,057,991
Curriculum and Staff Development	1,202,402	1,096,051	1,080,644	1,122,095
Instructional Leadership	522,978	485,625	474,787	428,753
School Leadership	4,045,845	3,866,900	3,863,923	3,700,140
Guidance, Counseling & Evaluation Services	3,211,232	3,077,576	2,943,782	2,796,802
Health Services	759,065	713,041	726,012	730,256
Student Transportation	5,349,627	2,273,195	2,114,594	2,150,343
Food Services	3,112,932	3,101,902	3,118,595	3,015,411
Cocurricular/Extracurricular Activities	4,034,085	3,882,143	3,760,681	3,660,580
General Administration	4,147,372	3,408,308	3,073,803	2,937,136
Plant Maintenance and Operations	7,721,009	7,775,385	7,240,235	6,856,705
Security and Monitoring Services	244,409	203,421	270,048	236,532
Data Processing Services	2,293,525	1,870,105	1,957,092	1,596,917
Community Services	66,684	68,386	49,779	52,030
Debt Service:				
Debt Service-Principal on Long-term Debt	14,650,247	11,320,800	9,496,699	9,147,042
Debt Service-Interest on Long-term Debt	12,916,953	11,680,398	12,668,615	11,648,305
Debt Service-Bond Issuance Cost and Fees	1,094,277	89,680	267,901	356,161
Capital Outlay	25,767,747	1,688,270	1,896,294	3,190,896
Contracted Instructional Services Between Public Schools	26,290,781	19,388,953	16,514,133	14,501,194
Payments to Fiscal Agent/Member Districts of SSA	36,443	-	581,877	585,937
Payments to Tax Increment Fund	6,985,814	6,151,684	5,378,155	5,211,586
Other Intergovernmental Charges	582,037	539,237	-	-
Total Expenditures	173,192,498	127,442,111	121,426,191	117,583,611
Excess (Deficiency) of Revenues Over (Under) Expenditures	(29,240,855)	4,737,543	(3,302,911)	4,294,863
Other Financing Sources and (Uses)				
Debt Refunding Bonds Issued	-	5,125,000	23,485,000	28,474,997
Capital Related Debt Issued	77,544,999	-	-	-
Sale of Real or Personal Property	209,879	75,915	10,093	36,072
Transfers In	3,555,140	1,035,648	1,402,815	1,468,156
Other Resources	-	-	-	-
Premium or Discount on Issuance of Bonds	3,546,996	323,423	1,734,077	2,031,118
Transfers Out	(3,555,140)	(1,035,648)	(1,402,815)	(1,468,156)
Payment to Refunded Bond Escrow Agent	-	(5,308,969)	(28,257,251)	(30,229,466)
Total Other Financing Sources (Uses)	81,301,874	215,369	(3,028,081)	312,721
Net Change in Fund Balances	52,061,019	4,952,912	(6,330,992)	4,607,584
Debt Service as a percentage of noncapital expenditures	18.35%	18.28%	18.57%	18.29%

Source: The Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds for the Carroll Independent School District (Exhibit C-2)

Fiscal Year					
2014	2013	2012	2011	2010	2009
$ 96,268,630	$ 90,439,655	$ 87,907,904	$ 87,425,813	$ 88,423,361	$ 86,369,342
7,569,267	8,912,133	15,490,906	10,406,877	14,292,155	17,875,119
3,803,656	4,091,812	6,076,346	6,226,986	5,663,513	1,853,413
107,641,553	103,443,600	109,475,156	104,059,676	108,379,029	106,097,874
$ 39,008,334	$ 37,750,546	$ 36,830,495	$ 38,321,820	$ 39,596,556	$ 40,455,095
945,867	929,481	944,693	840,953	916,693	990,463
812,670	784,696	803,944	841,691	598,121	625,668
432,195	434,587	451,914	552,696	983,743	951,807
3,370,145	3,413,094	3,425,897	3,442,126	3,435,725	3,321,569
2,367,888	2,320,405	2,326,812	2,188,315	2,297,152	2,167,810
700,974	684,245	672,684	579,306	558,479	602,002
1,962,509	1,876,967	1,893,562	1,787,148	1,710,988	1,613,455
2,852,934	2,773,069	2,740,173	2,652,313	2,703,484	2,709,370
3,490,845	3,362,506	3,264,571	3,187,676	3,356,228	3,336,148
2,663,889	2,378,857	2,351,831	2,372,976	3,132,622	3,073,325
7,078,963	6,691,666	6,904,852	6,818,790	7,068,249	6,910,174
121,374	130,430	79,006	86,306	79,180	74,267
1,558,177	1,386,281	1,151,650	1,038,503	967,858	1,254,477
70,503	21,938	42,000	35,808	16,179	24,971
8,809,002	8,086,247	8,380,000	8,860,000	9,515,472	12,492,092
13,538,839	12,376,121	11,573,651	11,131,564	10,703,967	6,540,678
83,659	120,978	125,191	126,296	77,057	883,450
2,614,117	16,633,054	22,766,461	63,977,663	28,586,326	4,132,317
13,024,265	14,173,812	14,816,610	13,148,146	10,444,832	16,071,624
627,284	627,062	687,429	884,183	443,695	420,369
4,896,705	4,313,200	4,198,940	4,200,041	4,460,794	4,555,311
-	-	-	-	-	-
111,031,138	121,269,242	126,432,366	167,074,320	131,653,400	113,206,442
(3,389,585)	(17,825,642)	(16,957,210)	(63,014,644)	(23,274,371)	(7,108,568)
-	-	-	-	-	30,229,826
-	-	-	63,565,000	9,155,000	34,680,174
19,693	24,354	26,907	41,721	26,797	-
1,205,340	1,283,191	1,536,311	1,274,588	-	1,306,772
-	472,572	709,952	-	-	-
-	-	-	270,000	(135,982)	955,847
(1,205,340)	(1,283,190)	(1,536,311)	(1,274,588)	-	(1,306,772)
-	-	-	-	-	-
19,693	496,927	736,859	63,876,721	9,045,815	65,865,847
(3,369,892)	(17,328,715)	(16,220,351)	862,077	(14,228,556)	58,757,279
20.98%	20.50%	19.88%	19.66%	19.34%	18.15%

CARROLL INDEPENDENT SCHOOL DISTRICT

GOVERNMENTAL FUNDS REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(unaudited)

	2018	2017	2016	2015
Local Sources:				
Property Taxes	$111,983,721	$102,635,941	$91,979,144	$88,552,041
Tuition and Fees	720,161	678,745	594,654	512,818
Earnings on Investments	2,199,487	510,182	341,411	129,691
Facility Rental	569,611	417,702	357,334	275,562
Tax Increment Fund	6,045,218	5,348,444	4,623,919	4,478,312
Food Service	3,040,855	2,876,440	2,929,200	2,689,430
Co-Curricular Activities	1,122,333	1,147,437	1,027,517	1,004,516
Other Local Sources	3,986,905	3,886,622	4,080,245	4,645,740
Total Local Sources	129,668,291	117,501,513	105,933,424	102,288,110
State Sources:				
Per Capita	1,616,493	3,001,844	1,436,159	1,963,105
Foundation School Program	4,121,158	3,697,160	3,266,551	10,185,312
On-behalf Payments	3,698,839	3,418,669	3,081,572	2,966,825
Other State Sources	930,198	915,685	860,697	770,461
Total State Sources	10,366,688	11,033,358	8,644,979	15,885,703
Federal Sources	3,916,664	3,644,783	3,544,877	3,704,661
Total Revenues	$143,951,643	$132,179,654	$118,123,280	$121,878,474

Note: The Governmental Funds Revenues include the General, Debt Service, Capital Projects, and Special Revenue Funds.

Source: The Statement of Revenues, Expenditures, and Changes in Fund Balance for the Carroll Independent School District (Exhibit C-2)

2014	2013	2012	2011	2010	2009
$83,696,946	$80,148,423	$78,975,364	$78,025,487	$79,306,418	$76,451,202
406,438	452,541	368,816	353,336	328,260	406,971
70,667	159,950	253,525	232,061	268,613	508,227
414,950	209,610	272,709	244,556	260,109	409,268
3,834,118	3,572,221	2,972,849	3,349,211	3,158,242	3,220,906
2,622,875	2,406,563	2,354,732	2,413,402	2,354,450	2,552,952
1,087,760	1,206,605	1,122,314	1,199,906	1,267,513	1,101,630
4,134,876	2,283,742	1,587,595	1,607,854	1,479,756	1,718,186
96,268,630	90,439,655	87,907,904	87,425,813	88,423,361	86,369,342
1,922,863	3,432,474	1,854,201	2,517,639	850,398	1,948,858
2,588,823	2,552,738	8,994,863	4,876,112	10,436,137	12,895,485
2,871,662	2,429,006	2,510,999	2,732,556	2,733,676	2,715,883
185,919	497,915	2,130,843	280,570	271,944	314,893
7,569,267	8,912,133	15,490,906	10,406,877	14,292,155	17,875,119
3,803,656	4,091,812	6,076,346	6,226,986	5,663,513	1,853,413
$107,641,553	$103,443,600	$109,475,156	$104,059,676	$108,379,029	$106,097,874

CARROLL INDEPENDENT SCHOOL DISTRICT

ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year	Residential Property (1)	Commercial Property (1)	Personal Property (1)	Other Property (1)
2018	$ 6,480,461,113	$ 1,975,215,526	$ 604,741,018	$ 1,440,076
2017	5,904,187,468	1,829,452,609	541,982,556	734,868
2016	5,163,084,842	1,652,004,003	491,137,589	7,059,397
2015	4,887,077,787	1,569,130,914	512,036,669	99,988,798
2014	4,569,711,769	1,475,573,985	489,633,051	112,193,254
2013	4,427,838,331	1,408,315,339	447,910,390	126,066,288
2012	4,336,300,712	1,325,697,974	462,182,692	123,345,801
2011	4,287,805,907	1,327,492,033	417,065,091	141,822,614
2010	4,324,043,170	1,395,689,145	403,841,206	160,317,090
2009	4,121,227,555	1,363,370,629	400,202,538	158,073,219

(1) The value is the appraised value at original certification and can fluctuate due to property owner protests and preliminary appraisal values at the time of certification.

(2) Tax Rates are per $100 of assessed value.

Source: Tarrant Appraisal District

Total Assessed Value	Less Exemptions	Net Taxable Value	Total Tax Rate (2)
$ 9,061,857,733	$ 1,023,803,261	$ 8,038,054,472	1.3850
8,276,357,501	867,559,634	7,408,797,867	1.3900
7,313,285,831	682,094,825	6,631,191,006	1.3950
7,068,234,168	718,225,373	6,350,008,795	1.4000
6,647,112,059	740,824,899	5,906,287,160	1.4000
6,410,130,348	740,135,975	5,669,994,373	1.4000
6,247,527,179	679,771,208	5,567,755,971	1.4150
6,174,185,645	683,400,452	5,490,785,193	1.4150
6,283,890,611	762,669,911	5,521,220,700	1.4150
6,042,873,941	684,731,053	5,358,142,888	1.4150

CARROLL INDEPENDENT SCHOOL DISTRICT

DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(UNAUDITED)

	Fiscal Year			
	2018	2017	2016	2015
School District Direct Rates				
Maintenance & Operations	$ 1.0400	$ 1.0400	$ 1.0400	$ 1.0400
Debt Service	0.3450	0.3500	0.3550	0.3600
Total District Direct Rates	$ 1.3850	$ 1.3900	$ 1.3950	$ 1.4000
Overlapping Rates				
Tarrant County	$ 0.2440	$ 0.2540	$ 0.2640	$ 0.2640
Tarrant County Hospital District	0.2244	0.2279	0.2279	0.2279
Tarrant County College	0.1401	0.1447	0.1495	0.1495
City of Colleyville	0.3338	0.3391	0.3391	0.3559
City of Flower Mound	0.4390	0.4390	0.4390	0.4390
City of Grapevine	0.2893	0.2893	0.2893	0.3284
City of Keller	0.4275	0.4300	0.4300	0.4347
City of Southlake	0.4620	0.4620	0.4620	0.4620
Town of Trophy Club	0.4514	0.4730	0.4730	0.4840
Town of Westlake	0.1362	0.1370	0.1370	0.1563
Trophy Club Mud #1	0.1202	0.1272	0.1272	0.1311
Total Overlapping Rates	$ 3.2679	$ 3.3232	$ 3.3380	$ 3.4329

Source: Tarrant Appraisal District

Fiscal Year

2014	2013	2012	2011	2010	2009
$ 1.0400	$ 1.0400	$ 1.0400	$ 1.0400	$ 1.0400	$ 1.0400
0.3600	0.3600	0.3750	0.3750	0.3750	0.3750
$ 1.4000	$ 1.4000	$ 1.4150	$ 1.4150	$ 1.4150	$ 1.4150
$ 0.2640	$ 0.2640	$ 0.2640	$ 0.2640	$ 0.2640	$ 0.2640
0.2279	0.2279	0.2279	0.2279	0.2279	0.2279
0.1495	0.1490	0.1490	0.1376	0.1376	0.1380
0.3559	0.3559	0.3559	0.3559	0.3559	0.3559
0.4497	0.4497	0.4497	0.4497	0.4497	0.4497
0.3425	0.3457	0.3457	0.3500	0.3500	0.3500
0.4422	0.4422	0.4422	0.4422	0.4422	0.4322
0.4620	0.4620	0.4620	0.4620	0.4620	0.4620
0.4993	0.5184	0.5184	0.5150	0.5150	0.4555
0.1568	0.1568	0.1568	0.1601	0.1601	0.1601
0.1334	0.1334	0.1334	0.1950	0.1950	0.2250
$ 3.4832	$ 3.5050	$ 3.5050	$ 3.5594	$ 3.5594	$ 3.5203

CARROLL INDEPENDENT SCHOOL DISTRICT TABLE L-9

PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
(UNAUDITED)

Taxpayer	2018 Taxable Assessed Value	2018 Rank	2018 Percentage of Total Taxable Assessed Value (1)	2009 Taxable Assessed Value	2009 Rank	2009 Percentage of Total Taxable Assessed Value (2)
Dallas MTA LP	$ 212,610,196	1	2.65%			
Town Square Ventures LP	161,050,278	2	2.00%	105,989,419	1	1.98%
BRE Solana LLC	138,189,077	3	1.72%			
SLTS Grand Avenue LP	87,873,611	4	1.09%	49,019,141	5	0.91%
Carroll/1709 LTD	58,818,452	5	0.73%	36,850,898	6	0.69%
Excel Southlake LP	51,505,178	6	0.64%			
Sabre Headquarters LLC	45,417,356	7	0.57%	55,815,555	4	1.04%
GAHC3 Southlake TX Hospital LLC	44,000,000	8	0.55%			
HMC Solana LLC	39,844,325	9	0.50%			
H and C Southlake Hilton LLC	37,188,799	10	0.46%			
Verizon Wireless				98,125,161	2	1.83%
Maguire Thomas Partners				97,712,322	3	1.82%
Maguire Partners				35,078,939	7	0.65%
Maguire Partners-Solana LP				34,684,204	8	0.65%
Hobbs & Curry Family LP				33,688,832	9	0.63%
Inland W Southlake Corners				32,788,512	10	0.61%
Totals	$ 876,497,272		10.90%	$ 579,752,983		10.82%

(1) Total assessed value of: $ 8,038,054,472
(2) Total assessed value of: $ 5,358,142,888

Source: Tarrant Appraisal District

CARROLL INDEPENDENT SCHOOL DISTRICT TABLE L-10

PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN YEARS
(UNAUDITED)

Fiscal Year	Taxes Levied for the Fiscal Year (1)	Collected Within the Fiscal Year of the Levy: Amount	Collected Within the Fiscal Year of the Levy: Percentage of Levy	Collections in Subsequent Years	Total Collections to Date: Amount	Total Collections to Date: Percentage of Levy
2018	$ 111,440,307	$ 111,025,778	99.63%	$ -	$ 111,025,778	99.63%
2017	102,122,322	101,579,458	99.47%	246,936	$ 101,826,394	99.71%
2016	91,536,857	90,969,355	99.38%	358,929	$ 91,328,284	99.77%
2015	88,045,448	87,741,649	99.65%	254,279	$ 87,995,928	99.94%
2014	82,365,416	81,942,172	99.49%	369,093	$ 82,311,265	99.93%
2013	79,009,383	78,477,993	99.33%	474,318	$ 78,952,311	99.93%
2012	78,680,203	77,943,652	99.06%	679,095	$ 78,622,747	99.93%
2011	77,945,988	76,990,022	98.77%	893,284	$ 77,883,306	99.92%
2010	79,831,780	78,755,022	98.65%	1,022,895	$ 79,777,917	99.93%
2009	76,627,021	75,499,230	98.53%	1,054,447	$ 76,553,677	99.90%

(1) The tax levy for prior years reflects ongoing adjustments applied to that year's tax levy.

Source: Tarrant Appraisal District

CARROLL INDEPENDENT SCHOOL DISTRICT **TABLE L-11**
OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(UNAUDITED)

	Governmental Activities					
Fiscal Year	General Obligation Bonds (1)	Amortized Bond Premium (1)	Accreted Interest on Bonds (1)	Total Primary Government	Total Debt Percentage of Personal Income (2)	Debt Per Capita (3)
2018	$ 254,925,000	$ 8,202,924	$ 117,783	$ 263,245,707	11.15%	$ 8,900
2017	192,030,247	5,119,331	1,234,753	198,384,331	10.16%	6,739
2016	199,701,047	-	20,287,832	219,988,879	12.70%	7,776
2015	213,421,104	-	20,225,596	233,646,700	14.48%	8,395
2014	223,374,791	-	20,007,889	243,382,680	16.41%	8,874
2013	232,183,793	-	19,897,547	252,081,340	14.34%	9,309
2012	240,270,040	-	19,781,484	260,051,524	16.86%	9,714
2011	248,650,040	-	19,668,095	268,318,135	18.36%	10,087
2010	193,945,040	-	19,551,581	213,496,621	14.61%	8,034
2009	194,305,513	-	19,449,846	213,755,359	14.78%	8,021

(1) Details regarding the District's outstanding debt can be found in the Notes to the Financial Statements.

(2) See Table L-15 for personal income data.

(3) See Table L-15 for capita data.

CARROLL INDEPENDENT SCHOOL DISTRICT **TABLE L-12**

RATIOS OF NET GENERAL OBLIGATION BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year	General Obligation Bonds (1)	Less Amounts Available in Debt Service Funds	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value (2)	Net Bonded Debt per Capita (3)
2018	$ 263,245,707	$ 12,709,412	$ 250,536,295	2.76%	8,470
2017	198,384,331	12,008,777	186,375,554	2.25%	6,331
2016	219,988,879	5,101,181	214,887,698	2.94%	7,596
2015	233,646,700	6,891,820	226,754,880	3.21%	8,147
2014	243,382,680	4,956,619	238,426,061	3.59%	8,694
2013	252,081,340	5,887,369	246,193,971	3.84%	9,091
2012	260,051,524	5,859,685	254,191,839	4.07%	9,495
2011	268,318,135	5,008,434	263,309,701	4.26%	9,899
2010	213,496,621	3,503,733	209,992,888	3.34%	7,902
2009	213,755,359	3,503,733	210,251,626	3.48%	7,889

(1) Details regarding the District's outstanding debt can be found in the Notes to the Financial Statements.

(2) See Table L-7 for assessed value data.

(3) See Table L-15 for capita data.

CARROLL INDEPENDENT SCHOOL DISTRICT **TABLE L-13**

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF AUGUST 31, 2018
(UNAUDITED)

Taxing Authority		Gross Debt Outstanding	Percent Overlapping		Amount Applicable to School District
Direct:					
Carroll Independent School District	$	263,245,707	100.00%	$	263,245,707
Overlapping					
City of Colleyville		5,665,000	0.63%		35,690
City of Flower Mound		152,515,000	0.02%		30,503
City of Grapevine		152,405,223	4.24%		6,461,981
City of Keller		61,225,000	0.57%		348,983
City of Southlake		89,985,000	87.22%		78,484,917
Tarrant County		294,500,000	4.77%		14,047,650
Tarrant County Hospital District		19,300,000	4.77%		920,610
Trophy Club MUD #1		9,450,000	6.77%		639,765
City of Trophy Club		24,418,000	1.12%		273,482
City of Westlake		34,666,000	59.58%		20,654,003
Total Overlapping Debt					121,897,583
Total Direct and Overlapping Debt				$	385,143,290
Taxable Assessed Valuation				$	9,061,857,733
Ratio of Direct and Overlapping Debt to taxable assessed valuation					4.25%
Direct and Overlapping Debt per Capita				$	13,021.28 (1)

Note: The percentage of overlapping debt applicable is estimated using taxable property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable value that is within the District's boundaries and dividing it by each unit's total taxable value.

Source: The Municipal Advisory Council of Texas, as of 7/31/18.

(1) See Table L-15 for capita data.

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CARROLL INDEPENDENT SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(UNAUDITED)

	Fiscal Year							
	2018		2017		2016		2015	
Total Assessed Value	$	9,061,857,733	$	8,276,357,501	$	7,313,285,831	$	7,068,234,168
Debt Limit (10% of Total Assessed Value)	$	906,185,773	$	827,635,750	$	731,328,583	$	706,823,417
Debt Applicable to Limit:								
General Obligation Bonds	$	254,925,000	$	192,030,247	$	199,701,047	$	213,421,104
Less Net Position in Debt Service Fund		12,709,412		12,008,777		5,101,181		6,891,820
Total Amount of Debt Applicable to Debt Limit		242,215,588		180,021,470		194,599,866		206,529,284
Legal Debt Margin	$	663,970,185	$	647,614,280	$	536,728,717	$	500,294,133
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit		26.73%		21.75%		26.61%		29.22%

Note: Per state finance law, the district's outstanding general obligation debt should not exceed 10 percent of the total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

Source: Tarrant Appraisal District and District Financial Information

Fiscal Year					
2014	2013	2012	2011	2010	2009
$ 6,647,112,059	$ 6,410,130,348	$ 6,247,527,179	$ 6,174,185,645	$ 6,283,890,611	$ 6,042,873,941
$ 664,711,206	$ 641,013,035	$ 624,752,718	$ 617,418,565	$ 628,389,061	$ 604,287,394
$ 223,374,791	$ 232,183,793	$ 240,270,040	$ 248,650,040	$ 193,945,040	$ 194,305,513
4,956,619	5,887,369	5,859,685	5,008,434	3,503,733	3,503,733
218,418,172	226,296,424	234,410,355	243,641,606	190,441,307	190,801,780
$ 446,293,034	$ 414,716,611	$ 390,342,363	$ 373,776,959	$ 437,947,754	$ 413,485,614
32.86%	35.30%	37.52%	39.46%	30.31%	31.57%

CARROLL INDEPENDENT SCHOOL DISTRICT **TABLE L-15**

DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year	Estimated Population (1)	Personal Income (1)	Per Capita Personal Income (1)	Unemployment Rate (2)
2018	29,578	$ 2,361,726,360	$ 79,842	3.2%
2017	29,440	1,951,900,038	66,301	3.0%
2016	28,290	1,732,874,762	61,254	3.5%
2015	27,833	1,613,950,961	57,987	3.5%
2014	27,425	1,483,496,607	54,093	4.4%
2013	27,080	1,758,105,132	64,923	5.6%
2012	26,770	1,542,009,658	57,602	5.3%
2011	26,600	1,461,336,252	54,937	6.8%
2010	26,575	1,461,343,140	54,989	6.7%
2009	26,650	1,446,339,035	54,272	6.6%

(1) Source: North Central Texas Council of Governments
(2) Source: Texas Workforce Commission

CARROLL INDEPENDENT SCHOOL DISTRICT **TABLE L-16**

PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
(UNAUDITED)

Employer	2018 Employees	2018 Rank	2018 Percentage of Total Employment (1)	2009 Employees	2009 Rank	2009 Percentage of Total Employment (2)
Sabre Holdings	3,545	1	25.47%	3,621	1	30.84%
Carroll Independent School District	1,115	2	8.01%	1,000	2	8.52%
Keller Williams	715	3	5.14%			
Gateway Church	613	4	4.40%			
Verizon Wireless	585	5	4.20%	450	3	3.83%
City of Southlake	418	6	3.00%	304	5	2.59%
Central Market	395	7	2.84%			
Hilton Southlake	224	8	1.61%	180	8	1.53%
Texas Health Harris Methodist	201	9	1.44%			
Methodist Hospital	200	10	1.44%			
Tri Dal Ltd.				450	4	3.83%
Cheesecake Factory				200	6	1.70%
Costco Wholesale				180	7	1.53%
Tom Thumb				140	9	1.19%
Home Depot				131	10	1.12%
Totals	8,011		57.56%	$ 6,656		56.70%

(1) Total Employment for 2018: 13,917
(2) Total Employment for 2009: 11,740

Source: City of Southlake Economic Development

CARROLL INDEPENDENT SCHOOL DISTRICT TABLE L-17

FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY TYPE
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year	Teachers	Professional Support	Campus Administration	Central Administration	Educational Aides	Auxiliary Staff	Total Staff
2018	564	100	26	15	98	259	1,062
2017	555	94	25	15	101	266	1,056
2016	538	94	26	14	98	248	1,018
2015	531	92	25	14	102	253	1,017
2014	522	79	25	12	102	259	999
2013	511	78	30	12	98	241	970
2012	512	74	30	12	100	249	977
2011	520	82	28	12	105	246	993
2010	544	76	26	14	106	248	1,014
2009	537	76	27	13	95	244	992

Source: Texas Education Agency TAPR and AEIS Reports and District records.

CARROLL INDEPENDENT SCHOOL DISTRICT **TABLE L-18**

OPERATING STATISTICS
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year	Enrollment	Operating Expenditures (1)	Cost Per Student	Teaching Staff	Student to Teacher Ratio	Percentage of Students in Free/Reduced Lunch Program
2018	8,366	$ 118,171,436	14,125	564	14.8	1.4%
2017	8,190	102,123,726	12,469	555	14.8	1.4%
2016	8,056	97,096,682	12,053	538	15.0	1.4%
2015	7,869	93,241,207	11,849	531	14.8	1.5%
2014	7,791	85,985,521	11,037	522	14.9	2.1%
2013	7,697	84,052,842	10,920	511	15.1	2.4%
2012	7,673	83,587,063	10,894	512	15.0	2.0%
2011	7,642	82,978,797	10,858	520	14.7	1.9%
2010	7,723	82,770,578	10,717	544	14.2	1.7%
2009	7,817	89,157,905	11,406	537	14.6	1.6%

(1) Operating expenditures are total expenditures less debt service, capital outlay and intergovernmental charges.

Source: Texas Education Agency TAPR and AEIS Reports and District records.

CARROLL INDEPENDENT SCHOOL DISTRICT

TEACHER BASE SALARIES
LAST TEN FISCAL YEARS
(unaudited)

	2018	2017	2016	2015
Teachers By Highest Degree Held				
No Degree	0.0%	0.0%	0.0%	0.0%
Bachelors	73.3%	74.3%	74.3%	73.8%
Masters	26.0%	25.0%	25.3%	25.9%
Doctorate	0.7%	0.7%	0.4%	0.4%
Teachers By Years of Experience				
Beginning Teachers	2.1%	3.8%	3.3%	2.8%
1-5 Years of Experience	23.2%	22.0%	19.6%	17.0%
6-10 Years of Experience	18.7%	19.4%	21.8%	26.2%
11-20 Years of Experience	36.6%	37.6%	37.8%	36.8%
Over 20 Years of Experience	19.4%	17.2%	17.4%	17.2%
Average Salaries By Experience				
Beginning Teachers	$52,250	$50,695	$49,511	$48,254
1-5 Years of Experience	52,817	51,544	50,366	48,914
6-10 Years of Experience	54,562	53,316	52,106	51,049
11-20 Years of Experience	57,214	55,913	54,520	53,467
Over 20 Years of Experience	62,961	62,121	61,106	60,534
Average Years Experience of Teachers	12.6	12.5	12.6	12.9
Turnover Rate for Teachers	10.0%	12.7%	13.1%	12.6%
Instructional Staff Percent	65.3%	64.9%	65.7%	65.4%

Source: Texas Academic Performance Report (TAPR) for Texas Education Agency.

2014	2013	2012	2011	2010	2009
0.2%	0.8%	0.0%	0.0%	0.7%	0.0%
73.9%	74.7%	76.1%	76.1%	75.0%	75.8%
25.5%	24.1%	23.3%	23.3%	23.7%	23.6%
0.4%	0.4%	0.6%	0.6%	0.6%	0.6%
1.7%	1.0%	1.9%	1.4%	2.5%	3.4%
17.2%	18.3%	17.5%	23.1%	26.5%	28.9%
25.7%	25.2%	24.7%	24.0%	22.9%	21.6%
37.7%	36.6%	35.6%	32.1%	27.3%	26.2%
17.7%	19.0%	20.3%	19.4%	20.8%	20.0%
$47,111	$45,124	$44,104	$46,222	$43,593	$44,874
48,388	47,060	47,305	47,510	46,951	46,435
49,741	48,949	48,683	49,150	49,414	48,140
52,375	51,565	51,314	51,238	51,261	50,501
60,437	58,369	58,955	60,131	59,510	57,891
13.2	13.3	13.4	13.0	12.6	11.8
11.5%	12.2%	8.9%	12.6%	9.1%	10.0%
64.3%	64.4%	64.3%	65.6%	67.0%	67.8%

CARROLL INDEPENDENT SCHOOL DISTRICT TABLE L-20

SCHOOL BUILDING INFORMATION

LAST TEN FISCAL YEARS

(Unaudited)

Building	Original Construction	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
High Schools											
Carroll Senior High (Grades 11-12)	1992										
Square Footage		327,151	327,151	327,151	273,001	273,001	273,001	273,001	273,001	273,001	273,001
Capacity		1,544	1,544	1,519	1,621	1,621	1,621	1,621	1,621	1,621	1,621
Enrollment		1,352	1,381	1,299	1,284	1,289	1,226	1,281	1,270	1,228	1,272
Carroll High (Grades 9-10)	1998										
Square Footage		267,392	267,392	267,392	208,322	208,322	208,322	208,322	208,322	208,322	208,322
Capacity		1,555	1,555	1,587	1,315	1,315	1,315	1,315	1,315	1,315	1,315
Enrollment		1,388	1,365	1,385	1,384	1,310	1,303	1,304	1,227	1,302	1,306
Middle Schools (Grades 7-8)											
Carroll (1)	2011										
Square Footage		166,146	166,146	166,146	164,412	164,412	164,412	164,412	164,412		
Capacity		840	840	860	860	860	860	860	860		
Enrollment		733	688	697	659	677	701	629	597		
Dawson	2001										
Square Footage		144,591	144,591	144,591	135,768	135,768	135,768	135,768	135,768	135,768	135,768
Capacity		846	846	872	853	853	853	853	853	853	853
Enrollment		628	616	636	646	651	635	658	664	685	654
Intermediate Schools (Grades 5-6)											
Durham	1996										
Square Footage		136,375	136,375	136,375	136,375	136,375	136,375	136,375	136,375	136,375	136,375
Capacity		849	849	849	697	697	697	697	697	697	697
Enrollment		683	673	662	628	618	612	597	640	589	578
Eubanks	2001										
Square Footage		106,998	106,998	106,998	93,478	93,478	93,478	93,478	93,478	93,478	93,478
Capacity		688	688	688	657	657	657	657	657	657	657
Enrollment		588	602	578	572	612	609	624	626	628	641
Elementary Schools (Grades K-4)											
Johnson	1981										
Square Footage		76,119	76,119	76,119	76,437	76,437	76,437	76,437	76,437	76,437	76,437
Capacity		560	560	540	635	635	635	635	635	635	635
Enrollment		666	619	570	526	528	519	552	641	682	743
Carroll	1988										
Square Footage		77,123	77,123	77,123	72,588	72,588	72,588	72,588	72,588	72,588	72,588
Capacity		639	639	645	708	708	708	708	708	708	708
Enrollment		604	585	576	542	530	532	527	513	508	567
Walnut Grove (2)	2011										
Square Footage		91,600	91,600	91,600	96,397	96,397	96,397	96,397	96,397		
Capacity		721	721	681	681	681	681	681	681		
Enrollment		701	667	682	669	644	602	563	489		
Rockenbaugh	1997										
Square Footage		77,479	77,479	77,479	80,273	80,273	80,273	80,273	80,273	80,273	80,273
Capacity		577	577	599	661	661	661	661	661	661	661
Enrollment		543	549	570	554	538	551	510	487	517	531
Old Union	2001										
Square Footage		68,810	68,810	68,810	69,664	69,664	69,664	69,664	69,664	69,664	69,664
Capacity		441	441	474	561	561	561	561	561	561	561
Enrollment		473	463	413	420	415	416	436	488	497	505
Other District Buildings (Sq. Ft.)											
Former Administration Building	1996	32,535	32,535	32,535	32,535	32,535	32,535	32,535	32,535	32,535	32,535
Administration Building	1969	131,368	131,368	131,368	131,368	131,368	131,368	131,368	131,368	131,368	131,368
Carroll Intermediate School (3)	1953	63,851	63,851	63,851	63,851	63,851	63,851	63,851	63,851	63,851	63,851
Transportation Facility	2000	10,108	10,108	10,108	10,108	10,108	10,108	10,108	10,108	10,108	10,108
Dragon Stadium	2000	30,263	30,263	30,263	30,263	30,263	30,263	30,263	30,263	30,263	30,263

(1) A new Carroll Middle School was opened in 2011. The previous Carroll Middle School is now the District's Administration Building.

(2) Walnut Grove Elementary was opened in 2011. Students previously attended Durham Elementary, which was located within Durham Intermediate School.

(3) No longer used as a school. Rented to Southlake Baptist Church and Gateway Church.

Source: District Records.

APPENDIX C

FORM OF OPINION OF BOND COUNSEL

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Proposed Form of Opinion of Bond Counsel

An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Bonds, assuming no material changes in facts or law.

CARROLL INDEPENDENT SCHOOL DISTRICT
UNLIMITED TAX REFUNDING BONDS, SERIES 2019
IN THE AGGREGATE PRINCIPAL AMOUNT OF $12,245,000

AS BOND COUNSEL FOR THE ISSUER (the "Issuer") of the Bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which are payable, bear interest and are subject to further provisions, all in accordance with the terms and conditions stated in the text of the Bonds.

WE HAVE EXAMINED the Constitution and laws of the State of Texas, certified copies of the proceedings of the Issuer and other documents authorizing and relating to the issuance of said Bonds, including one of the executed Bonds (Bond Number TR-1).

BASED ON SAID EXAMINATION, IT IS OUR OPINION that said Bonds have been authorized, issued and duly delivered in accordance with law; and that except as may be limited by governmental immunity, bankruptcy, insolvency, reorganization, moratorium liquidation and other similar laws now or hereafter enacted relating to creditor's rights generally or by principles of equity which permit the exercise of judicial discretion, the Bonds constitute valid and legally binding obligations of the Issuer; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of said Bonds have been levied and pledged for such purpose, without legal limit as to rate or amount.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on, and assume compliance by the Issuer with, certain covenants regarding the use and investment of the proceeds of the Bonds and the use of the property financed therewith, the report or certificate verifying the sufficiency of the amounts deposited to the deposit fund to pay the principal of and interest on the refunded bonds and the certificate with respect to arbitrage by the Commissioner of Education regarding the allocation and investment of certain investments in the Permanent School Fund. We call your attention to the fact that if such representations are determined to be inaccurate or upon failure by the Issuer to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state or local tax consequences of acquiring, carrying, owning or disposing of the Bonds, including the amount, accrual or receipt of interest on, the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

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San Antonio, Texas 78205
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WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. 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, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the Issuer as to the current outstanding indebtedness of, and assessed valuation of taxable property within the Issuer. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

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 a result and are not binding on the Internal Revenue Service (the "Service"). Rather, our opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, might result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

Respectfully,

CARROLL INDEPENDENT SCHOOL DISTRICT (TARRANT COUNTY, TEXAS) • UNLIMITED TAX REFUNDING BONDS, SERIES 2019

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