OFFICIAL STATEMENT
Dated May 14, 2019

HTSContinuingDisclosureServices
A Division of Hilltop Securities.

Enhanced/Unenhanced Ratings:
Moody's: "Aaa" / "Aa1"
Fitch: "AAA" / "AA+"
PSF Guaranteed
(See "OTHER INFORMATION - Ratings" and "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein.)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel (defined below) assuming continuing compliance by the District (defined below) after the date of initial delivery of the Bonds (defined below) with certain covenants contained in the Order (defined herein) and subject to the matters set forth under "TAX MATTERS" herein, interest on the Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income of the owners thereof pursuant to section 103 of the Code (defined herein) and (2) will not be included in computing the alternative minimum taxable income of the owners thereof (see "TAX MATTERS" herein).

$106,370,000
NORTHSIDE INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located primarily in Bexar County)
UNLIMITED TAX SCHOOL BUILDING AND REFUNDING BONDS, SERIES 2019

Dated Date: May 1, 2019 **Due: August 15, as shown on page 2 hereof**
Interest to Accrue from Date of Delivery (defined below)

PAYMENT TERMS . . . Interest on the $106,370,000 Northside Independent School District Unlimited Tax School Building and Refunding Bonds, Series 2019 (the "Bonds") will accrue from their Date of Delivery to the Underwriters (defined below), will be payable on February 15 and August 15 of each year, commencing August 15, 2019, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only 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 or integral multiples thereof. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS - Book-Entry-Only System" herein). The initial Paying Agent/Registrar is U.S. Bank National Association, Dallas, Texas (see "THE BONDS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including Chapter 45, as amended, Texas Education Code and Chapters 1207 and 1371, as amended, Texas Government Code (together, the "Financing Act"), an election held in the District on May 5, 2018, and an order approved by the District's Board of Trustees (the "Board") on October 23, 2018 (the "Order") (see "THE BONDS - Authority for Issuance"). In the Order, and as permitted by the Financing Act, the Board delegated to certain District officials the authority to execute an approval certificate (the "Approval Certificate") evidencing the final sale terms of the Bonds. The Approval Certificate was executed by a designated District official on May 14, 2019.

SECURITY . . . The Bonds are direct obligations of the District payable from a continuing direct annual ad valorem tax levied by the District, without legal limit as to rate or amount, on all taxable property within the District (see "THE BONDS - Security and Source of Payment"). **The District has received conditional approval from the Texas Education Agency for the payment of the Bonds to be guaranteed by the Permanent School Fund of Texas (see "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").**

PURPOSE . . . Proceeds from the sale of the Bonds will be utilized to (i) design, acquire, construct, renovate, and equip various school facilities and the purchase of school buses, (ii) refund certain maturities of the District's currently outstanding indebtedness as disclosed in Schedule I hereto (the "Refunded Obligations") in order to convert obligations bearing interest at variable rates to obligations bearing interest at fixed rates, and (iii) pay the costs of their issuance.

CUSIP PREFIX: 66702R
MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page 2

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the initial purchasers thereof named below (the "Underwriters") and subject to the approving opinion of the Attorney General of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, San Antonio, Texas, Bond Counsel (see Appendix C, "FORM OF BOND COUNSEL'S OPINION"). Certain legal matters will be passed upon for the Underwriters by their counsel, McCall, Parkhurst & Horton L.L.P., San Antonio, Texas.

DELIVERY . . . It is expected that the Bonds will be available for delivery through DTC on or about Thursday, May 30, 2019 (the "Date of Delivery").

SAMCO CAPITAL MARKETS, INC.

CITIGROUP **SIEBERT CISNEROS SHANK & CO., L.L.C.**

UMB BANK, N.A.

MATURITY SCHEDULE

CUSIP No. Prefix: 66702R[1]

$86,885,000 Serial Bonds

Principal Amount	Stated Maturity (August 15)	Interest Rate	Initial Yield	CUSIP No. Suffix[1]	Principal Amount	Stated Maturity (August 15)	Interest Rate	Initial Yield	CUSIP No. Suffix[1]
$ 2,815,000	2020	5.000%	1.510%	UX8	$ 4,695,000	2031	5.000%	2.040% (2)	VJ8
2,955,000	2021	5.000%	1.540%	UY6	4,930,000	2032	5.000%	2.080% (2)	VK5
3,100,000	2022	5.000%	1.550%	UZ3	5,175,000	2033	4.000%	2.350% (2)	VL3
3,255,000	2023	5.000%	1.560%	VA7	5,385,000	2034	4.000%	2.440% (2)	VM1
3,420,000	2024	5.000%	1.620%	VB5	5,600,000	2035	3.000%	2.830% (2)	VN9
3,585,000	2025	5.000%	1.650%	VC3	5,770,000	2036	4.000%	2.550% (2)	VP4
3,770,000	2026	2.500%	1.700%	VD1	5,995,000	2037	4.000%	2.590% (2)	VQ2
3,860,000	2027	5.000%	1.750%	VE9	6,235,000	2038	4.000%	2.630% (2)	VR0
4,055,000	2028	5.000%	1.790%	VF6	1,745,000	2039	4.000%	2.660% (2)	VS8
4,255,000	2029	5.000%	1.890% (2)	VG4	1,815,000	2040	4.000%	2.690% (2)	VT6
4,470,000	2030	5.000%	1.970% (2)	VH2					

$19,485,000 Term Bonds

$7,920,000 3.100% Term Bond due August 15, 2044 Priced to Yield 3.100% - CUSIP Suffix: VX7[1]

$11,565,000 4.000% Term Bond due August 15, 2049 Priced to Yield 2.870%[2] - CUSIP Suffix: WC2[1]

(Interest accrues from the Date of Delivery)

REDEMPTION . . . The District reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, 2029, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS – Optional Redemption"). In addition, the Term Bonds (defined herein) are subject to mandatory sinking fund redemption (see "THE BONDS – Mandatory Redemption").

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

(2) Yield calculated based on the assumption that the Bonds denoted and sold at a premium will be redeemed on August 15, 2028, the first optional call date for such Bonds, at a redemption price of par plus accrued interest to the redemption date.

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USE OF INFORMATION

This Official Statement, which includes the cover page, Schedule I, 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 information obtained from sources other than the District is not to be construed as the representation of the District. 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.

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

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

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

NONE OF THE DISTRICT, THE FINANCIAL ADVISOR, OR THE UNDERWRITERS MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY ("DTC") OR ITS BOOK-ENTRY-ONLY SYSTEM OR THE AFFAIRS OF THE TEXAS EDUCATION AGENCY ("TEA") DESCRIBED UNDER "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" AS SUCH INFORMATION IS PROVIDED BY DTC AND TEA, RESPECTIVELY.

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 THIS ENTIRE OFFICIAL STATEMENT, INCLUDING THE SCHEDULE AND ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

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The cover page hereof, this page, Schedule I, the appendices included herein and any addenda, supplement or amendment hereto, are part of the Official Statement.

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 Northside Independent School District (the "District") is a political subdivision primarily located in Bexar County, Texas with small amounts of taxable property in Medina and Bandera Counties, Texas. The District is approximately 316.49 square miles in area (see "INTRODUCTION - Description of the District").

THE BONDS .... The District is issuing its $106,370,000 Unlimited Tax School Building and Refunding Bonds, Series 2019 (the "Bonds"). The Bonds mature on August 15 in the principal amounts and each of the years identified in the table appearing on page 2 hereof (see "THE BONDS – Description of the Bonds").

PAYMENT OF INTEREST .... Interest on the Bonds accrues from the date of initial delivery to the Underwriters (anticipated to occur on or about May 30, 2019), and is payable initially on August 15, 2019 and on each February 15 and August 15 thereafter until stated maturity or prior redemption (see "THE BONDS - Description of the Bonds" and "THE BONDS – Redemption").

AUTHORITY FOR ISSUANCE .... The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including Chapter 45, as amended, Texas Education Code and Chapters 1207 and 1371, as amended, Texas Government Code (together, the "Financing Act"), an election held in the District on May 5, 2018, and an order approved by the District's Board of Trustees (the "Board") on October 23, 2018 (the "Order") (see "THE BONDS - Authority for Issuance"). In the Order, and as permitted by the Financing Act, the Board delegated to certain District officials the authority to execute an approval certificate (the "Approval Certificate") evidencing the final sale terms of the Bonds. The Approval Certificate was executed by a designated District official on May 14, 2019.

SECURITY FOR THE BONDS .... The Bonds constitute direct obligations of the District payable from a continuing direct annual ad valorem tax levied by the District, without legal limit as to rate or amount, on all taxable property within the District (see "THE BONDS - Security and Source of Payment").

PERMANENT SCHOOL FUND GUARANTEE .... The District has received conditional approval from the Texas Education Agency (the "TEA") for the payment of the Bonds to be guaranteed by the corpus of the Permanent School Fund of the State of Texas upon satisfaction of certain conditions (primarily being the Texas Attorney General's approval of the Bonds) (see "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").

REDEMPTION .... The District reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, 2029, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS – Optional Redemption"). In addition, the Term Bonds (defined herein) are subject to mandatory sinking fund redemption (see "THE BONDS – Mandatory Redemption").

TAX EXEMPTION .... In the opinion of Bond Counsel, interest on the Bonds for federal income tax purposes, under and pursuant to statutes, regulations, published rulings, and court decisions existing on the date hereof, (1) will be excludable from the gross income of the owners thereof, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof (see "TAX MATTERS" herein).

USE OF PROCEEDS .... Proceeds from the sale of the Bonds will be utilized to (i) design, acquire, construct, renovate, and equip various school facilities and the purchase of school buses, (ii) refund certain maturities of the District's currently outstanding indebtedness as disclosed in Schedule I hereto (the "Refunded Obligations") in order to convert obligations bearing interest at variable rates to obligations bearing interest at fixed rates, and (iii) pay the costs of their issuance.

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RATINGS .... The Bonds have been rated "Aaa" by Moody's Investors Service, Inc. ("Moody's") and "AAA" by Fitch Ratings ("Fitch") by virtue of the guarantee of the Permanent School Fund of the State of Texas (see "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM"). The Bonds and the presently outstanding unlimited tax-supported debt of the District are rated "Aa1" by Moody's and "AA+" by Fitch without regard to credit enhancement. The District has determined to not apply to S&P Global Ratings ("S&P") for a rating on these Bonds. The District has four issues outstanding, excluding the Bonds, which are rated "Aaa" by Moody's, "AAA" by S&P and "AAA" by Fitch, and 27 additional issues outstanding which are rated "Aaa" by Moody's and "AAA" by Fitch, all by virtue of the guarantee of the Permanent School Fund of the State of Texas (see "OTHER INFORMATION - Ratings"). The District has four issues that are not subject to the Permanent School Fund Guarantee. The District has received conditional approval from the TEA for the Bonds to be guaranteed by the corpus of the Permanent School Fund. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

BOOK-ENTRY-ONLY SYSTEM .... The definitive Bonds will be initially registered and delivered only 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 or integral multiples 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").

PAYMENT RECORD .... The District has never defaulted on the payment of its general obligation tax-supported debt.

FUTURE DEBT ISSUES .... On May 10, 2014, the District's voters authorized the District to issue $648,340,000 in unlimited tax-supported bonds. The District has issued seven installments of this authorization and applied bond proceeds in the aggregate amount of $548,340,000 (leaving $100,000,000 unissued) against the same.

On May 5, 2018, the District's voters authorized the District to issue $848,910,000 in unlimited ad valorem tax bonds, proceeds from which will be utilized to undertake District-wide improvements and are expected to address the District's capital needs at least through 2024. The Bonds represent the first installment of this authorization.

Over the next twelve months, the District anticipates issuing, in one or more series of bonds and in a combination of fixed and variable interest rate obligations and refunding bonds to refund certain of its outstanding bonds to realize debt service savings. Additionally, the District will refund or remarket those outstanding variable rate bonds currently bearing interest in term interest rate modes and whose mandatory tender dates occur in 2019. Finally, the District is considering the establishment of a commercial paper program to manage the timing of borrowing for capital needs under the voter-approved capital programs described above.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 8/31	Estimated District Population[(1)]	Taxable Assessed Valuation[(2)]	Per Capita Taxable Assessed Valuation	Tax Supported Debt	Per Capita Tax Supported Debt	Ratio Tax Supported Debt to Taxable Assessed Valuation	% of Total Tax Collections
2015	608,000	$ 37,907,088,332	$ 62,347	$ 2,091,145,000	$ 3,439	5.52%	99.67%
2016	627,000	42,170,631,479	67,258	2,158,560,000	3,443	5.12%	99.88%
2017	640,000	46,693,065,285	72,958	2,211,840,000	3,456	4.74%	99.61%
2018	658,000	50,316,708,397	76,469	2,228,010,000	3,386	4.43%	98.76%
2019	658,000 [(3)]	50,982,681,919	77,481	2,166,280,000 [(4)]	3,292 [(4)]	4.25% [(4)]	90.22% [(5)]

(1) Source: District Officials.
(2) Source: District Comprehensive Annual Financial Reports for years ending 2015 through 2018, and Bexar Appraisal District's Certified Totals for Tax Year 2018, subject to change during the ensuing year.
(3) Fiscal Year ending 2019 population held constant for purposes of illustration.
(4) Excludes the Refunded Obligations and includes the Bonds.
(5) As of March 31, 2019, unaudited.

CHANGES IN NET ASSETS CONSOLIDATED STATEMENT SUMMARY

	Fiscal Year Ended August 31,				
	2018	2017	2016[1]	2015	2014
Beginning Net Position	$ (285,633,004) [2]	$ 235,031,304 [3]	$ 212,915,752 [1]	$ 350,587,327	$ 348,561,296
Total Revenue	1,092,272,272	1,175,287,761	1,108,199,980	1,060,438,605	1,012,088,315
Total Expenses	(909,581,692)	(1,112,984,623)	(1,092,856,191)	(1,050,398,014)	(1,004,089,781)
Prior Period Adjustment	-	-	-	(140,161,110) [4]	(5,972,503)
Ending Net Position	$ (102,942,424)	$ 297,334,442	$ 228,259,541	$ 220,466,808	$ 350,587,327

Source: The District's Comprehensive Annual Financial Reports.

(1) Beginning in the Fiscal Year 2016, the District elected to present activities associated with the Learning Tree Program as an enterprise fund, these activities were previously presented as a government activity. Amounts representing the net activity of previous years from this program totaling $7,551,056 were restated as an increase in the beginning net position in the enterprise fund and a related decrease in the net position of governmental activities as of September 1, 2015.

(2) In fiscal year 2018, the District implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension. As a result, the beginning net position has been restated to reflect the net OPEB liability and deferred outflow of resources relating to TRS-Care contributions made after the prior measurement date.

(3) Prior period adjustment due to corrections needed to provide for the recognition of revenue items and expenditures in the fund level statements in accordance with GAAP.

(4) Prior period adjustment related to District's adoption of GASB Statement No. 68.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	For Fiscal Year Ended August 31,				
	2018	2017	2016	2015	2014
Beginning Balance	$ 412,413,592	$ 361,667,056 [1]	$ 309,046,665	$ 289,222,471	$ 259,086,110
Total Revenue	901,984,391	871,089,869	860,866,726	804,214,714	767,956,155
Total Expenditures	878,447,836	840,253,333	818,305,828	779,065,520	733,219,794
Net Funds Available	23,536,555	30,836,536	42,560,898	25,149,194	34,736,361
Other Sources/Uses	19,177,966	19,910,000	(50,000)	(5,325,000)	(4,600,000)
Ending Balance	$ 455,128,113	$ 412,413,592	$ 351,557,563	$ 309,046,665	$ 289,222,471

Source: The District's Comprehensive Annual Financial Reports.

(1) Prior period adjustment due to corrections needed to provide for the recognition of revenue items and expenditures in the fund level statements in accordance with GAAP.

For additional information regarding the District, please contact:

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or

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DISTRICT OFFICIALS, STAFF AND CONSULTANTS

THE BOARD OF TRUSTEES

Board of Trustees	Length of Service	Term Expires	Occupation
M'Lissa M. Chumbley President, District 3	24 Years	May 2023	Insurance Specialist
Dr. Carol Harle Vice President, District 6	6 Years	May 2021	Educational Consultant/ Professor
Gerald B. Lopez Secretary, District 2	4 Years	May 2023	Small Business Owner
Joseph Medina Trustee, District 1	4 Years	May 2023	Educator
Robert (Bobby) Blount, Jr. Trustee, District 4	20 Years	May 2023	Corporate Manager
Katie N. Reed Trustee, District 5	29 Years	May 2021	Community Volunteer
Karen Freeman Trustee, District 7	14 Years	May 2021	Community Volunteer

APPOINTED OFFICIALS

ADMINISTRATIVE OFFICERS	POSITION
Superintendent	
Dr. Brian T. Woods	Superintendent of Schools
Deputy Superintendents	
Mr. David Rastellini	Deputy Superintendent, Business and Finance
Mr. Ray Galindo	Deputy Superintendent, Administration
Dr. Janis Jordan	Deputy Superintendent, Curriculum and Instruction
Assistant Superintendents	
Mr. Wesley Scott	Assistant Superintendent, Budget and Finance
Mr. Stephen Daniel	Assistant Superintendent, Secondary Administration
Mr. Leroy San Miguel	Assistant Superintendent, Facilities and Operations
Ms. Levinia Lara	Assistant Superintendent, Elementary Administration
Ms. Patricia Denham Hill	Assistant Superintendent, Human Resources
Mr. Don Schmidt	Assistant Superintendent, Student, Family & Community Services
Ms. Lori Jones	Assistant Superintendent, Technology Services

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CONSULTANTS AND ADVISORS

General Counsel..Langley & Banack, Inc.
San Antonio, Texas

Certified Public Accountants .... Weaver and Tidwell, L.L.P.
San Antonio, Texas

Bond Counsel ....Norton Rose Fulbright US LLP
San Antonio, Texas

Financial Advisor..Hilltop Securities Inc.
San Antonio, Texas

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OFFICIAL STATEMENT

RELATING TO

$106,370,000
NORTHSIDE INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located primarily in Bexar County)
UNLIMITED TAX SCHOOL BUILDING AND REFUNDING BONDS,
SERIES 2019

INTRODUCTION

This Official Statement, which includes Schedule I and the Appendices hereto, provides certain information pertaining to the $106,370,000 Northside Independent School District Unlimited Tax School Building and Refunding Bonds, Series 2019 (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Order (defined herein), except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Bonds and certain information regarding the Northside Independent School District (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 District's Financial Advisor, Hilltop Securities Inc. ("HilltopSecurities"), San Antonio, Texas upon request by electronic mail or upon payment of reasonable copying, handling, 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 filed with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("EMMA") system. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the District's undertaking to provide certain information on a continuing basis.

DESCRIPTION OF THE DISTRICT . . . The District is a political subdivision of the State of Texas (the "State") primarily located in Bexar County, Texas but with small amounts of taxable property located in Medina and Bandera Counties, Texas. The District is governed by a seven-member Board of Trustees (the "Board") who serve staggered four-year terms with elections being held in May of every other year in odd-numbered years. Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent of Schools who is the chief administrative officer of the District. The District covers approximately 316.49 square miles.

PLAN OF FINANCING

USE OF BOND PROCEEDS . . . Proceeds from the sale of the Bonds will be utilized to (i) design, acquire, construct, renovate, and equip various school facilities and the purchase of school buses, (ii) refund certain maturities of the District's currently outstanding indebtedness as disclosed in Schedule I hereto (the "Refunded Obligations") in order to convert obligations bearing interest at variable rates to obligations bearing interest at fixed rates, and (iii) pay the costs of their issuance.

REFUNDED OBLIGATIONS . . . The Refunded Obligations, and interest due thereon, are to be paid on their scheduled redemption date (the "Redemption Date") from cash and investments to be deposited with U.S. Bank National Association, Dallas, Texas, a national banking association (the "Escrow Agent"), pursuant to an Escrow Deposit Letter, dated as of October 23, 2018 (the "Escrow Agreement") between the District and the Escrow Agent.

The Order provides that the District will deposit certain proceeds of the sale of the Bonds, along with other lawfully available funds of the District (if any), with the Escrow Agent in the amount necessary and sufficient to accomplish the discharge and final payment of the Refunded Obligations at their scheduled Redemption Date. Such funds shall be held by the Escrow Agent in an escrow fund (the "Escrow Fund") irrevocably pledged to the payment of principal of and interest on the Refunded Obligations. HilltopSecurities, in its capacity as Financial Advisor to the District, will certify as to the sufficiency of the amount initially deposited to the Escrow Fund, without regard to investment (if any), to pay the principal of and interest on the Refunded Obligations, when due, on the Redemption Date (the "Certificate of Sufficiency"). Amounts on deposit in the Escrow Fund shall, until such time as needed for their intended purpose, be (i) held uninvested in cash and/or (ii) invested in certain direct, noncallable obligations of the United States of America (including obligations unconditionally guaranteed by the United States of America) that were, on the date the Order was adopted, rated as to investment quality by a nationally recognized rating firm of not less than "AAA". Cash and investments (if any) held in the Escrow Fund shall not be available to pay debt service requirements on the Bonds.

Prior to, or simultaneously with, the issuance of the Bonds, the District will give irrevocable instructions to provide notice to the owners of the Refunded Obligations that the Refunded Obligations will be redeemed prior to stated maturity on which date money will be made available to redeem the Refunded Obligations from money held under the Escrow Agreement.

By the deposit of cash with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of all of the Refunded Obligations in accordance with the law. It is the opinion of Bond Counsel, in reliance upon the Certificate of Sufficiency provided by HilltopSecurities, that as a result of such defeasance the Refunded Obligations will be outstanding only for the purpose of receiving payments from the Escrow Fund held for such purpose by the Escrow Agent and such Refunded Obligations will not be deemed as being outstanding obligations of the District payable from taxes nor for the purpose of applying any limitation on the issuance of debt.

The District has covenanted in the Escrow Agreement to make timely deposits to the Escrow Fund, from lawfully available funds, of any additional amounts required to pay the principal of and interest on the Refunded Obligations, if for any reason, the cash balances on deposit or scheduled to be on deposit in the Escrow Fund be insufficient to make such payment.

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds are dated May 1, 2019 and mature on August 15 in each of the years and in the principal amounts shown in the table appearing on page 2 hereof. Interest accrues from the Bonds' date of initial delivery to the Underwriters (expected to occur on or about May 30, 2019), will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15 and August 15 of each year, commencing August 15, 2019 until stated maturity or prior redemption. The definitive Bonds will be issued only in fully registered form in any integral multiple of $5,000 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 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).

AUTHORITY FOR ISSUANCE . . . The Bonds are issued and the tax levied for their payment pursuant to authority conferred by the Constitution and the laws of the State of Texas, including Chapter 45, as amended, Texas Education Code and Chapters 1207 and 1371, as amended, Texas Government Code (together, the "Financing Act"), an election held in the District on May 5, 2018, and an order (the "Order") adopted by the Board on October 23, 2018. In the Order, and as permitted by the Financing Act, the Board delegated to certain District officials the ability to execute an approval certificate (the "Approval Certificate") evidencing final sale terms of the Bonds. The Approval Certificate was executed by a designated District official on May 14, 2019.

SECURITY AND SOURCE OF PAYMENT . . . All taxable property within the District is subject to a continuing direct annual ad valorem tax levied by the District, without legal limit as to rate or amount, sufficient to provide for the payment of principal of and interest on the Bonds (see "TAX INFORMATION - Tax Rate Limitations" herein).

PERMANENT SCHOOL FUND GUARANTEE . . . In connection with the sale of the Bonds, the District has received from the Texas Education Agency conditional approval for guarantee of the Bonds under the Permanent School Fund Guarantee Program (Chapter 45, Subchapter C, of the Texas Education Code). Subject to satisfying certain conditions discussed under the heading "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein, the Bonds will be absolutely and unconditionally guaranteed by the corpus of the Permanent School Fund of the State of Texas. In the event of default, registered owners will receive all payments due on the Bonds from the corpus of the Permanent School Fund.

TAX RATE LIMITATION . . . For debt service of unlimited tax debt, there is no limitation on the tax rate (Sections 45.001 and 45.003(b)(1), Texas Education Code, as amended); provided, however, with respect to "new debt", the District must demonstrate to the Attorney General of Texas the ability to pay all such "new debt" with a debt service tax not to exceed $0.50 per $100 assessed valuation in compliance with Section 45.0031, Texas Education Code, as amended. A portion of the Bonds are "new debt" and are, therefore, subject to the $0.50 threshold tax rate test. For a more detailed description of the $0.50 test, and the exceptions therefrom (see "TAX INFORMATION – Tax Rate Limitations" herein).

OPTIONAL REDEMPTION . . . The District reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, 2029, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

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MANDATORY REDEMPTION . . . The Bonds stated to mature on August 15, 2044 and August 15, 2049 are referred to herein as the "Term Bonds". The Term Bonds are subject to mandatory sinking fund redemption prior to their stated maturities from money required to be deposited in the Bond Fund for such purpose and shall be redeemed in part, by lot or other customary method, at the principal amount thereof plus accrued interest to the date of redemption in the following principal amounts on August 15 in each of the years as set forth below:

Term Bond Stated to Mature on August 15, 2044		Term Bond Stated to Mature on August 15, 2049	
Year	Principal Amount	Year	Principal Amount
2041	$1,890,000	2045	$2,135,000
2042	1,950,000	2046	2,220,000
2043	2,010,000	2047	2,310,000
2044 *	2,070,000	2048	2,400,000
		2049 *	2,500,000

* Payable at stated maturity.

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

SELECTION OF BONDS FOR REDEMPTION . . . If less than all of the Bonds are to be redeemed, the District may select the maturities of Bonds to be redeemed. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed. 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.

NOTICE OF REDEMPTION . . . Not less than 30 days prior to a redemption date for the Bonds, the District 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 at the close of business on the business day next preceding the date of mailing such notice. 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, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

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

DEFEASANCE . . . The Order provides for the defeasance of the Bonds when the payment of the principal of and premium, if any, on the Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent, in trust (1) money sufficient to make such payment, (2) Government Securities (defined below) that mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds, or (3) a combination of money and Government Securities together so certified sufficient to make such payment. The sufficiency of deposits as hereinbefore described shall be certified by an independent certified accountant, the District's Financial Advisor, the Paying Agent/Registrar, or some other qualified financial institution as specified in the Order. The District has additionally reserved the right in the Order, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities for the Government Securities originally deposited, to reinvest the uninvested money on deposit for such defeasance and to withdraw for the benefit of the District money in excess of the amount required for such defeasance. The Order provides that "Government Securities" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, and (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 governing body of the District authorizes the defeasance, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent. There is no assurance that the ratings for United States Treasury securities acquired to defease any Bonds, or those for any other Government Securities, will be maintained at any particular rating category.

Upon such deposit as described above, such Bonds will no longer be regarded to be outstanding obligations for purposes of applying any limitation on indebtedness or for purposes of taxation. After firm banking and financial arrangements for the discharge and final payment of the Bonds have been made as described above, all rights of the District to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that, the District's right to redeem Bonds defeased to stated maturity is not extinguished if the District has reserved the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption, at an earlier date, those Bonds which have been defeased to their stated maturity date, if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

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

BOOK-ENTRY-ONLY SYSTEM . . . *This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and accredited by 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, Underwriters, and Financial Advisor 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 payments of debt service on the Bonds, or redemption or other notices, to DTC Participants (defined herein), (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 (defined herein), 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 registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered certificate will be issued for each maturity of the Bonds in the aggregate principal amount of each such maturity and will be deposited with DTC.

DTC, the world's largest 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, 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" and, together with the Direct Participants, the "DTC Participants"). DTC has a S&P Global Ratings rating of "AA+". The DTC Rules applicable to its Participants are on file with the United States Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transactions, 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 the Bonds, except in the event that use of the Book-Entry-Only 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 an issue 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. will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's 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 the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on payable dates in accordance with their respective holdings shown on DTC's records. Payments by DTC Participants to Beneficial Owners will be governed by standing instructions and customary practices, as in 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 DTC Participant and not of DTC, the Paying Agent or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC, is the responsibility of the District, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, physical Bonds will be printed and delivered.

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 DTC 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.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the District, the Financial Advisor or the Underwriters.

Effect of Termination of Book-Entry-Only System. In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the District, printed Bonds will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Order and summarized under "THE BONDS - Transfer, Exchange and Registration" below.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is U.S. Bank National Association, Dallas, Texas. In the Order, the District retains the right to replace the Paying Agent/Registrar. The District has covenanted to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity 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 has agreed to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

In the event the Book-Entry-Only System should be discontinued, interest on the Bonds will be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest will be paid (i) by check sent United States mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Bonds will be paid to the registered owner at the stated maturity or earlier redemption upon presentation to the designated payment/transfer office of the Paying Agent/Registrar. If the date for the payment of the principal of or interest on the Bonds is a Saturday, Sunday, a legal holiday or a day when banking institutions are authorized to close, then the date for such payment will be the next succeeding day which is not such a day, and payment on such date will have the same force and effect as if made on the date payment was due. So long as Cede & Co. is the registered owner of the Bonds, payments of principal of and interest on the Bonds will be made as described in "THE BONDS - Book-Entry-Only System," above.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated 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 for any one maturity and for a like aggregate principal amount as the 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). Neither the District nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

RECORD DATE FOR INTEREST PAYMENT . . . The record date ("Record Date") for determining the person to whom the interest on the Bonds is payable on any interest payment date means the close of business on the last business day of the preceding month.

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

BONDHOLDERS' REMEDIES . . . If the District defaults in the payment of principal or interest, or redemption price 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 State fails to honor the Permanent School Fund Guarantee as hereinafter discussed, 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 Order 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. On June 30, 2006, the Texas Supreme Court 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, as amended, Texas Government Code ("Chapter 1371"), which pertains to the issuance of public securities by issuers such as the District, permits the District to waive sovereign immunity in the proceedings authorizing the issuance of the Bonds. Notwithstanding its reliance upon the provisions of Chapter 1371 in connection with the issuance of the Bonds (as further described under the caption "THE BONDS – Authority for Issuance"), the District has not waived the defense of sovereign immunity with respect thereto. Because it is unclear whether the Texas legislature has effectively waived the District's sovereign immunity from a suit for money damages outside of Chapter 1371, Bondholders may not be able to bring such a suit against the District for breach of the Bonds or Order covenants. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the United States 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 Bonds are qualified with respect to the customary rights of debtors relative to their creditors and general principles of equity that permit the exercise of judicial discretion.

SOURCES AND USES OF FUNDS . . . The proceeds from the sale of the Bonds, along with a contribution from the District, will be applied approximately as follows:

Sources of Funds:	
Principal Amount of Bonds	$ 106,370,000.00
Reoffering Premium	14,243,387.85
District Contribution	613,716.41
Total Sources of Funds	$ 121,227,104.26
Uses of Funds:	
Deposit to the Project Fund	$ 50,000,000.00
Deposit to the Escrow Fund	70,376,800.00
Underwriters' Discount	506,274.99
Cost of Issuance and Contingency	344,029.27
Total Uses of Funds	$ 121,227,104.26

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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

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 Session on January 8, 2019, and that session (the "86th Session") must conclude by May 28, 2019. As of March 8, 2019, the deadline for the unrestricted filing of most bills and joint resolutions in the 86th Legislature, several bills and resolutions that could potentially affect the management and investment of the PSF had been filed. Not all of the filed legislation is consistent with other filed legislation, and the prospects for passage of certain of the bills may be dependent upon other legislation that relates to funding public school finance in the State. In some instances multiple bills covering the same subject, and which are identical or substantially similar to other proposed legislation affecting the PSF, have been filed. TEA is unable to predict whether any such legislation will be enacted during the 86th Regular Session or, if enacted and subject to future voter referenda, if those referenda will be approved.

Among the filed legislation are at least three resolutions that if passed by the Legislature would submit referenda to the voters of the State in November 2019 for the purpose of amending provisions of the Texas Constitution that provide authority for PSF operations and management or that otherwise pertain to the PSF. One proposed constitutional amendment would increase the amount that may be transferred to the ASF by the GLO from $300 million to $600 million in each year. The other proposed constitutional amendment, together with its proposed enabling legislation, would (i) establish the constitutional purpose of the PSF to maximize revenue distributions to the ASF from PSF, (ii) create a new constitutional fund to be known as the Bicentennial Education Fund (the "BEF"), comprised of distributions from the PSF or other funds authorized or appropriated by the Legislature to provide for merit-based teach pay and for incentivizing scholastic achievement among historically underperforming student groups, (iii) authorize the Legislature to create a new nine-member organization proposed to be called the Texas Education Investment Management Organization to which the powers relating to the management of the PSF now assigned to the SBOE would be transferred, and giving the Governor the power to appoint the members and (iv) limiting the amount of uninvested money that may be retained by the GLO; limiting the investment powers of the GLO to the management of non-commercial real estate and mineral rights; and changing the composition and manner of appointment of the SLB. This latter proposed amendment maintains the limitations on the annual distributions that may be made to the ASF as described under "The Total Return Constitutional Amendment," but not for distributions to the BEF, and provides that in making transfers to the ASF and the BEF the organization managing the PSF shall coordinate such distributions to ensure sufficient funding is available to guarantee bonds under the Guarantee Program. A third resolution proposes a constitutional amendment to permit casino gambling at certain locations in the State to provide additional funding for, among other entities, the PSF. Other bills relate to open-enrollment charter schools, including provisions for the winding up of affairs for charter schools that lose their State charter and requiring charter districts that issue bonds to submit an application for review of the bonds to the Texas Bond Review Board.

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 27, 2019 (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 5.85%. As of April 1, 2019, there were 181 active open-enrollment charter schools in the State and there were 759 charter school campuses operating under such charters (though as of such date, 11 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 February 28, 2019, the amount of outstanding bond guarantees represented 68.64% 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 5.85% in February 2019, representing a cumulative growth during that period of 2.32%. 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 February 28, 2019, the Charter District Reserve Fund represented approximately 0.86% 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 February 28, 2019, the Charter District Reserve Fund contained $14,519,560.

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. Legislation has been introduced in the 86th Session, that, if adopted, would provide $634.2 million for an adjustment to school district property values and reimbursement for disaster remediation costs as a result of Hurricane Harvey, although the TEA is unable to predict whether that legislation or any similar legislation will be enacted. 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 Inc., S&P Global Ratings and Fitch Ratings Inc. rate bonds guaranteed by the PSF "Aaa," "AAA" and "AAA," respectively. Not all districts apply for multiple ratings on their bonds, however. See "OTHER INFORMATION - Ratings" herein.

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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

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(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 February 28, 2019, the PSF had a book value of $34,591,393,263 and a market value of $43,844,459,807. February 28, 2019 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]

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(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.

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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 February 28, 2019 (based on unaudited data, which is subject to adjustment), there were $80,561,386,358 of bonds guaranteed under the Guarantee Program, representing 3,249 school district issues, aggregating $78,837,331,358 in principal amount and 46 charter district issues, aggregating $1,694,055,000 in principal amount. At February 28, 2019, the capacity allocation of the Charter District Bond Guarantee Program was $3,265,722,717 (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 February 1, 2019, 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 15c2-12 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., et al.*, 490 S.W.3d 826 (Tex. 2016) ("*Morath*"). The plaintiffs and intervenors in the case had alleged that the Finance System, as modified by the Legislature in part in response to prior decisions of the Court, violated article VII, section 1 and article VIII, section 1-e of the Texas Constitution. In its opinion, the Court held that "[d]espite the imperfections of the current school funding regime, it meets minimum constitutional requirements." The Court also noted that:

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

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

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

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

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

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

Local funding is derived from collections of ad valorem taxes levied on property located within each district's boundaries. School districts are authorized to levy two types of property taxes: a limited M&O tax to pay current expenses and an unlimited interest and sinking fund ("I&S") tax to pay debt service on bonds. Generally, under current law, M&O tax rates are subject to a statutory maximum rate of $1.17 per $100 of taxable value for most school districts (although a few districts can exceed the $1.17 limit as a result of authorization approved in the 1960s). Current law also requires school districts to demonstrate their ability to pay debt service on outstanding indebtedness through the levy of an ad valorem tax at a rate of not to exceed $0.50 per $100 of taxable property at the time bonds are issued. Once bonds are issued, however, districts may levy a tax to pay debt service on such bonds unlimited as to rate or amount (see "TAX INFORMATION – 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 2018-2019 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 "TAX INFORMATION – 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 INFORMATION – 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 2018-2019 State fiscal biennium for an increase in 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 2018-2019 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 2018-2019 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 yield of $99.41 and $106.28 percent per weighted student in average daily attendance ("WADA") in the 2017-2018 and 2018-2019 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 2018-2019 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 2017-2018 and 2018-2019 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 2017-2018 school year, the statutes authorizing ASATR were 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 LEGISLATION . . . 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 funding public schools, including the District. 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 $0.06 (for most districts, M&O taxes levied above $1.06 per $100 in taxable value). So long as the State's equalization program under Chapter 42 of the Texas Education Code is funded to provide tax revenue equivalent to that raised by the Austin Independent School District on the first six pennies of tax effort that exceed the compressed tax rate, then M&O taxes levied above $1.00 but at or below $1.06 per $100 of taxable value ("Golden Pennies") are not subject to the wealth equalization provisions of Chapter 41. Because funding at the Austin Independent School District level is currently being provided to school districts under Chapter 42 of the Texas Education Code, no recapture is currently associated with the Golden Pennies. Chapter 41 districts with a wealth per student above the lower equalized wealth level but below the higher equalized wealth level must equalize their wealth only with respect to the portion of their M&O tax rate, if any, in excess of $1.06 per $100 of taxable value. Under Chapter 41, a district has five options to reduce its wealth per student so that it does not exceed the equalized wealth levels: (1) a district may consolidate by agreement with one or more districts to form a consolidated district; all property and debt of the consolidating districts vest in the consolidated district; (2) a district may detach property from its territory for annexation by a property-poor district; (3) a district may purchase attendance credits from the State; (4) a district may contract to educate nonresident students from a property-poor district by sending money directly to one or more property-poor districts; or (5) a district may consolidate by agreement with one or more districts to form a consolidated taxing district solely to levy and distribute either M&O taxes or both M&O taxes and I&S taxes. A Chapter 41 district may also exercise any combination of these remedies. Options (3), (4) and (5) require prior approval by the Chapter 41 district's voters.

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

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

The District's wealth per student for the 2018-19 school year is more than the equalized wealth value. As a result, the District is subject to certain of the wealth equalization provisions of the Finance System. However, because the District's identified wealth level falls between $319,500 and $514,000 wealth per student and the District's M&O tax rate of $1.04 does not exceed the compressed rate plus 6 cents, the District is not subject to recapture of funds from local tax collections in fiscal year 2018-2019. As a so-called "Chapter 41 district", the District does not receive any EDA or IFA to pay debt service requirements on its outstanding indebtedness, including the Bonds.

A district's wealth per student must be tested for each future school year and, if it exceeds the maximum permitted level, must be reduced by exercise of one of the permitted wealth equalization options. Accordingly, if the District's wealth per student continues 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 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.

TAX INFORMATION

AD VALOREM TAX LAW . . . The appraisal of property within the District is the responsibility of the Bexar Appraisal District (the "Appraisal District"). Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal District is required under the Property Tax Code to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining 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, and the method considered most appropriate by the chief appraiser is to be used. 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) the sum of (a) 10% of the appraised value of the property for the last year in which the property was appraised for taxation times the number of years since the property was last appraised, plus (b) the appraised value of the property for the last year in which the property was appraised plus (c) the market value of all new improvements to the property. The value placed upon property within the Appraisal District is subject to review by an Appraisal Review Board, consisting of three members appointed by the Board of Directors of the Appraisal District. The Appraisal District is required to review the value of property within the Appraisal District at least every three years. The District may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the District by petition filed with the Appraisal Review Board.

Reference is made to the VTCA, Property Tax Code, for identification of property subject to taxation; property exempt or which may be exempted from taxation, if claimed; the appraisal of property for ad valorem taxation purposes; and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Article VIII of the State Constitution ("Article VIII") and State law provide for certain exemptions from property taxes, the valuation of agricultural and open-space lands at productivity value, and the exemption of certain personal property from ad valorem taxation.

Certain residence homestead exemptions from ad valorem taxes for public school purposes are mandated by Section 1-b, Article VIII, and State law and apply to the market value of residence homesteads in the following sequence:

$25,000; and an additional

$10,000 for those 65 years of age or older, or the disabled. A person over 65 and disabled may receive only one $10,000 exemption, and only one such exemption may be received per family, per residence homestead. State law also mandates a freeze on taxes paid on residence homesteads of persons 65 years of age or older which receive the $10,000 exemption. Such residence homesteads shall be appraised and taxes calculated as on any other property, but taxes shall never exceed the amount imposed in the first year in which the property received the $10,000 exemption. The freeze on ad valorem taxes on the homesteads of persons 65 years of age or older and the disabled is also transferable to a different residence homestead. If improvements (other than repairs or improvements required to comply with governmental requirements) are made to the property, the value of the improvements is taxed at the then current tax rate, and the total amount of taxes imposed is increased to reflect the new improvements with the new amount of taxes then serving as the ceiling on taxes for the following years. Also, a surviving spouse of a taxpayer who qualifies for the freeze on ad valorem taxes is entitled to the same exemption so long as (i) the taxpayer died in a year in which he qualified for the exemption, (ii) the surviving spouse was at least 55 years of age when the taxpayer died and (iii) the property was the residence homestead of the surviving spouse when the taxpayer died and the property remains the residence homestead of the surviving spouse. Pursuant to a constitutional amendment approved by the voters on May 12, 2007, legislation was enacted to reduce the school property tax limitation imposed by the freeze on taxes paid on residence homesteads of persons 65 years of age or over or of disabled persons to correspond to reductions in local school district tax rates from the 2005 tax year to the 2006 tax year and from the 2006 tax year to the 2007 tax year (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - Overview" herein). The school property tax limitation provided by the constitutional amendment and enabling legislation apply to the 2007 and subsequent tax years.

In addition, under Section 1-b, Article VIII, and State law, the governing body of a political subdivision, at its option, may grant:

(i) An exemption of not less than $3,000 of the market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision;

(ii) An exemption of up to 20% of the market value of residence homesteads; minimum exemption $5,000.

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

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

In the case of residence homestead exemptions granted under Section 1-b, Article VIII, ad valorem taxes may continue to be levied against the value of homesteads exempted where ad valorem taxes have previously been pledged for the payment of debt if cessation of the levy would impair the obligation of the contract by which the debt was created.

State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from $5,000 to a maximum of $12,000.

The freeze on taxes paid on residence homesteads of persons 65 years of age and older was extended to include the resident homesteads of "disabled" persons, including the right to transfer the freeze to a different residence homestead. A "disabled" person is one who is "under a disability for purposes of payment of disability insurance benefits under the Federal Old Age, Survivors and Disability Insurance".

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

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

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

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

Article VIII provides that eligible owners of both agricultural land (Section l-d) and open-space land (Section l-d-l), including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified under both Section 1-d and 1-d-1.

The freeze on ad valorem taxes on the homesteads of persons 65 years of age or older for general elementary and secondary public school purposes is also transferable to a different residence homestead.

The governing body of a political subdivision is prohibited from repealing or reducing the amount of an optional homestead exemption that was in place for the 2014 tax year (fiscal year 2015) for a period ending December 31, 2019.

Nonbusiness personal property, such as automobiles or light trucks, are exempt from ad valorem taxation unless the governing body of a political subdivision elects to tax this property. Boats owned as nonbusiness property are exempt from ad valorem taxation.

Article VIII, Section 1-j of the Texas Constitution provides for "freeport property" to be exempted from ad valorem taxation. Freeport property is defined as goods detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Notwithstanding such exemption, counties, school districts, junior college districts and cities may tax such tangible personal property provided official action to tax the same was taken before April 1, 1990. Decisions to continue to tax may be reversed in the future; 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 the Texas Property Tax Code as personal property acquired or imported into Texas and transported to another location in the State or outside of the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory. The Property Tax Code provision permits local governmental entities, on a local option basis, to take official action after October 1 but by December 31 of the year preceding a tax year, after holding a public hearing, to tax goods-in-transit during the following tax year. A taxpayer may receive only one of the freeport exemptions or the goods-in-transit exemptions for items of personal property.

A city may create a tax increment financing district ("TIF") within the city 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 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. Effective September 1, 2001, school districts may not enter into tax abatement agreements under the general statute that permits municipalities and counties to initiate tax abatement agreements. 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 tax increment financing zone created after May 31, 1999 (except in certain limited circumstances where the municipality creating the tax increment financing zone gave notice prior to May 31, 1999 to all other taxing units that levy ad valorem taxes in the zone of its intention to create the zone and the zone is created and has 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 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 "TAX INFORMATION - Public Hearing and Rollback Tax Rate" and "TAX INFORMATION - District Application of Tax Code").

TAX RATE LIMITATIONS . . . A school district is authorized to levy maintenance and operation ("M&O") taxes subject to approval of a proposition submitted to district voters under Section 45.003(d) of the Texas Education Code, as amended. The maximum M&O tax rate that may be levied by a district cannot exceed the voted maximum rate or the maximum rate described in the 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 September 26, 1998 under Chapter 20, Texas Education Code (now codified at Section 45.003, Texas Education Code).

The maximum tax rate per $100 of assessed valuation that may be adopted by the District may not exceed the lesser of (A) $1.50 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 fiscal year 2017–18. The State Compression Percentage is set by legislative appropriation for each State fiscal biennium or, in the absence of legislative appropriation, by the Commissioner. For a more detailed description of the State Compression Percentage, see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - Local Funding for School Districts." Furthermore, a school district cannot annually increase its tax rate in excess of the district's "rollback tax rate" without submitting such tax rate to a referendum election and a majority of the voters voting at such election approving the adopted rate. See "TAX INFORMATION - Public Hearing and Rollback Tax Rate."

A school district is also authorized to issue bonds and levy taxes for payment of bonds subject to voter approval of 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").

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. 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. A portion of the Bonds are issued as "new money" bonds under Chapter 45, as amended, Texas Education Code, and are therefore subject to the threshold tax rate test. Under current law, a district may demonstrate its ability to comply with the $0.50 threshold tax rate test by applying the $0.50 tax rate to an amount equal to 90% of projected future taxable value of property in the district, as certified by a registered professional appraiser, anticipated for the earlier of the tax year five years after the current tax year or the tax year in which the final payment for the bonds is due. However, if a district uses projected future taxable values to meet the $0.50 threshold tax rate test and subsequently imposes a tax at a rate greater than $0.50 per $100 of valuation to pay for bonds subject to the test, then for subsequent bond issues, the Texas 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, if any, or projected property values to satisfy this threshold test.

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 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.

PROPERTY ASSESSMENT AND TAX PAYMENT . . . Property within the District is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of pricing information contained in either the standard edition of the Annual Energy Outlook or, if the most recently published edition of the Annual Energy Outlook was published before December 1 of the preceding calendar year, the Short-Term Energy Outlook report published in January of the current calendar year. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first installment due on February 1 of each year and the final installment due on August 1.

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

Month	Cumulative Penalty	Cumulative Interest(b)	Total
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July	27(a)	6	33

(a) Includes additional penalty of up to 20% assessed after July 1 in order to defray attorney collection expenses.
(b) Interest continues to accrue after July 1 at the rate of 1% per month until paid.

Taxes levied by the District are a personal obligation of the owner of the property. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with tax liens of all other such taxing units. A tax lien on real property has priority over the claim 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. 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. The ability of the District to collect delinquent taxes by foreclosure may be adversely affected by the amount of taxes owed to other taxing units, adverse market conditions, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer's debt. **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.**

DISTRICT APPLICATION OF TAX CODE . . . The District grants an exemption to the market value of the residence homestead of persons 65 years of age or older of $13,330; which is $3,330 in addition to the state-mandated $10,000; the disabled are also granted an exemption by the District of $13,330, which also is $3,330 in addition to the state-mandated $10,000.

The District has not granted an additional exemption of 20% of the market value of residence homesteads; minimum exemption of $5,000.

See Table 1 for a listing of the amounts of the exemptions described above.

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

Bexar County Tax Assessor/Collector collects taxes for the District. The District does not tax nonbusiness personal property.

The District does permit split payments, but discounts are not allowed.

The District does tax freeport property.

On October 25, 2011, the District's Board of Trustees adopted a resolution authorizing the continued taxation of goods-in-transit for the 2012 tax year and beyond.

TAX ABATEMENT POLICY . . . The District no longer has a tax abatement program.

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TABLE 1 - VALUATION, EXEMPTIONS AND TAX SUPPORTED DEBT

2018/19 Market Valuation Established by Bexar Appraisal District (includes exempt property)		$ 64,443,987,058
Less Exemptions/Reductions at 100% Market Value:		
Community Housing Development Organization	$ 148,344,251	
$25,000 Residential Homestead Exemptions (State Mandated)	2,768,820,449	
Over-65/Disabled Exemptions	789,663,300	
Disabled Veterans	1,243,980,809	
Disabled Persons	55,074,247	
Productivity Loss	771,904,940	
Leased Vehicles	237,418,390	
Military Active Service Surviving Spouse	2,791,550	
Value Lost to 10% Residential Cap	272,199,013	
Exempt	1,643,097,495	
Value Lost Due To Tax Freeze	5,495,324,100	
Low Income Housing	32,038,625	
Pollution Control	319,650	
Other	328,320	13,461,305,139
2018/19 Taxable Assessed Valuation		$ 50,982,681,919
Debt Payable from Ad Valorem Taxes as of March 31, 2019		
Unlimited Tax Bonds(1)	$ 2,136,780,000	
The Bonds	106,370,000	
Debt Payable from Ad Valorem Taxes(1)		$ 2,243,150,000
Interest and Sinking Fund as of March 31, 2019(2)		$ 154,850,371
Ratio of Tax Supported Debt to Taxable Assessed Valuation		4.40%

2019 Estimated Population - 658,000
Per Capita Taxable Assessed Valuation - $77,481
Per Capita Debt Payable from Ad Valorem Taxes - $3,409

(1) Excludes the Refunded Obligations.
(2) Unaudited.

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TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Taxable Appraised Value for Fiscal Year Ended August 31,					
	2019		2018		2017	
Category	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$35,486,666,208	55.07%	$32,975,727,901	54.65%	$30,565,767,270	54.90%
Real, Residential, Multi-Family	7,240,821,933	11.24%	6,459,664,844	10.71%	5,677,853,480	10.20%
Real, Vacant Lots/Tracts	1,292,444,719	2.01%	1,234,880,314	2.05%	1,233,027,354	2.21%
Real, Acreage (Land Only)	779,004,319	1.21%	780,186,799	1.29%	746,300,108	1.34%
Real, Farm and Ranch Improvements	657,699,598	1.02%	652,029,211	1.08%	626,135,084	1.12%
Real, Commercial	12,723,508,851	19.74%	12,158,638,703	20.15%	11,259,990,449	20.22%
Real, Industrial	118,127,021	0.18%	111,003,251	0.18%	107,850,766	0.19%
Real and Tangible Personal, Utilities	113,330,742	0.18%	108,303,720	0.18%	105,812,584	0.19%
Tangible Personal, Commercial	2,837,489,911	4.40%	2,859,609,764	4.74%	2,615,100,798	4.70%
Tangible Personal, Industrial	331,517,230	0.51%	242,517,236	0.40%	222,058,927	0.40%
Tangible Personal, Mobile Homes	40,656,040	0.06%	39,097,440	0.06%	39,553,310	0.07%
Special Inventory	208,456,740	0.32%	222,627,800	0.37%	222,548,830	0.40%
Real Property, Inventory[(1)]	513,193,975	0.80%	502,290,388	0.83%	473,707,694	0.85%
Exempt	2,061,227,081	3.20%	1,957,225,050	3.24%	1,748,253,954	3.14%
Other Sub-surface interests	39,842,690	0.06%	38,504,480	0.06%	35,311,930	0.06%
Total Appraised Value Before Exemptions	$64,443,987,058	100.00%	$60,342,306,901	100.00%	$55,679,272,538	100.00%
Adjustments	-		2,380,404,642		2,376,314,503	
Less: Total Exemptions/Reductions	13,461,305,139		12,406,003,146		11,362,521,756	
Taxable Assessed Value	$50,982,681,919		$50,316,708,397		$46,693,065,285	

	Taxable Appraised Value for Fiscal Year Ended August 31,			
	2016		2015	
Category	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$28,072,380,876	55.39%	$24,951,702,535	56.25%
Real, Residential, Multi-Family	4,874,819,594	9.62%	4,161,527,375	9.38%
Real, Vacant Lots/Tracts	1,119,676,339	2.21%	939,083,224	2.12%
Real, Acreage (Land Only)	742,327,960	1.46%	663,459,442	1.50%
Real, Farm and Ranch Improvements	582,197,489	1.15%	578,880,914	1.31%
Real, Commercial	9,953,405,592	19.64%	8,061,624,382	18.17%
Real, Industrial	99,992,076	0.20%	94,169,273	0.21%
Real and Tangible Personal, Utilities	102,330,937	0.20%	100,698,384	0.23%
Tangible Personal, Commercial	2,414,301,349	4.76%	2,198,339,805	4.96%
Tangible Personal, Industrial	231,067,087	0.46%	243,225,558	0.55%
Tangible Personal, Mobile Homes	39,423,660	0.08%	39,183,718	0.09%
Special Inventory	208,879,140	0.41%	194,206,960	0.44%
Real Property, Inventory[(1)]	438,444,019	0.87%	405,770,497	0.91%
Exempt	1,768,887,322	3.49%	1,693,816,679	3.82%
Other Sub-surface interests	33,130,020	0.07%	30,587,550	0.07%
Total Appraised Value Before Exemptions	$50,681,263,460	100.00%	$44,356,276,296	100.00%
Adjustments	1,391,150,646		33,080,485	
Less: Total Exemptions/Reductions	9,901,782,627		6,482,268,449	
Taxable Assessed Value	$42,170,631,479		$37,907,088,332	

(1) Real property, inventory in the hands of developers or builders; each group of properties in this category is appraised on the basis of its value as a whole as a sale to another developer or builder.

NOTE: Valuations shown are certified taxable assessed values reported by the Appraisal District. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

TABLE 3 - VALUATION AND TAX SUPPORTED DEBT HISTORY

Fiscal Year Ended 8/31	Estimated Population[1]	Taxable Assessed Valuation[2]	Taxable Assessed Valuation Per Capita	Net Tax Supported Debt Outstanding at End of Year	Ratio of Net Tax Supported Debt to Taxable Assessed Valuation	Net Tax Supported Debt Per Capita
2015	608,000	$ 37,907,088,332	$ 62,347	$ 2,091,145,000	5.52%	$ 3,439
2016	627,000	42,170,631,479	67,258	2,158,560,000	5.12%	3,443
2017	640,000	46,693,065,285	72,958	2,211,840,000	4.74%	3,456
2018	658,000	50,316,708,397	76,469	2,228,010,000	4.43%	3,386
2019	658,000 [3]	50,982,681,919	77,481	2,166,280,000 [4]	4.25% [4]	3,292 [4]

(1) Source: District Officials.
(2) Source: District Comprehensive Annual Financial Reports for years ending 2015 through 2018, and Bexar Appraisal District's Certified Totals for Tax Year 2018, subject to change during the ensuing year.
(3) Fiscal Year ending 2019 population held constant for purposes of illustration.
(4) Excludes the Refunded Obligations and includes the Bonds.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Year Ended 8/31	Tax Rate	Local Maintenance	and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2015	$ 1.37550	$ 1.04000	$ 0.33550	$ 521,412,000	99.27%	99.67%
2016	1.37550	1.04000	0.33550	580,057,036	99.31%	99.88%
2017	1.37550	1.04000	0.33550	642,263,113	99.34%	99.61%
2018	1.37550	1.04000	0.33550	692,106,324	99.33%	98.76%
2019	1.37550	1.04000	0.33550	701,266,790	90.37% [1]	90.22% [1]

(1) As of March 31, 2019, unaudited.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2018/19 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Microsoft Corporation	Computer Technology	$ 906,525,340	1.78 %
Methodist Healthcare System	Hospital	372,528,562	0.73 %
USAA	Insurance	314,379,790	0.62 %
H.E.B. Grocery Company LP	Grocery Stores	273,855,275	0.54 %
Wal-Mart Stores Inc #2404	Retail	270,158,010	0.53 %
Hines Global Reit San Antonio Retail I LP	Real Estate	230,038,759	0.45 %
La Cantera Retail LTD	Retail	221,088,920	0.43 %
Frankel Family Trust	Real Estate	204,802,070	0.40 %
Cyrusone LLC	Real Estate	175,000,000	0.34 %
Frost Bank	Bank	134,929,490	0.26 %
		$ 3,103,306,216	6.09 %

TAX-SUPPORTED DEBT LIMITATION . . . Section 45.0031, Texas Education Code, as amended, requires a district to demonstrate to the Texas Attorney General that it has the prospective ability to pay debt service on a proposed issue of bonds, together with debt service on other outstanding "new debt" of the district, 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 State allotments to the district which effectively reduce the district's local share of debt service. 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 debt service on 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) are not subject to the foregoing threshold tax rate test. A portion of the Bonds are new money bonds and are therefore, subject to the $0.50 tax rate test.

TABLE 6 - TAX ADEQUACY

2018-2019 Principal and Interest Requirements on Unlimited Ad Valorem Tax Bonds(1)	$ 174,847,150
Less: Estimated Delinquent Tax Collections	(1,000,000)
Less: Estimated Penalty and Interest Collections	(700,000)
Less: Debt Service Fund Transfer	(383,384)
Net: 2018-2019 Principal and Interest Requirements - Unlimited Ad Valorem Tax Debt	$ 172,763,766
$0.3355 Interest and Sinking Fund Tax Rate @ 99% Collections	$ 169,336,429
Freeze Tax Levy at 99% Collections	11,822,393
Total Interest and Sinking Fund Tax Levy	$ 181,158,822

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(1) Excludes the Refunded Obligations and includes the Bonds.

TABLE 7 - ESTIMATED OVERLAPPING DEBT

Expenditures of the various taxing entities within the territory of the District are paid out of ad valorem taxes levied by such entities on properties within the District. Such entities are independent of the District and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax bonds ("Tax Debt") was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional bonds since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the District.

Taxing Jurisdiction	2018/2019 Taxable Assessed Value	2018/2019 Tax Rate	Total Tax Supported Debt	Estimated % Applicable	District's Overlapping Tax Supported Debt As of 3/31/2019	Authorized But Unissued Debt As Of 3/31/2019
Alamo Community College District	$ 164,661,746,655	$0.1492	$ 470,915,000	35.16%	$ 165,573,714	$ 277,000,000
Bandera County	2,226,200,109	0.5577	6,315,000	1.28%	80,832	-
Bexar County	161,131,453,490	0.3011	1,881,600,000	35.16%	661,570,560	-
Bexar County Hospital District	165,977,500,982	0.2763	840,300,000	35.16%	295,449,480	-
Helotes, City of	1,114,157,469	0.3500	8,875,000	100.00%	8,875,000	-
Leon Valley, City of	1,012,370,298	0.5459	9,050,000	100.00%	9,050,000	-
Medina County	3,296,657,441	0.6017	3,405,000	3.62%	123,261	-
San Antonio, City of	114,652,832,752	0.5583	1,845,100,000	35.69%	658,516,190	580,540,000
San Antonio MUD # 1	57,062,733	0.5971	805,000	100.00%	805,000	24,396,000
Shavano Park, City of	1,250,999,383	0.2877	3,430,000	100.00%	3,430,000	-
Northside Independent School District	50,316,708,397	1.3755	2,243,150,000 (1)	100.00%	2,243,150,000 (1)	898,910,000 (2)

Total Direct and Overlapping Net Tax Supported Debt	$ 4,046,624,037
Ratio of Direct and Overlapping Net Tax Supported Debt to Taxable Assessed Valuation	8.04%
Per Capita Overlapping Net Tax Supported Debt	$ 6,150

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(1) Excludes the Refunded Obligations and includes the Bonds.
(2) See "Table 10 – Authorized but Unissued Unlimited Tax Bonds" herein.

DEBT INFORMATION

TABLE 8 - TAX SUPPORTED DEBT SERVICE REQUIREMENTS

FYE	Outstanding Debt[(1)]			The Bonds			Total	Percent of Principal
8/31	Principal	Interest	Total	Principal	Interest	Total	Debt Service	Retired
2019	$ 91,640,000	$ 82,264,459	$ 173,904,459	$ -	$ 942,692	$ 942,692	$ 174,847,150	
2020	73,575,000	79,103,885	152,678,885	2,815,000	4,524,920	7,339,920	160,018,805	
2021	76,980,000	83,666,910	160,646,910	2,955,000	4,384,170	7,339,170	167,986,080	
2022	77,030,000	84,011,323	161,041,323	3,100,000	4,236,420	7,336,420	168,377,743	
2023	82,145,000	83,177,535	165,322,535	3,255,000	4,081,420	7,336,420	172,658,955	18.31%
2024	85,870,000	84,605,160	170,475,160	3,420,000	3,918,670	7,338,670	177,813,830	
2025	89,760,000	80,616,347	170,376,347	3,585,000	3,747,670	7,332,670	177,709,017	
2026	94,115,000	76,690,560	170,805,560	3,770,000	3,568,420	7,338,420	178,143,980	
2027	83,430,000	72,671,748	156,101,748	3,860,000	3,474,170	7,334,170	163,435,918	
2028	88,230,000	68,852,928	157,082,928	4,055,000	3,281,170	7,336,170	164,419,098	38.69%
2029	92,245,000	64,748,591	156,993,591	4,255,000	3,078,420	7,333,420	164,327,011	
2030	96,345,000	60,401,384	156,746,384	4,470,000	2,865,670	7,335,670	164,082,054	
2031	100,755,000	55,903,898	156,658,898	4,695,000	2,642,170	7,337,170	163,996,068	
2032	103,710,000	51,366,811	155,076,811	4,930,000	2,407,420	7,337,420	162,414,231	
2033	95,095,000	46,696,366	141,791,366	5,175,000	2,160,920	7,335,920	149,127,286	61.35%
2034	92,275,000	42,602,061	134,877,061	5,385,000	1,953,920	7,338,920	142,215,981	
2035	93,470,000	38,485,783	131,955,783	5,600,000	1,738,520	7,338,520	139,294,303	
2036	82,405,000	34,098,662	116,503,662	5,770,000	1,570,520	7,340,520	123,844,182	
2037	84,035,000	30,305,230	114,340,230	5,995,000	1,339,720	7,334,720	121,674,950	
2038	80,940,000	26,374,647	107,314,647	6,235,000	1,099,920	7,334,920	114,649,567	81.82%
2039	67,560,000	22,511,427	90,071,427	1,745,000	850,520	2,595,520	92,666,947	
2040	63,125,000	19,006,343	82,131,343	1,815,000	780,720	2,595,720	84,727,063	
2041	47,275,000	15,639,975	62,914,975	1,890,000	708,120	2,598,120	65,513,095	
2042	49,515,000	12,914,463	62,429,463	1,950,000	649,530	2,599,530	65,028,993	
2043	45,750,000	10,103,450	55,853,450	2,010,000	589,080	2,599,080	58,452,530	94.34%
2044	39,480,000	7,378,400	46,858,400	2,070,000	526,770	2,596,770	49,455,170	
2045	25,865,000	4,943,900	30,808,900	2,135,000	462,600	2,597,600	33,406,500	
2046	24,185,000	3,319,200	27,504,200	2,220,000	377,200	2,597,200	30,101,400	
2047	16,570,000	1,732,150	18,302,150	2,310,000	288,400	2,598,400	20,900,550	
2048	8,175,000	572,250	8,747,250	2,400,000	196,000	2,596,000	11,343,250	99.89%
2049	-	-	-	2,500,000	100,000	2,600,000	2,600,000	100.00%
	$ 2,151,550,000	$ 1,344,765,844	$ 3,496,315,844	$ 106,370,000	$ 62,545,862	$ 168,915,862	$ 3,665,231,706	

(1) Excludes the Refunded Obligations. Interest calculated at the Term Rate of 2.125% through July 31, 2020 and 5.250% thereafter for the Series 2011 Variable Rate Unlimited Tax School Building Bonds. Interest calculated at the Term Rate of 1.750% through May 31, 2022 and at the Stepped Rate of 7.000% per annum thereafter for the Series 2012 Variable Rate Unlimited Tax School Building Bonds. Interest calculated at the Initial Rate of 2.000% through July 31, 2019 and at the Stepped Rate of 7.000% per annum thereafter for the Series 2014 Variable Rate Unlimited Tax School Building Bonds. Interest calculated at the Initial Rate of 2.000% through May 31, 2021 and at the Stepped Rate of 7.000% per annum thereafter for the Series 2016 Variable Rate Unlimited Tax School Building Bonds. Interest calculated at the Initial Rate of 1.450% through May 31, 2020 and at the Stepped Rate of 7.000% per annum thereafter for the Series 2017 Variable Rate Unlimited Tax School Building Bonds. Interest calculated at the Initial Rate of 2.750% through July 31, 2023 and at the Stepped Rate of 7.00% per annum thereafter for the Series 2018 Variable Rate Unlimited Tax School Building Bonds. Considers as an off-set to debt service the refundable tax credit to be received from the United States Department of the Treasury by the District as a result of its designation and election to treat certain of its outstanding unlimited ad valorem tax supported debt as “build America bonds” and/or “qualified school construction bonds” and “qualified bonds”. See “OTHER INFORMATION – Effect of Sequestration” herein.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

2019-2020 Principal and Interest Requirements on Unlimited Ad Valorem Tax Bonds(1)	$ 160,018,805
Less: Estimated Delinquent Tax Collections	(1,000,000)
Less: Estimated Penalty and Interest Collections	(700,000)
Net: 2019-2020 Principal and Interest Requirements - Unlimited Ad Valorem Tax Debt	$ 158,318,805
$0.3355 Interest and Sinking Fund Tax Rate @ 99% Collection(2)	$ 175,048,925

(1) Excludes the Refunded Obligations and includes the Bonds.
(2) Assumes an estimated $52,702,562,170 Net Taxable Value in 2019-2020.

TABLE 10 - AUTHORIZED BUT UNISSUED UNLIMITED TAX BONDS

Purpose	Date Authorized	Amount Authorized	Amount Previously Issued	Amount Being Issued	Unissued Balance
Construction and Equipping of School Buildings and Purchase of Sites	5/10/14	$ 648,340,000	$ 548,340,000 (1)	$ -	$ 100,000,000
Construction and Equipping of School Buildings and Purchase of School Buses	5/5/18	848,910,000	-	50,000,000 (2)	798,910,000 (2)
		$ 1,497,250,000	$ 548,340,000	$ 50,000,000	$ 898,910,000

(1) Voted and authorized bonds are issued solely for the purpose of constructing, equipping, and renovating school buildings, purchase sites for future schools, and paying costs of issuance.
(2) This represents the principal amount of $45,490,000 and an allocation of $4,510,000 of the reoffering premium for the new money portion of the Bonds.

ANTICIPATED ISSUANCE OF UNLIMITED TAX DEBT . . . On May 10, 2014, the District's voters authorized the District to issue $648,340,000 in unlimited tax-supported bonds. The District has issued seven installments of this authorization and applied bond proceeds in the aggregate amount of $548,340,000 (leaving $100,000,000 unissued) against the same.

On May 5, 2018, the District's voters authorized the District to issue $848,910,000 in unlimited ad valorem tax bonds, proceeds from which will be utilized to undertake District-wide improvements and are expected to address the District's capital needs at least through 2024. The Bonds represent the first installment of this authorization.

Over the next twelve months, the District anticipates issuing, in one or more series of bonds and in a combination of fixed and variable interest rate obligations and refunding bonds to refund certain of its outstanding bonds to realize debt service savings. Additionally, the District will refund or remarket those outstanding variable rate bonds currently bearing interest in term interest rate modes and whose mandatory tender dates occur in 2019. Finally, the District is considering the establishment of a commercial paper program to manage the timing of borrowing for capital needs under the voter-approved capital programs described above.

TABLE 11 - OTHER OBLIGATIONS

GENERAL . . . In addition to voter authorized ad valorem tax-supported debt, the District may also enter into other financial obligations, including maintenance tax notes payable from its collection of maintenance taxes, public property finance contractual obligations, delinquent tax notes, and leases for various purposes payable from State appropriations and surplus maintenance taxes. The District currently has no other such debt outstanding. After their issuance, and as provided above, $798,910,000 of the authorization will remain outstanding.

PENSION FUND AND OTHER POST EMPLOYMENT RETIREMENT BENEFITS . . . 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. For the year ended August 31, 2018, the State contributed $30,823,084 to TRS on behalf of the District's employees and the District paid additional State contributions of $21,369,734. Aside from the District's contribution to the TRS, the District has no pension fund expenditures or liabilities, except for portions of salaries that exceed salary limits of the TRS. The District contributes to the Texas Public School Retired

Employees Group Insurance Program ("TRS-Care"), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by TRS. TRS-Care provides health care coverage for certain persons (and their dependents) who retired under TRS. For the fiscal year ended August 31, 2018, the State contributed $5,379,272 to TRS-Care, District employees paid $1,630,269, and other contributions to the plan made from private grants and from the District were $3,974,741.

At August 31, 2018, the District reported a liability of $332,460,481 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 OPEB liability:	$ 332,460,481
State's proportionate share that is associated with the District:	506,815,527
Total:	$ 839,276,008

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 actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2016 thru August 31, 2017.

At August 31, 2017, the District's proportion of the collective net OPEB liability was 0.7645186%, which was the same proportion measured as of August 31, 2016.

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FINANCIAL INFORMATION

TABLE 12 - CHANGES IN NET ASSETS

	Fiscal Years Ended August 31,				
Revenues:	2018	2017	2016 [(1)]	2015	2014
Program Revenues:					
Charges for Services	$ 22,863,187	$ 21,389,546	$ 24,201,497	$ 29,616,003	$ 26,954,056
Operating Grants and Contributions	65,762,679	179,987,388	156,101,624	167,868,620	160,050,774
General Revenues:					
Maintenance and Operations Taxes	518,915,578	486,306,454	440,464,044	393,882,332	371,655,491
Debt Service Taxes	167,450,737	156,647,307	142,030,106	127,012,311	119,635,575
State Aid - Formula Grants	283,254,154	299,377,237	340,520,673	336,185,251	330,494,054
Miscellaneous Local & Intermediate	56,584	4,875,432	1,689,510	4,816,426	2,534,043
Insurance Proceeds from Hail Damage	19,876,035	20,000,000	-	-	-
Investment Earnings	14,093,318	6,704,397	3,192,526	1,057,662	764,322
Total Revenues	$ 1,092,272,272	$ 1,175,287,761	$ 1,108,199,980	$ 1,060,438,605	$ 1,012,088,315
Expenses:					
Instruction	$ 473,312,890	$ 631,619,664	$ 623,033,069	$ 592,068,785	$ 569,111,930
Instructional Resources & Media Services	11,762,954	13,515,903	13,519,934	13,147,210	12,246,684
Curriculum & Staff Development	16,341,034	21,742,063	19,974,598	20,687,736	18,267,954
Instructional Leadership	16,680,175	20,281,158	20,391,625	19,511,320	18,037,461
School Leadership	42,159,316	53,753,791	52,544,160	50,254,795	48,418,603
Guidance, Counseling & Evaluation Services	28,535,547	37,851,962	36,721,237	33,050,312	31,699,085
Social Work Services	2,844,125	3,189,762	3,233,713	3,085,235	2,932,108
Health Services	7,741,103	9,896,186	9,642,287	9,057,950	8,569,869
Student (Pupil) Transportation	29,770,055	33,613,186	32,468,535	31,433,081	29,815,002
Food Services	38,854,550	51,512,873	53,623,718	54,054,297	52,351,153
Co-curricular/Extracurricular Activities	25,751,635	27,706,673	26,785,256	26,174,474	22,293,852
General Administration	19,458,194	19,574,205	18,421,107	17,224,104	15,732,913
Plant Maintenance and Operations	100,153,713	91,189,634	80,577,540	76,476,147	74,171,357
Security and Monitoring Services	7,838,936	8,887,347	8,555,956	7,951,372	7,595,933
Data Processing Services	15,503,415	18,873,833	14,208,441	13,121,758	12,088,100
Community Services	2,566,553	5,484,167	5,330,434	11,056,229	8,421,466
Debt Service	70,307,497	64,292,216	73,824,581	72,043,209	72,336,311
Total Expenses	$ 909,581,692	$ 1,112,984,623	$ 1,092,856,191	$ 1,050,398,014	$ 1,004,089,781
Increase (Decrease) in Net Position	182,690,580	62,303,138	15,343,789	10,040,591	7,998,534
Net Position - September 1 (Beginning)	(285,633,004) [(2)]	235,031,304 [(3)]	212,915,752 [(1)]	350,587,327	348,561,296
Prior Period Adjustment	-	-	-	(140,161,110) [(4)]	(5,972,503)
Net Position - August 31 (Ending)	$ (102,942,424)	$ 297,334,442	$ 228,259,541	$ 220,466,808	$ 350,587,327

Source: The District's Comprehensive Annual Financial Reports.

(1) Beginning in the Fiscal Year 2016, the District elected to present activities associated with the Learning Tree Program as an enterprise fund, these activities were previously presented as a government activity. Amounts representing the net activity of previous years from this program totaling $7,551,056 were restated as an increase in the beginning net position in the enterprise fund and a related decrease in the net position of governmental activities as of September 1, 2015.

(2) In fiscal year 2018, the District implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension. As a result, the beginning net position has been restated to reflect the net OPEB liability and deferred outflow of resources relating to TRS-Care contributions made after the prior measurement date.

(3) Prior period adjustment due to corrections needed to provide for the recognition of revenue items and expenditures in the fund level statements in accordance with GAAP.

(4) Prior period adjustment related to District's adoption of GASB Statement No. 68.

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TABLE 12-A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Years Ended August 31,				
	2018	2017	2016	2015	2014
Revenues:					
Local and Intermediate Sources	$ 549,603,534	$ 501,160,475	$ 457,668,147	$ 410,591,023	$ 384,326,684
State Sources	318,256,687	338,749,614	379,595,237	373,775,533	365,413,871
Federal Sources	34,124,170	31,179,780	23,603,342	19,848,158	18,215,600
Total Revenues	$ 901,984,391	$ 871,089,869	$ 860,866,726	$ 804,214,714	$ 767,956,155
Expenditures:					
Instruction	$ 533,640,017	$ 514,325,554	$ 516,960,789	$ 487,241,314	$ 463,340,058
Inst. Resources and Media	11,960,820	11,460,800	11,602,623	11,306,348	10,367,904
Curriculum and Instructional Staff Development	15,578,180	14,493,558	13,797,714	14,535,670	11,714,892
Instructional Leadership	18,689,606	17,357,016	17,729,498	17,066,450	15,282,597
School Leadership	51,090,177	48,509,163	48,126,575	46,809,477	44,689,634
Guidance, Counseling and Evaluation Services	34,669,591	32,658,240	32,322,541	29,368,659	27,963,151
Social Work Services	3,059,025	2,732,002	2,801,590	2,698,678	2,468,215
Health Services	9,289,079	8,812,681	8,700,696	8,296,086	7,782,881
Student (Pupil) Transportation	31,757,378	30,655,742	29,886,691	29,149,732	27,476,120
Food Services	400,089	371,234	399,790	401,961	359,317
Cocurricular/Extracurricular Activities	21,422,233	20,074,925	19,075,072	19,243,756	16,419,587
General Administration	14,361,913	13,242,220	12,673,272	12,002,666	11,875,221
Plant Maintenance and Operation	78,616,026	74,966,063	71,629,639	67,572,889	64,889,389
Security and Monitoring Services	8,551,595	8,262,375	8,350,620	7,597,849	7,241,764
Data Processing Services	16,199,791	18,199,430	14,231,765	12,855,002	11,799,843
Community Services	1,997,008	1,436,570	1,610,054	7,764,984	5,306,223
Debt Service		-	-	-	-
Facility Acquisition and Construction	22,116,999	18,070,937	4,066,698	1,165,200	1,010,642
Payments to Juvenile Justice Alternative Education Program	126,884	126,341	207,443	137,073	637,193
Other Intergovernmental Charges	4,921,425	4,498,482	4,132,758	3,851,726	2,595,163
Total Expenditures	$ 878,447,836	$ 840,253,333	$ 818,305,828	$ 779,065,520	$ 733,219,794
Other Resources and (Uses)	$ 19,177,966	$ 19,910,000	$ (50,000)	$ (5,325,000)	$ (4,600,000)
Excess (Deficiency) of Revenues Over Expenditures	$ 42,714,521	$ 50,746,536	$ 42,510,898	$ 19,824,194	$ 30,136,361
Beginning Fund Balance on September 1	$ 412,413,592	$ 361,667,056 (1)	$ 309,046,665	$ 289,222,471	$ 259,086,110
Ending Fund Balance on August 31	$ 455,128,113	$ 412,413,592	$ 351,557,563	$ 309,046,665	$ 289,222,471

Source: The District's Comprehensive Annual Financial Reports.

(1) Prior period adjustment due to corrections needed to provide for the recognition of revenue items and expenditures in the fund level statements in accordance with GAAP.

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INVESTMENTS

The District invests its investable funds in investments authorized by State law, including Chapter 2256, as amended, Texas Government Code (the "Texas Public Funds Investment Act"), and in accordance with investment policies approved by the Board of Trustees 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 of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or their respective successors, or otherwise meeting the requirements of the Texas Public Funds Investment Act; (8) certificates of deposit and share certificates that (i) are issued by or through an institution that has its main office or a branch in Texas and (a) are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or their respective successors, (b) are secured as to principal by obligations described in clauses (1) through (7) above, or (c) secured in any other manner and amount provided by law for District deposits, or (ii) certificates of deposit where (a) the funds are invested by the District through a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the District as required by law, or a depository institution that has its main office or a branch office in the State of Texas that is selected by the District; (b) the broker or the depository institution selected by the District arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the 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 the depository institution selected under (a) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the United States Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 as custodian for the District with respect to the certificates of deposit issued for the account of the District; (9) fully collateralized repurchase agreements that (i) have a defined termination date, (ii) are fully secured by a combination of cash and obligations described in clause (1), (iii) require the securities being purchased by the District or cash held by the District to 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 selected and approved by the District, and (iv) are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (10) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time, and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (7) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (7) above and clauses (12) through (15) below, (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District, (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas, and (iv) the agreement to lend securities has a term of one year or less; (11) certain bankers' acceptances if the bankers' acceptance (i) has a stated maturity of 270 days or fewer from the date of issuance, (ii) will be, in accordance with its terms, liquidated in full at maturity, (iii) is eligible for collateral for borrowing from a Federal Reserve Bank, and (iv) is accepted by a State or Federal bank, if the short-term obligations of the accepting bank or its holding company (if the accepting bank is the largest subsidiary) are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with (i) a stated maturity of 270 days or less from the date of issuance, and (ii) a rating of at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (13) no-load money market mutual funds that are (i) registered with and regulated by the United States Securities and Exchange Commission, (ii) provide the District with a prospectus and other information required by the Securities and Exchange Act of 1934; and (iii) comply with Federal Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are (i) registered with the United States Securities and Exchange Commission, (ii) have an average weighted maturity of less than two years, and (iii) either (a) have a duration of one year or more and are invested exclusively in obligations described in this paragraph, or (b) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset- backed securities; (15) investment pools if the District has authorized investment in the particular pool and the pool invests solely in investments permitted by the Texas Public Funds Investment Act, and is continuously rated no lower than "AAA" or "AAA-m" or at an equivalent rating by at least one nationally recognized rating service; and (16) guaranteed investment contracts that (i) have a defined termination date, (ii) are secured by obligations which meet the requirements of the Texas Public Funds Investment Act in an amount at least equal to the amount of bond proceeds invested under such contract, and (iii) are pledged to the District and deposited with the District or with a third party selected and approved by the District.

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) of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

As a school district that qualifies as an "issuer" under Chapter 1371, as amended, Texas Government Code, the District is also authorized to purchase, sell, and invest its funds in corporate bonds. State law defines "corporate bonds" as senior secured debt obligations issued by a domestic business entity and rated not lower than "AA-" or the equivalent by a nationally recognized investment rating firm. The term does not include a bond that is convertible into stocks or shares in the entity issuing the bond (or an affiliate or subsidy thereof) or any unsecured debt. Corporate bonds must finally mature not later than 3 years from their date of purchase by the school district. A school district may not (1) invest more than 15% of its monthly average fund balance (excluding bond proceeds, reserves, and other funds held for the payment of debt service) in corporate bonds; or (2) invest more than 25% of the funds invested in corporate bonds in any one domestic business entity (including subsidiaries and affiliates thereof). Corporate bonds held by a school district must be sold if they are at any time downgraded below "AA-" (or the equivalent thereof) or, with respect to a corporate bond rated "AA-" (or the equivalent thereof), such corporate bond is placed on negative credit watch. Corporate bonds are not an eligible investment for a public funds investment pool. To invest in corporate bonds, an eligible school district must first (i) amend its investment policy to authorize corporate bonds as an eligible investment, (ii) adopt procedures for monitoring rating changes in corporate bonds and liquidating an investment in corporate bonds, and (iii) identify funds eligible to be invested in corporate bonds. As of the date of this Official Statement, the District has taken the steps necessary to allow for investing in corporate bonds but has not made any investments in that type of instrument.

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 include a list of authorized investments for District funds, maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirements 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 Texas Public Funds Investment Act.. All District funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each funds' 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 no load 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.

TABLE 13 - CURRENT INVESTMENTS[1]

As of March 31, 2019, the District's investable funds were invested in the following categories:

Description	% of Funds Invested	Book Value	Market Value
Lone Star Corporate Overnight Plus Fund	25.06%	$ 255,337,039	$ 255,337,039
Lone Star Government Overnight Fund	1.74%	17,758,737	17,758,737
LOGIC	19.08%	194,424,469	194,424,469
TexPool	2.00%	20,394,779	20,394,779
TexPool Prime	22.61%	230,379,763	230,379,763
Tex Star	1.66%	16,952,632	16,952,632
Texas Daily	0.00%	-	-
Texas CLASS	20.50%	208,864,822	208,864,822
Agency Notes	7.34%	74,823,177	74,874,300
Total	100.00%	$ 1,018,935,418	$ 1,018,986,541

As of such date, 100.00% of the District's investment portfolio will mature within 12 months. The market value of the investment portfolio was approximately 100.00% of its purchase price. 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.

____

(1) Unaudited.

TexSTAR is a local government investment pool for whom HilltopSecurities provides customer service and marketing for the pool. TexSTAR currently maintains a "AAAm" rating from S&P Global Ratings ("S&P"), and has an investment objective of achieving and maintaining a stable net asset value of $1.00 per share. Daily investments or redemptions of funds is allowed by the participants.

Local Government Investment Cooperative ("LOGIC") is a local government investment pool for whom HilltopSecurities provides customer service and marketing for the pool. LOGIC currently maintains a "AAAm" rating from S&P and has an investment objective of achieving and maintaining a stable net asset value of $1.00 per share. Daily investments or redemptions of funds are allowed by the participants. LOGIC operates in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940, to the extent such rule is applicable to its operations. Accordingly, LOGIC uses the amortized cost method permitted by SEC Rule 2a-7 to report net assets and share prices since that amount approximates fair value. The investment activities of LOGIC are administered by third party advisors. There is no regulatory oversight by the State over LOGIC.

TAX MATTERS

TAX EXEMPTION . . . The delivery of the Bonds is subject to the opinion of Norton Rose Fulbright US LLP, San Antonio, Texas, Bond Counsel, to the effect that interest on the Bonds for federal income tax purposes (1) is excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), of the owners thereof pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof. The statute, regulations, rulings, and court decisions on which such opinion is based are subject to change. A form of Bond Counsel's opinion appears in Appendix C hereto.

In rendering the foregoing opinions, Bond Counsel will rely upon Certificate of Sufficiency of HilltopSecurities, regarding the sufficiency of the deposit to the Escrow Fund on the date of closing, and representations and certifications of the District made in a certificate dated the date of delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance by the District with the provisions of the Order subsequent to the issuance of the Bonds. The Order contains covenants by the District with respect to, among other matters, the use of the proceeds of the Bonds and the facilities and equipment financed or refinanced therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, if required, the calculation and payment to the United States Treasury of any arbitrage "profits" and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants would cause interest on the Bonds to be includable in the gross income of the owners thereof from date of the issuance of the Bonds.

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

TAX CHANGES . . . Existing law may change to reduce or eliminate the benefit to registered owners of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

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

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

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

CONTINUING DISCLOSURE OF INFORMATION

In the Order, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB") through its EMMA system, where it will be available to the general public, free of charge, at www.emma.msrb.com.

ANNUAL REPORTS . . . The District will file certain updated financial information and operating data with the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under Tables numbered 1 through 6 and 8 through 13 and in Appendix B. The District will update and provide this information within six months after the end of each fiscal year ending in and after 2019.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's EMMA Internet Web site or filed with the SEC, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if the District commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the District will provide unaudited financial statements by the required time and audited financial statements when and if such audited financial statements become available. Any such financial statements will be 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.

The District's current fiscal year end is August 31. Accordingly, it must provide updated information 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 file notice of the change with the MSRB.

NOTICES OF CERTAIN EVENTS . . . The District will file with the MSRB notice of any of the following events with respect to the Bonds in a timely manner (and not more than 10 business days after occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional paying agent/registrar or the change of name of a paying agent/registrar, if material; (15) incurrence of a Financial Obligation of the District (as defined by the Rule, which includes certain debt, debt-like, and debt-related obligations), if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such 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 any such 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 with respect to the Permanent School Fund guarantee), or liquidity enhancement. In the Order, the District has adopted policies and procedures to ensure timely compliance of its continuing disclosure undertakings. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports". The District will provide each notice described in this paragraph to the MSRB.

For these purposes, any event described in clause (12) of the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District, and (B) the District intends the words used in the immediately preceding clauses (15) and (16) and in the definition of Financial Obligation above to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

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 national municipal securities information repositories with respect to filings made in connection with undertakings made under the Rule after the EMMA Effective Date. 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 material 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 is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement 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 District, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein 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 (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any 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 so amends the agreement, it has agreed to include with the next financial information and operating data 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 financial information and operating data so provided.

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

OTHER INFORMATION

RATINGS

The Bonds have been rated "Aaa" by Moody's Investors Service, Inc. ("Moody's") and "AAA" by Fitch Ratings ("Fitch") by virtue of the guarantee of the Permanent School Fund of the State of Texas (see "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM"). The Bonds and the presently outstanding unlimited tax supported debt of the District are rated "Aa1" by Moody's and "AA+" by Fitch without regard to credit enhancement. The District has determined to not apply to S&P Global Ratings ("S&P") for a rating on these Bonds. The District has four issues outstanding, excluding the Bonds, which are rated "Aaa" by Moody's, "AAA" by S&P and "AAA" by Fitch, and 27 additional issues outstanding which are rated "Aaa" by Moody's and "AAA" by Fitch, all by virtue of the guarantee of the Permanent School Fund of the State of Texas. The District has four issues that are not subject to the Permanent School Fund Guarantee. The District has received conditional approval for the Bonds to be guaranteed by the corpus of the Permanent School Fund. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the District makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by any or all of such rating companies, if in the judgment of any or all of such companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Bonds. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

EFFECT OF SEQUESTRATION

The District has determined that the reduced amount of refundable tax credit payments to be received from the United States Treasury in relation to its outstanding obligations designated as "build America bonds" or "qualified school construction bonds" and "qualified bonds" under the Code as a result of the automatic reductions in federal spending effective March 1, 2013 pursuant to the Budget Control Act of 2011 (commonly referred to as "Sequestration"), and extensions thereof pursuant to the Bipartisan Budget Act of 2013, signed into law by then-President Obama on December 26, 2013, will not have a material impact on the financial condition of the District or its ability to pay regularly scheduled debt service on its outstanding obligations when and in the amounts due and owing.

LITIGATION

Except as disclosed in this Official Statement, the District is not a party to any litigation or other proceeding pending or to its 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 statements of the District.

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

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. The District assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for 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 provisions.

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. 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, requires that the Bonds be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency (see "OTHER INFORMATION - Ratings" herein). In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with capital of at least one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value.

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

LEGAL MATTERS

The District will furnish the Underwriters with a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of the State 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 based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the Bonds are valid and legally binding obligations of the District and, subject to the qualifications set forth herein under "TAX MATTERS," the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes under existing statutes, published rulings, regulations, and court decisions. Bond Counsel has been retained by and only represents the District. A form of Bond Counsel's opinion appears in Appendix C attached hereto.

Though it represents the Underwriters and the "Financial Advisor" from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel was engaged by, and only represents, the District in connection with the issuance of the Bonds. Except as noted below, Bond Counsel did not take part in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein except that in its capacity as Bond Counsel, such firm has (other than any financial, technical, or statistical data herein) reviewed the information in this Official Statement appearing under the captions and subcaptions "PLAN OF FINANCING – Refunded Obligations", "THE BONDS" (excluding the information under the subcaptions "Permanent School Fund Guarantee", "Book-Entry-Only-System", "Bondholders' Remedies", and "Sources and Uses of Funds", as to which no opinion is expressed), "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS", "CURRENT PUBLIC SCHOOL FINANCE SYSTEM", "TAX MATTERS", "CONTINUING DISCLOSURE OF INFORMATION" (except under the subcaption "Compliance with Prior Undertakings", as to which no opinion is expressed), "OTHER INFORMATION – Registration and Qualification of Bonds for Sale", "OTHER INFORMATION - Legal Investments and Eligibility to Secure Public Funds in Texas", and "OTHER INFORMATION - Legal Matters" (excluding the last two sentences of the second paragraph thereof), and such firm is of the opinion that the information contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the Order. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. The legal opinion will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by their counsel McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, whose fee is contingent on the sale and delivery of the Bonds. McCall, Parkhurst & Horton L.L.P., also advises the TEA in connection with its disclosure obligations under Federal securities laws, but such firm has not passed upon any TEA disclosures contained in this Official Statement.

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

HilltopSecurities 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. HilltopSecurities, 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.

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

UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the District at the prices indicated on page 2 hereof, less an underwriting discount of $506,274.99, and no accrued interest. The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds, and such public offering prices may be changed, from time to time, by the Underwriters.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement pursuant to their responsibility to investors under federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

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

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

The Underwriters and their respective affiliates also may communicate independent investment recommendations, market advice, or trading ideas and/or publish or express independent research views in respect of such assets, securities or other financial instruments and at any time may hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and other financial instruments.

Citigroup Global Markets Inc., an underwriter of the Bonds, has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, "Fidelity"). Under this distribution agreement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, Citigroup Global Markets Inc. will compensate Fidelity for its selling efforts.

FORWARD-LOOKING STATEMENTS DISCLAIMER

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 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. The District's actual results could differ materially from those discussed in such forward-looking statements.

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

MISCELLANEOUS

The financial data and other information contained herein have been obtained from the District's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

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

The Order also approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorized its further use in the reoffering of the Bonds by the Underwriters. This Official Statement has been approved by the Board of the District for distribution in accordance with the provisions of the United States Securities and Exchange Commission Rule codified at 17 C.F.R. Section 240.15c2-12.

Weaver and Tidwell, L.L.P., being the independent auditor of the District that prepared the financial statements attached hereto as Appendix B, has not been engaged to perform, and has not performed, since the date of its report included herein, any procedures on the financial statement addressed in that report. Weaver and Tidwell, L.L.P. also has not performed any procedures related to the Official Statement.

/s/ M'Lissa M. Chumbley
President, Board of Trustees
Northside Independent School District

ATTEST:

/s/ Gerald B. Lopez
Secretary, Board of Trustees
Northside Independent School District

SCHEDULE I

SCHEDULE OF REFUNDED OBLIGATIONS

Variable Rate Unlimited Tax Refunding Bonds, Series 2011A

Original Dated Date	Maturity (June 1)	Interest Rate	Amount
May 15, 2011	2020	2.000%	$ 2,080,000 [(1)]
	2021	2.000%	2,190,000 [(1)]
	2022	2.000%	2,305,000 [(1)]
	2023	2.000%	2,425,000 [(1)]
	2024	2.000%	2,555,000 [(1)]
	2025	2.000%	2,690,000 [(1)]
	2026	2.000%	2,830,000 [(1)]
	2027	2.000%	2,980,000 [(1)]
	2028	2.000%	3,135,000 [(1)]
	2029	2.000%	3,300,000 [(1)]
	2030	2.000%	3,475,000 [(1)]
	2031	2.000%	3,655,000 [(1)]
	2032	2.000%	3,845,000 [(1)]
	2033	2.000%	4,050,000 [(1)]
	2034	2.000%	4,260,000 [(1)]
	2035	2.000%	4,485,000 [(1)]
	2036	2.000%	4,720,000 [(1)]
	2037	2.000%	4,970,000 [(1)]
	2038	2.000%	5,230,000 [(1)]
	2039	2.000%	4,500,000 [(1)]
			$ 69,680,000

These Refunded Obligations are to be called on June 1, 2019 at par.

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(1) 2039 Term Bond mandatory sinking fund redemptions.

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APPENDIX A

GENERAL INFORMATION REGARDING THE DISTRICT

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GENERAL INFORMATION REGARDING THE DISTRICT

THE DISTRICT

Established in 1949, Northside Independent School District (the "District") includes property in Bexar, Medina and Bandera Counties. The District contains an area of 316.49 square miles located in Bexar, Medina and Bandera Counties. The District primarily lies in the northwest quadrant of Bexar County and is traversed by Interstate Highway 10, a portion of U.S. Highway 90, Bandera Road and Culebra Road. Loop 410, a major expressway loop (the "Inner Loop") encircling San Antonio, runs through the southern and southwestern portions of the District. The "Outer Loop", Highway 1604, also runs through a portion of the District. The District has a 2019 estimated population of 658,000.

Eight new schools have opened in the District in the last five years, and one more is planned to open in the next two years. The District is the largest of the 15 school districts in Bexar County and the 4th largest in the State. The District continues to be the "destination" district in San Antonio for many families seeking a quality school system.

BOARD OF TRUSTEES

The District is governed by a seven-member Board of Trustees (the "Board"). Effective as of the May 6, 1995 Board of Trustees election, Trustees are elected from single-member districts. The May 6, 1995 Trustee election was pre-cleared by the United States Department of Justice pursuant to Section 5 of the Federal Voting Rights Act. The District implemented single-member districts to resolve litigation styled "Arriola v. Northside ISD et al," that was finalized pursuant to an Order of Dismissal entered by a Federal District Judge on March 30, 1995. All Trustees stood for election on May 6, 1995 and three Trustees were elected for two-year terms while the other four were elected for four-year terms. Since May 1997 all Trustees have served staggered four-year terms. Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent of Schools who is the chief administrative officer of the District. Support services are supplied by consultants and advisors.

Board of Trustees	Length of Service	Term Expires	Occupation
M'Lissa M. Chumbley President, District 3	24 Years	May 2023	Insurance Specialist
Dr. Carol Harle Vice President, District 6	6 Years	May 2021	Educational Consultant/ Professor
Gerald B. Lopez Secretary, District 2	4 Years	May 2023	Small Business Owner
Joseph Medina Trustee, District 1	4 Years	May 2023)	Educator
Robert (Bobby) Blount, Jr. Trustee, District 4	20 Years	May2023	Corporate Manager
Katie N. Reed Trustee, District 5	29 Years	May 2021	Community Volunteer
Karen Freeman Trustee, District 7	14 Years	May 2021	Community Volunteer

ADMINISTRATIVE OFFICERS

Superintendent of School

Dr. Brian T. Woods, a longtime District educator, became Superintendent in July 2012.

Dr. Woods began his career in the District in 1992 as a high school social studies teacher. He served as both an assistant principal and vice principal at the high school level before becoming Principal of the District's Clark High School.

Dr. Woods moved to the central office in 2006 as the Assistant Superintendent for Secondary Administration and was promoted to Deputy Superintendent of Administration in 2008.

Dr. Woods has a bachelor's degree in political science from the University of Texas at Austin and a master's degree and doctorate in educational leadership from the University of Texas at San Antonio.

Deputy Superintendent, Administration

Ray Galindo started his teaching career at Austin ISD in 1991. He came to the District one year later and taught at Valley Hi and Leon Valley elementary schools. He served as Vice Principal at Lackland City and Leon Springs elementary schools and then as Principal at Leon Valley and Hatchett elementary schools. In 2008, Mr. Galindo was promoted to Assistant Superintendent for Elementary Administration and, in July 2012, to his current position. Mr. Galindo has a bachelor of science degree from the University of Texas at Austin and a master's degree from the University of Texas at San Antonio.

Deputy Superintendent, Curriculum and Instruction

Dr. Janis Jordan is a 25-year veteran educator. Dr. Jordan joined the District in the fall of 2016. Prior to joining the District, Dr. Jordan served as an Assistant Principal at Swansea High School in Swansea, South Carolina, a Curriculum Development Coordinator at Victoria Independent School District, an Executive Director of Curriculum and an Assistant Superintendent for Curriculum and Instruction at Corpus Christi Independent School District, and most recently she was the Assistant Superintendent for Curriculum Services at Lake Travis Independent School District.

Dr. Jordan received a bachelor's degree from Texas A&M University, a master's degree from the University of South Carolina, and a doctorate degree from the University of Houston.

Deputy Superintendent, Business and Finance

David Rastellini, a Certified Public Accountant, was named Deputy Superintendent for Business & Finance effective February 1, 2015. Mr. Rastellini is the Chief Financial Officer overseeing all business functions of the District including accounts payable, payroll, budget, accounting, purchasing, fixed assets, investments, debt management and tax office functions. Since 2008, Mr. Rastellini's previous positions within the District included Assistant Superintendent of Budget & Finance and Director of Accounting. Mr. Rastellini has over 35 years of experience working in Texas school finance. Prior to joining the District, he served in other Texas school districts including Dallas ISD, Waco ISD, Austin ISD, New Braunfels ISD, and San Angelo ISD. Throughout his career, Mr. Rastellini has been active in professional organizations assuming leadership roles, including Past President of the Texas Association of School Business Officials.

OTHER ADMINISTRATIVE PERSONNEL

The District also has seven Assistant Superintendents. There are 345 campus administrators and 102 central office administrators.

EDUCATION PROGRAMS

School Districts must provide instruction in the Texas Essential Knowledge and Skills (TEKS) in the appropriate grades levels of both the foundation and enrichment curriculum. The foundation curriculum includes core content areas, such as English, mathematics, science and social studies. The enrichment curriculum includes courses in the areas of fine arts, health and physical education, career and technical education, and languages other than English. Academically talented students may seek challenges through advanced placement, dual credit, and other college credit courses in both the foundation and enrichment curriculum. Depending upon which of the five endorsement options a student selects, their program of study is customized accordingly. Northside ISD consistently performs above the state in most all measures of accountability and has a District 'Met Standard' rating from TEA.

Magnet Schools:

Northside ISD is the home to innovative magnet schools and programs of choice. These include:

- Health Careers High School, a stand-alone magnet school which the District owns and operates in the South Texas Medical Center
- Business Careers High School, which operates within the comprehensive Holmes High School campus.
- Jay HS Science and Engineering, which operates within the comprehensive Jay HS
- Communication Arts, which operates within the comprehensive Taft HS
- Construction Careers, which operates within the comprehensive Warren HS
- Marshall Law and Medical Services, which operates within the comprehensive Marshall HS, will open in August 2019

Special Education Program:

A wide variety of special education program alternatives are available for special needs students in the District. These programs are designed to help the visually and auditorily handicapped, seriously emotionally disturbed, mentally challenged and autistic students. Each elementary school has access to a certified Speech/Language/Hearing specialist. Adapted physical education specialists, licensed music therapists, teachers for the audio-handicapped and teachers for the visually handicapped provide highly specialized services. Special education and regular education teachers have been trained on the implementation of the collaborative teach model.

Career and Technology Program:

A wide range of Career and Technology programs are available to District students. All Career and Technical Courses have been aligned into the following Career Clusters:

- Agriculture, Food & Natural Resources
- Architecture & Construction
- Arts, A/V Technology & Communications
- Business Management & Administration
- Education & Training
- Finance
- Health Science
- Hospitality & Tourism
- Human Services
- Information Technology
- Law, Public Safety, Corrections & Security
- Manufacturing
- Marketing
- Science, Technology, Engineering & Mathematics
- Transportation, Distribution & Logistics

Through these programs, students are able to obtain specific skills in occupational areas of personal interest such as automotive, electronics, engineering, architecture, graphic and digital media, metal trades, construction, agricultural production, childcare, fashion design, hospitality, culinary arts, business management, health occupations, computer maintenance and technology and cosmetology.

Full Day Pre-K:

The District will expand the 4 year old Pre-Kindergarten program to full day at 28 campuses in August 2019 for qualifying families, bringing the total campuses with this program to 33. A limited number of tuition-based slots for non-qualifying families will also be available.

State and Federal Programs:

Programs and services are provided for students who are economically disadvantaged, at-risk and/or English language learners. Programs are designed to increase student achievement as well as increase graduation and completion rates. Services for at-risk students are provided for all District campuses. Additional services for economically disadvantaged students are provided at 47 designated Title 1 campuses under the Every Student Succeeds Act (ESSA). A few of the programs currently in place include:

- Credit Retrieval/Acceleration at the high schools provides students the opportunity to make-up previously failed credits and/or accelerate credits for students who are over-aged under-credited. The goal is to help students get back on track to graduate in a timely manner.
- Math and Reading Specialists at the elementary and middle school levels work with small groups of students to enhance learning opportunities and close achievement gaps.
- Tutorial opportunities at all campuses support classroom learning as well as preparation for state assessments.
- Even Start Family Literacy Program consists of school-community partnership to break the cycle of poverty and illiteracy by offering early childhood education, adult literacy or adult basic education and parenting education. The program provides services and support for children from birth through age eight, along with their parents. The goal is to support families so that children and their parents develop habits of lifelong learning.

FACULTY

Teachers in the District have an average of 11.37 years total teaching experience with 8.3 years' experience in the District. Their experience is enhanced by the quality of their education: 35.26% of the teachers hold master's degrees. The District employs a total of 7,658 teachers.

OTHER EMPLOYEES

The District employs a total of 2,116 professional support and administration personnel as well as 1,134 instructional assistants. In addition, the District employs 3,955 paraprofessionals, maintenance, transportation and other support personnel. Total District employees are 14,863.

EDUCATIONAL FACILITIES AND STUDENT POPULATION

The District includes 16 high schools, 20 middle schools, 79 elementary schools and 9 special schools serving special population students and 15 support centers. The District is accredited by the Texas Education Agency with a "Met Standard" Accountability rating.

STUDENT ENROLLMENT HISTORY[(1)]

Year	Enrollment	Increase/ Decrease	Year	Enrollment	Increase/ Decrease
1963-64	8,006	---	1991-92	52,090	1,936
1964-65	9,333	1,327	1992-93	53,994	1,904
1965-66	10,810	1,477	1993-94	55,036	1,042
1966-67	12,942	2,132	1994-95	56,163	1,127
1967-68	14,777	1,835	1995-96	57,489	1,326
1968-69	16,848	2,071	1996-97	59,175	1,686
1969-70	19,092	2,244	1997-98	60,253	1,078
1970-71	21,297	2,205	1998-99	61,330	1,077
1971-72	23,800	2,503	1999-00	62,661	1,331
1972-73	25,446	1,646	2000-01	63,976	1,315
1973-74	27,906	2,460	2001-02	65,772	1,796
1974-75	28,881	975	2002-03	69,058	3,286
1975-76	29,346	465	2003-04	71,507	2,449
1976-77	30,109	763	2004-05	74,018	2,511
1977-78	30,856	747	2005-06	78,104	4,086
1978-79	31,845	989	2006-07	81,826	3,722
1979-80	32,594	749	2007-08	85,546	3,720
1980-81	33,459	865	2008-09	88,400	2,854
1981-82	34,513	1,054	2009-10	91,578	3,178
1982-83	35,097	584	2010-11	94,318	2,740
1983-84	36,605	2,092	2011-12	96,527	2,209
1984-85	39,151	2,546	2012-13	98,424	1,897
1985-86	42,167	3,016	2013-14	100,651	2,227
1986-87	44,702	2,535	2014-15	102,273	1,622
1987-88	46,889	2,187	2015-16	104,020	1,747
1988-89	48,564	1,675	2016-17	105,550	1,530
1989-90	49,470	906	2017-18	106,066	516
1990-91	50,154	684	2018-19	105,856 [(2)]	(210)

(1) Enrollment figures are for fall semester each year.
(2) As of September 28, 2018 Base Day.

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STUDENT ENROLLMENT BY GRADE[1]

Year	EE	Pre-K[2]	K	1	2	3	4	5	6	7	8	9	10	11	12	Special Campuses[3]	Total
1970-71			75	1,828	1,851	1,945	1,898	1,876	1,929	1,890	1,842	1,771	1,449	1,211	1,112	620	21,297
1971-72			153	1,867	2,142	2,047	2,186	2,146	2,032	2,122	2,042	2,056	1,722	1,397	1,188	700	23,800
1972-73			234	1,697	2,112	2,315	2,190	2,310	2,277	2,238	2,183	2,364	1,851	1,528	1,340	807	25,446
1973-74			1,289	1,896	1,937	2,223	2,507	2,456	2,464	2,526	2,361	2,512	2,098	1,745	1,479	413	27,906
1974-75			1,501	2,087	1,969	2,032	2,306	2,580	2,563	2,550	2,515	2,534	2,261	1,907	1,575	501	28,881
1975-76			1,644	2,166	2,141	2,043	2,039	2,364	2,597	2,578	2,530	2,680	2,286	2,071	1,737	460	29,336
1976-77			1,759	2,341	2,278	1,149	2,135	2,128	2,448	2,654	2,602	2,796	2,383	2,145	1,882	309	29,009
1977-78			1,609	2,391	2,445	2,398	2,302	2,233	2,276	2,591	2,682	2,853	2,514	2,238	1,960	364	30,856
1978-79			1,706	2,285	2,516	2,537	2,514	2,399	2,397	2,395	2,596	3,035	2,604	2,368	2,069	424	31,845
1979-80			1,664	2,349	2,399	2,611	2,627	2,594	2,535	2,494	2,444	2,901	2,825	2,534	2,173	444	32,594
1980-81			1,755	2,288	2,511	2,535	2,748	2,795	2,801	2,661	2,555	2,888	2,623	2,519	2,380	400	33,459
1981-82		55	1,853	2,431	2,478	2,667	2,757	2,898	2,970	2,927	2,764	2,955	2,519	2,555	2,352	323	34,504
1982-83		42	1,996	2,560	2,454	2,478	2,758	2,832	3,024	3,145	2,937	3,127	2,601	2,448	2,332	363	35,097
1983-84		58	2,172	2,836	2,582	2,570	2,704	2,829	3,085	3,248	3,162	3,415	2,771	2,544	2,248	381	36,605
1984-85		64	2,258	3,209	2,920	2,799	2,846	2,879	3,103	3,318	3,410	4,013	2,856	2,702	2,395	379	39,151
1985-86		356	2,694	3,324	3,215	3,111	3,048	2,997	3,275	3,292	3,492	4,382	3,166	2,894	2,518	403	42,167
1986-87		583	2,870	3,881	3,252	3,388	3,358	3,153	3,296	3,388	3,353	4,327	3,626	3,098	2,744	385	44,702
1987-88		937	3,037	3,922	3,733	3,350	3,548	3,447	3,406	3,426	3,385	4,316	3,600	3,416	2,979	387	46,889
1988-89		1,137	3,291	4,220	3,766	3,789	3,535	3,561	3,642	3,442	3,450	4,159	3,564	3,384	3,219	405	48,564
1989-90		1,079	3,410	4,390	3,841	3,878	3,799	3,642	3,796	3,649	3,440	4,313	3,400	3,319	3,126	388	49,470
1990-91		1,132	3,355	4,575	3,864	3,856	3,925	3,851	3,856	3,685	3,651	4,227	3,548	3,157	3,066	406	50,154
1991-92		1,323	3,712	4,482	4,079	3,976	3,977	4,004	4,154	3,899	3,681	4,585	3,447	3,344	2,958	478	52,099
1992-93		1,424	3,763	4,663	4,222	4,234	4,087	4,091	4,250	4,163	3,816	4,770	3,705	3,189	3,097	520	53,994
1993-94		1,506	3,825	4,555	4,300	4,344	4,356	4,209	4,283	4,137	4,123	4,931	3,712	3,314	2,914	527	55,036
1994-95		1,542	3,910	4,392	4,406	4,361	4,438	4,447	4,351	4,263	4,087	5,109	3,847	3,291	3,073	646	56,163
1995-96		1,365	4,162	4,476	4,450	4,531	4,536	4,530	4,609	4,398	4,265	5,097	3,914	3,412	3,073	671	57,489
1996-97	203	1,174	4,238	4,695	4,547	4,460	4,579	4,661	4,712	4,627	4,409	5,195	4,062	3,689	3,168	756	59,175
1997-98	193	1,280	4,146	4,698	4,646	4,477	4,519	4,685	4,780	4,741	4,521	5,342	4,244	3,843	3,414	724	60,253
1998-99	227	1,343	4,408	4,729	4,711	4,653	4,495	4,589	4,807	4,662	4,710	5,609	4,207	3,941	3,429	810	61,330
1999-00	254	1,357	4,540	4,895	4,807	4,812	4,734	4,598	4,686	4,875	4,575	5,853	4,381	3,932	3,602	760	62,661
2000-01	268	1,409	4,621	5,060	4,926	4,831	4,904	4,847	4,754	4,709	4,861	5,680	4,706	4,053	3,562	785	63,976
2001-02	243	1,304	4,795	5,267	5,028	5,090	4,903	4,969	5,024	4,871	4,727	5,535	4,885	4,434	3,903	794	65,772
2002-03	228	1,479	5,295	5,414	5,293	5,285	5,216	5,175	5,149	5,206	4,939	5,693	5,109	4,635	4,200	742	69,058
2003-04	260	1,563	5,529	5,781	5,477	5,411	5,473	5,344	5,409	5,313	5,251	5,855	5,270	4,745	4,142	684	71,507
2004-05	271	1,696	5,664	6,094	5,669	5,675	5,565	5,672	5,574	5,515	5,416	6,623	4,800	4,923	4,120	741	74,018
2005-06	290	1,649	6,153	6,429	6,137	5,969	5,979	5,895	5,882	5,791	5,681	7,264	5,643	4,297	4,318	727	78,104
2006-07	325	1,855	6,431	6,972	6,499	6,398	6,332	6,249	5,990	6,018	6,005	7,499	5,557	4,524	4,304	868	81,826
2007-08	309	1,886	6,634	7,139	6,855	6,644	6,624	6,468	6,327	6,107	6,225	7,994	6,139	4,798	4,557	840	85,546
2008-09	392	1,976	6,754	7,292	7,019	6,942	6,724	6,661	6,545	6,455	6,314	7,977	6,649	5,188	4,738	774	88,400
2009-10	404	2,335	7,086	7,448	7,152	7,080	7,118	6,846	6,777	6,694	6,691	7,442	6,941	5,804	5,067	693	91,578
2010-11	463	2,394	7,151	7,748	7,376	7,324	7,284	7,308	6,991	6,974	6,858	7,492	6,516	6,228	5,447	764	94,318
2011-12	593	2,669	7,239	7,753	7,637	7,459	7,504	7,445	7,297	7,044	7,104	7,395	6,814	6,103	5,713	758	96,527
2012-13	610	2,762	7,579	7,647	7,696	7,747	7,499	7,485	7,298	7,306	7,150	7,636	6,926	6,512	5,750	821	98,424
2013-14	646	2,780	7,448	8,061	7,666	7,825	7,835	7,605	7,340	7,474	7,397	7,661	7,183	6,585	6,139	1,006	100,651
2014-15	665	2,509	7,589	8,034	8,108	7,838	7,931	7,852	7,291	7,556	7,611	7,865	7,334	6,809	6,175	1,106	102,273
2015-16	593	2,499	7,593	8,087	8,098	8,308	7,956	7,884	7,513	7,607	7,680	8,331	7,666	7,285	6,460	1,069	104,020
2016-17	510	2,363	7,386	7,914	8,043	8,245	8,410	7,948	7,623	7,779	7,706	8,399	7,971	7,521	6,714	1,018	105,550
2017-18	600	2,473	7,189	7,756	7,806	8,000	8,331	8,426	7,681	7,846	7,854	8,554	7,977	7,581	6,917	1,075	106,066
2018-19[4]	687	2,376	7,164	7,330	7,773	7,780	8,032	8,390	8,143	7,736	7,909	8,798	7,949	7,859	6,873	1,057	105,856

(1) All figures are as of the fall semester for each year.
(2) Includes Infant program, Early Childhood Education for the handicapped, and HB 72 Pre-Kindergarten program.
(3) Special Campus counts vary irregularly due to changing methods of accounting for special education students.
(4) As of September 28, 2018 Base Day.

ENROLLMENT BY CAMPUS

Elementary Schools	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19[1]
1. Adams Hill	667	697	689	678	506	589	610	649	651	686	702	405	398	385	494	431	373	439	411	485	530	533	513	557	533	563	573	536	557	518	472
2. Allen[2]	503	507	514	494	478	484	474	497	560	572	564	610	579	532	519	621	612	617	613	609	617	598	610	600	604	598	577	578	556	573	579
3. Aue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	548	635	732	831	869	957	756	634	647	677	673	685
4. Beard	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	619	806	910	1,076	1,117	1,164	969	998	1,037	915	845	841	789	736	691	664
5. Behlau	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	423	458	599	755	825	868	967	1,080	763
6. Blattman	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	453	491	586	569	494	508	534	582	596	605	634	544	526	524	538	524
7. Boldt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	495	618	749	850
8. Boone	1,194	986	824	886	867	834	888	912	884	905	877	923	970	947	956	1,018	1,009	999	948	936	658	656	655	654	654	646	597	601	629	579	556
9. Brauchle	-	-	719	772	746	949	1,076	999	988	1,019	823	848	965	907	806	792	767	746	717	931	733	705	624	621	606	594	621	602	652	624	610
10. Braun Station	936	889	755	696	702	721	703	826	855	701	680	592	669	577	560	551	555	606	598	670	648	617	674	643	587	543	579	611	565	537	514
11. Burke	-	-	-	-	-	-	-	-	-	-	-	-	572	663	720	654	717	716	845	607	623	627	505	517	487	500	503	518	495	472	451
12. Cable	562	569	567	583	611	605	604	621	604	565	558	516	513	461	602	627	502	531	548	622	653	646	663	704	751	770	732	736	695	676	581
13. Carlos Coon	1,068	1,017	1,017	1,048	867	901	882	916	1,045	912	903	936	677	685	805	649	676	762	747	751	680	689	749	759	816	854	851	806	823	766	721
14. Carnahan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	573	635	658	627	620	622	640	607	580	577	533
15. Carson	-	-	-	-	-	-	-	-	-	-	546	751	666	1,004	713	739	720	622	645	670	673	710	713	713	691	642	642	633	590	572	561
16. Cody	1,004	995	1,023	1,063	837	873	965	936	977	941	898	902	958	832	901	928	982	1,048	1,038	980	733	824	836	806	779	745	777	699	625	611	628
17. Cole	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	639	793	874
18. Colonies North	648	599	624	801	749	664	707	705	759	748	770	752	767	740	744	732	771	705	497	533	601	666	606	587	642	710	698	725	657	734	625
19. Driggers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	636	651	658	628	645	617	616	596	604	601	574	566
20. Ellison	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	458	516	529	575	617
21. Elrod	541	710	613	656	648	667	655	687	714	713	734	764	760	730	740	741	745	799	805	618	600	591	581	565	554	556	539	509	522	456	436
22. Esparza	813	795	752	760	807	808	771	754	761	724	734	750	737	752	721	765	758	797	794	797	855	875	772	770	743	746	702	695	671	650	581
23. Evers	-	-	-	-	845	917	940	1,018	1,014	1,019	1,027	897	905	910	947	970	789	839	746	664	627	678	728	817	853	944	982	996	899	832	754
24. Fernandez	-	-	588	686	696	732	766	780	836	876	874	898	765	715	741	829	856	838	786	758	718	694	718	696	668	638	640	633	592	600	608
25. Fields	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	729	838	853
26. Fisher	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	676	847	910	908	954	1,042	824	825	846	840	839	774	699
27. Forester	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	776	946	753	835	908	961	984	972	980	922	861
28. Franklin	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	477	546	628	730	792	768
29. Galm	477	543	636	683	598	637	699	729	788	835	883	976	1,034	818	863	925	769	757	922	1,032	934	769	721	730	704	703	711	710	665	610	568
30. Glass	488	494	564	564	598	567	548	506	526	544	553	512	503	483	464	494	529	521	612	634	579	580	587	635	609	615	589	565	603	613	560
31. Glenn	774	810	762	824	854	844	832	850	773	725	671	608	628	613	605	603	638	701	684	686	662	687	699	689	671	656	671	669	616	579	544
32. Glenoaks	577	642	700	772	599	621	599	591	600	550	662	747	735	690	747	729	745	824	644	606	645	624	668	659	604	547	657	675	669	619	684
33. Hatchett	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	743	1,026	977	716	793	794	838	866	798	814	808	823	800	768	746
34. Helotes	468	489	385	345	406	405	445	462	512	485	515	523	541	587	610	544	599	518	547	517	502	483	476	491	376	358	379	386	400	408	424
35. Henderson	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	569	659	702	609	692	841	814	530	537
36. Hoffman	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	697	925	609	692	761	901	1,032	941	999	974
37. Howsman	929	888	765	828	619	607	641	705	742	749	728	694	698	755	844	651	705	642	622	642	597	621	629	685	691	693	721	754	752	716	696
38. Hull	554	524	536	528	625	714	709	566	542	528	555	557	595	598	638	593	573	601	496	517	582	576	546	596	664	685	650	639	612	545	488
39. Kallison	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	585	825
40. Knowlton	1,147	1,160	861	947	998	1,012	1,002	1,023	1,038	1,032	1,032	1,067	808	810	818	781	785	776	768	740	773	763	754	749	736	736	681	702	659	669	612
41. Krueger	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	646	994	1,226	1,325	1,094	1,013	1,072	1,068	1,051	1,071	1,046	824	745	714
42. Kuentz	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	741	789	800	818	819	793	771	735	707	655
43. Langley	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	669	847	594	645	701	812	528	432	457	444
44. Leon Springs	43	-	-	470	504	551	570	563	593	483	520	510	520	521	528	556	621	729	845	526	541	555	538	574	572	584	393	427	463	487	526
45. Leon Valley	756	627	578	632	618	618	675	876	923	688	710	793	774	869	775	791	822	723	639	593	592	642	682	670	710	719	660	637	624	585	589
46. Lewis	-	-	-	-	-	-	-	-	-	-	-	-	-	635	835	1,023	964	1,092	912	945	949	990	824	812	806	798	787	758	719	685	672
47. Lieck	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	445	557	613	714	704	699	732	676
48. Linton	598	636	605	787	769	761	748	758	790	725	606	604	634	670	719	695	683	644	624	641	697	691	514	618	583	584	604	622	538	541	481
49. Locke Hill	1,053	1,054	1,114	758	817	895	867	895	913	813	823	820	848	848	902	743	754	810	792	792	720	692	693	678	677	670	662	676	642	627	627
50. Los Reyes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	368	422	448	494	521	579	570
51. Martin	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	661	733	790	814	787	762	733	722	663
52. May	-	-	-	-	-	-	-	-	-	462	550	626	644	751	772	623	644	738	749	791	516	525	589	620	677	709	545	619	611	554	508
53. McAndrew	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	236	256	279	294	327	338
54. McDermott	-	-	-	-	760	846	847	752	754	846	857	881	934	848	893	924	873	926	654	769	734	752	778	789	762	727	812	822	820	669	673
55. Mead	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	753	723	797	832	916	977	785	777	793	803	809	738	702
56. Meadow Village	460	464	418	402	378	386	353	514	480	450	534	482	464	514	440	485	442	475	492	579	584	580	573	556	644	656	597	574	539	531	513
57. Michael	83	94	95	91	67	56	-	-	-	-	-	506	549	649	755	816	722	804	435	558	600	656	631	519	799	818	836	832	766	745	689
58. Mireles	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	548	741	893	1,013	1,139	889	931	960
59. Mora	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	473
60. Murnin	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	751	838	788	827	893	924	865	898	897	884	893	871	884
61. Myers	-	-	-	-	-	-	-	-	-	623	734	824	684	674	655	815	844	816	873	730	732	765	677	688	681	706	722	710	665	680	669
62. Nichols	-	-	-	-	-	-	-	-	-	-	-	-	-	-	663	731	882	747	738	735	709	709	652	607	551	553	504	467	460	464	452
63. Northwest Crossing	1,115	1,206	884	921	1,000	1,025	1,057	1,145	1,169	1,103	847	811	714	663	747	614	610	694	711	720	725	658	595	617	637	620	600	608	585	538	524
64. Oak Hills Terrace	933	780	866	863	752	766	749	786	780	782	742	741	760	746	558	560	573	558	501	516	534	560	574	587	576	603	597	621	630	652	623
65. Ott	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	645	875	1,168	1,303	1,309	883	855	810	807	808	745	758	720	692	703
66. Passmore	774	755	834	770	740	694	670	667	604	609	596	630	652	609	610	630	620	570	591	576	538	568	578	586	570	539	574	536	551	551	531
67. Powell	761	683	650	498	490	494	490	498	462	470	470	503	514	507	572	575	601	601	663	682	680	726	510	520	509	543	534	501	474	487	475
68. Raba	-	-	-	-	-	-	-	-	-	-	-	-	510	624	723	783	727	768	859	800	808	781	827	819	780	736	739	692	737	765	740
69. Rhodes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	574	656	625	719	732	667	691	580	512	521	614	643	641	649	662	599	546
70. Scarborough	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	587	690	619	714	828	694	820	1,018	794	895	998
71. Scobee	468	663	727	815	976	1,012	1,078	1,074	1,061	850	833	782	791	768	836	761	719	670	686	619	620	674	651	628	587	574	621	579	585	564	521
72. Steubing	-	-	-	-	-	-	-	-	-	453	595	764	901	914	784	773	762	825	482	579	643	528	552	532	533	537	531	520	503	509	471
73. Thornton	-	647	831	945	909	894	905	996	1,037	1,003	953	963	1,018	1,024	805	796	786	746	651	633	612	739	746	704	732	681	673	687	630	592	603
74. Timberwilde	1,088	1,210	1,018	1,056	1,030	993	925	964	933	730	841	845	840	836	883	747	697	723	753	741	737	733	746	788	806	807	781	737	693	630	593
75. Valley-Hi	280	263	283	261	295	282	263	256	259	272	263	248	248	257	268	282	330	373	377	359	401	392	477	465	462	431	419	402	406	408	389
76. Villarreal	808	862	786	819	797	772	803	679	681	659	613	659	644	723	760	704	692	688	684	709	706	682	851	715	792	810	785	767	741	710	681
77. Wanke	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	721	778	757	788	859	900	794	826	852	860	830	784	723
78. Ward	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	566	709	920	1,196	1,387	1,333	1,096	1,087	1,031	975	930	903	893	850	859	838
79. Westwood Terrace	736	772	773	846	883	868	891	775	842	794	779	777	780	755	770	750	744	695	704	681	562	586	553	652	664	619	618	577	544	552	503
	23,306	24,030	24,356	25,548	26,441	27,064	27,407	27,930	28,450	28,644	29,155	29,997	30,866	31,599	33,385	34,838	36,306	38,501	41,061	42,559	43,760	45,469	47,048	48,299	49,025	49,866	50,526	51,125	50,819	50,581	49,532

ENROLLMENT BY CAMPUS (Continued)

Middle Schools	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19(1)
1. Bernal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	637	763	830	894	1,010
2. Briscoe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	815	1,014	1,234	1,296	852	916	1,093	1,212	1,390
3. Connally	-	-	-	-	-	-	-	-	-	-	1,165	1,263	1,278	1,333	1,363	1,356	1,310	1,279	1,249	1,077	974	1,013	1,011	1,082	1,097	1,080	1,063	1,016	982	949	954
4. Folks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	585	721	845	997	1,210	1,503
5. Garcia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,294	1,364	1,450	1,499	1,475	1,495	1,528	1,473	1,470	1,489
6. Hobby	1,459	1,327	1,372	1,248	1,254	1,238	1,240	1,272	1,365	1,361	1,427	1,364	1,342	1,300	1,337	1,024	1,052	1,044	1,049	1,030	1,013	1,015	1,078	1,086	1,076	1,016	983	1,010	1,033	1,037	935
7. Jefferson	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,321	1,618	1,459	1,516	1,554	1,675	1,491	1,456	1,474	1,495	1,507	1,482
8. Jones	1,225	1,266	1,286	1,260	1,245	1,249	1,243	1,237	1,243	1,263	1,238	1,182	1,156	1,165	1,105	1,151	1,111	1,169	1,064	1,034	1,077	1,113	1,098	1,112	1,107	1,147	1,181	1,153	1,121	1,071	1,011
9. Jordan	-	-	-	-	-	1,125	1,226	1,344	1,407	1,430	1,395	1,405	1,539	1,401	1,555	1,656	1,545	1,759	1,666	1,666	1,151	1,177	1,266	1,263	1,334	1,353	1,329	1,273	1,310	1,300	1,259
10. Luna	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,048	1,220	1,457	1,572	1,209	1,364	1,032	1,111	1,177	1,221	1,248	1,290	1,292	1,355	1,442
11. Neff	975	1,000	1,020	1,040	1,056	1,071	1,049	1,093	1,100	1,131	1,061	1,005	1,024	992	961	1,005	1,007	1,033	990	1,106	1,143	1,153	1,233	1,271	1,232	1,175	1,179	1,202	1,215	1,166	1,071
12. Pease	1,133	1,175	1,166	1,207	1,262	883	842	854	872	890	903	901	942	1,019	1,113	1,218	932	981	1,200	1,319	1,117	1,133	1,148	1,145	1,164	1,154	1,124	1,147	1,167	1,099	1,122
13. Rawlinson	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	908	1,011	1,048	1,375	1,302	1,308	963	1,063	1,110	1,123	1,155	1,162	1,151	1,200	1,283	1,354
14. Rayburn	722	729	737	791	752	819	790	864	838	867	796	812	771	776	750	783	804	872	864	940	1,021	1,069	925	939	934	957	963	938	918	934	975
15. Ross	1,276	1,247	1,200	1,201	1,240	1,119	1,144	1,101	1,094	1,083	1,031	948	918	893	994	1,014	1,012	1,023	991	999	980	1,020	1,011	1,096	1,075	1,111	1,123	1,159	1,117	1,161	1,166
16. Rudder	1,081	1,227	1,308	1,320	1,343	1,172	1,210	1,259	1,294	1,303	1,231	1,277	1,318	1,381	1,406	1,146	1,113	1,116	1,116	1,130	1,198	1,146	1,138	1,073	1,020	986	1,033	1,018	1,042	971	962
17. Stevenson	1,450	1,578	1,697	1,405	1,575	1,574	1,517	1,573	1,614	1,652	1,322	1,325	1,348	1,398	1,439	1,570	1,637	1,716	1,831	1,530	1,538	1,514	1,438	1,442	1,366	1,418	1,357	1,393	1,316	1,328	1,237
18. Stinson	-	-	-	763	873	1,017	1,114	1,257	1,401	1,484	1,386	1,432	1,509	1,627	1,703	1,501	1,573	1,781	1,659	1,473	1,538	1,163	1,234	1,261	1,258	1,191	1,137	1,139	1,173	1,166	1,146
19. Vale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,337	1,425	1,374	1,306	1,371	1,375	1,336	1,292	1,323	1,323	1,350
20. Zachry	1,213	1,336	1,406	1,499	1,629	1,276	1,326	1,418	1,520	1,578	1,224	1,222	1,179	1,337	1,568	1,641	1,350	1,313	1,502	1,160	1,092	1,141	1,079	1,130	1,012	1,025	1,079	1,027	1,011	945	930
TOTAL	10,534	10,885	11,192	11,734	12,229	12,543	12,701	13,272	13,748	14,042	14,179	14,136	14,324	14,622	15,294	15,973	16,505	17,354	18,013	18,659	19,314	20,162	20,823	21,445	21,754	22,211	22,458	22,734	23,108	23,381	23,788

High Schools	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19(1)
1. Brandeis	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,588	2,200	2,341	2,399	2,477	2,518	2,553	2,705	2,722	2,707	2,788
2. Brennan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,317	1,826	2,036	2,225	2,455	2,667	2,927	2,644	2,613
3. Clark	2,836	2,699	2,657	2,615	2,568	2,475	2,549	2,750	2,949	3,031	2,838	2,798	2,745	2,763	2,762	2,746	2,653	2,796	2,805	3,040	2,640	2,566	2,589	2,573	2,646	2,742	2,714	2,785	2,898	2,764	2,855
4. Excel Academy(3)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	189	114	110	86	76	77	88	98	53	28	21	34	47	74	89	75
5. Harlan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,449	2,303
6. Health Careers	791	827	831	831	876	874	867	851	900	915	920	916	912	894	842	828	857	845	842	859	845	856	817	810	813	852	831	829	858	845	867
7. Holmes/Business Careers	-	-	-	231	440	564	683	708	751	752	728	693	657	683	597	497	419	399	518	611	688	702	632	605	626	703	668	628	599	516	509
8. Holmes	2,855	2,710	2,438	2,359	2,346	2,293	2,423	2,349	2,423	2,512	2,299	2,297	2,291	2,417	1,887	1,631	1,658	1,628	1,526	1,715	1,680	1,746	1,896	1,907	1,923	1,883	1,980	2,100	2,374	2,371	2,338
9. Jay/Science and Engineering	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	357	470	529	624	710	748	692	692	656	668	737	707	688	650	600
10. Jay	3,288	3,197	3,164	3,087	3,016	2,952	2,873	2,862	2,800	2,746	2,789	2,781	2,783	2,929	3,133	3,258	3,117	2,279	1,944	2,066	2,216	2,261	2,085	2,065	2,066	2,061	2,051	2,163	2,405	2,385	2,307
11. Marshall	2,592	2,622	2,741	2,885	3,049	3,171	3,123	2,879	2,912	3,191	2,324	2,377	2,477	2,729	2,570	2,563	2,588	2,568	2,505	2,555	2,543	2,575	2,481	2,445	2,502	2,499	2,592	2,526	2,609	2,618	2,531
12. O'Connor	-	-	-	-	-	-	-	-	-	-	1,882	2,652	2,849	3,071	3,035	3,013	3,029	3,166	3,174	3,321	2,790	2,789	2,910	2,982	2,952	2,992	3,041	3,106	3,298	3,337	3,274
13. Stevens	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,003	2,885	3,100	3,009	2,999	2,627	2,481	2,682	2,764	2,709	2,776	2,897	2,924	2,856
14. Taft/Communication Arts	-	-	-	-	-	-	-	107	220	312	401	397	391	427	442	462	468	460	490	508	520	519	494	494	495	485	499	497	509	488	510
15. Taft	1,964	2,103	2,167	2,256	2,386	2,490	2,722	2,769	2,951	3,176	2,792	2,637	2,670	2,697	2,309	2,317	2,583	2,105	2,084	2,390	2,286	2,306	1,991	1,959	2,060	2,233	2,347	2,524	2,718	2,148	1,961
16. Warren/Construction Careers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	131	244	328	418	454	493	495	532	533	518
17. Warren	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,890	2,508	2,623	2,693	2,496	2,623	2,960	2,768	2,469	2,406	2,444	2,468	2,479	2,509	2,497	2,561	2,574
Challenge	-	-	-	70	80	52	80	86	106	115	87	84	84	54	75	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sunset	-	-	-	-	-	-	-	135	102	93	126	136	142	93	95	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	14,326	14,158	13,998	14,334	14,761	14,871	15,320	15,496	16,114	16,843	17,186	17,768	18,001	18,757	19,637	20,012	20,466	21,522	21,884	23,488	24,552	25,254	25,683	26,025	26,824	27,568	28,183	29,064	30,605	31,029	31,479
Northside Pre-K and EE	76	103	97	87	110	87	89	120	107	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Special Campuses	405	388	406	478	520	527	646	671	756	724	810	760	785	794	742	684	741	727	868	840	774	693	764	758	821	1,006	1,106	1,097	1,018	1,075	1,057
TOTAL FOR ALL SCHOOLS	48,647	49,564	50,049	52,181	54,061	55,092	56,163	57,489	59,175	60,253	61,330	62,661	63,976	65,772	69,058	71,507	74,018	78,104	81,826	85,546	88,400	91,578	94,318	96,527	98,424	100,651	102,273	104,020	105,550	106,066	105,856

(1) As of September 28, 2018 Base Day.
(2) In 2012, the name changed from Lackland City to Allen Elementary.
(3) The consolidation of Challenge and Sunset High Schools resulted in creation of Excel Academy.

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The City of San Antonio and Bexar County

Population and Location

The 2010 Census, prepared by the United States Census Bureau ("U.S. Census Bureau"), found a City of San Antonio (the "City") population of 1,327,407. For the 2010 City population, it was determined that the U.S. Census Bureau had erroneously assigned 35 census blocks to the City that are actually outside of the City limits. The revised 2010 City population is 1,326,539.

The U.S. Census of Population estimates the City's population to be 1,492,520 in 2016. The U.S. Census Bureau ranks the City as the second largest in the State of Texas (the "State") and the seventh largest in the United States. The City is located in south central Texas approximately 80 miles south of the state capitol in Austin, 165 miles northwest of the Gulf of Mexico, and approximately 150 miles from the U.S./Mexico border cities of Del Rio, Eagle Pass, and Laredo, respectively.

The City is the county seat of Bexar County (the "County"). The County had a population of 1,714,773 according to the 2010 Census. In 2016, the U.S. Census of Population estimated the County's population to be 1,928,680 and the San Antonio-New Braunfels Metropolitan Statistical Area ("MSA") population to be 2,429,609.

Population

The following table provides the population of the City, the County, and the MSA, which includes Bexar County and Comal, Wilson, and Guadalupe Counties:

Year	City of San Antonio	Bexar County	San Antonio-New Braunfels MSA
1920	161,379	202,096	289,089
1930	231,542	292,533	389,445
1940	253,854	338,176	437,854
1950	408,442	500,460	603,775
1960	587,718	687,151	796,792
1970	654,153	830,460	951,876
1980	785,880	988,800	1,154,648
1990	935,933	1,185,394	1,407,745
2000	1,144,646	1,392,931	1,711,703(1)
2010	1,326,539	1,714,773	2,142,508(2)

(1) As of June 2003, the United States office of Management and Budget redefined the City MSA by increasing the number of counties from four to eight: Atascosa, Bandera, Kendall, and Medina Counties were added to its mainstays of Bexar, Comal, Guadalupe, and Wilson Counties. (The 2000 figure reflects the new 2003 redefined eight-county area.) As of December 2009, New Braunfels, Texas qualified as a new principal city of the San Antonio MSA, and the MSA was retitled San Antonio-New Braunfels MSA.

(2) Provided by the American Community Survey.

Sources: U.S. Census Bureau; Texas Association of Counties – County Information Project; and City of San Antonio, Department of Planning and Community Development.

Area and Topography

The area of the City has increased through numerous annexations, and now contains approximately 485 square miles. The topography of the City is generally hilly with heavy black to thin limestone soils. There are numerous streams fed with underground spring water. The average elevation is 795.5 feet above mean sea level.

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BEXAR COUNTY

The County was organized in 1836 as one of the original counties of the Republic of Texas and is now the fourth most populous of the 254 counties in the State. The County has an area of approximately 1,248 square miles and is located in south central Texas and is a component of the San Antonio-New Braunfels MSA. The principal city within the County is San Antonio, which is the county seat.

The diversified economic base of the County is composed of financial services, healthcare, agriculture, manufacturing, construction, military, and tourism. The County's proximity to Mexico provides favorable conditions for international business relations with the country in the areas of agriculture, tourism, manufacturing, wholesale and retail markets. Industry ranges from the manufacturing of apparel, food products, aircraft, electronics and pharmaceuticals to iron and steel products and oil well equipment. San Antonio is a major insurance center in the southwest, serving as the headquarters for several insurance companies, including United Services Automobile Association.

EMPLOYMENT AND WAGES BY INDUSTRY - BEXAR COUNTY[(1)(2)]

	Third Quarter				
	2018	2017	2016	2015	2014
Natural Resources and Mining	6,315	5,288	4,674	5,407	6,101
Construction	39,376	38,639	39,070	38,608	36,068
Manufacturing	36,602	35,815	34,859	33,536	34,253
Trade, Transportation & Utilities	140,536	141,526	140,941	138,206	132,329
Information	18,886	18,697	19,210	19,970	20,255
Financial Activities	77,240	77,089	76,467	73,373	70,848
Professional and Business Services	120,322	116,037	114,268	109,382	108,241
Education and Health Services	142,341	138,929	135,245	128,565	124,529
Leisure and Hospitality	117,691	115,799	113,169	109,143	104,619
Other Services	24,617	24,869	24,473	23,992	22,628
Unclassified	919	729	310	192	88
State Government	16,961	16,762	16,779	17,470	17,135
Local Government	88,912	88,140	87,171	84,817	82,802
Total Employment	830,718	818,319	806,636	782,660	759,897
Total Wages	$ 9,822,443,231	$ 9,403,814,128	$ 9,320,254,387	$ 8,657,517,944	$ 8,209,429,026

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(1) Source: Texas Workforce Commission.
(2) Statistics do not include Federal employees or their wages.

LABOR FORCE STATISTICS FOR BEXAR COUNTY[(1)]

	2019[(2)]	2018[(3)]	2017[(3)]	2016[(3)]	2015[(3)]
Civilian Labor Force	957,012	938,434	919,974	896,333	871,594
Total Employed	923,973	905,574	883,775	864,269	837,787
Total Unemployed	33,039	32,860	36,199	32,064	33,807
Unemployment Rate	3.5%	3.5%	3.9%	3.6%	3.9%
% Unemployed (Texas)	3.9%	4.1%	4.8%	4.4%	4.4%
% Unemployed (U.S.)	4.1%	4.4%	4.9%	5.2%	5.8%

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(1) Source: Texas Employment Commission.
(2) As of February 2019.
(3) Average annual statistics.

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APPENDIX B

EXCERPTS FROM THE

NORTHSIDE INDEPENDENT SCHOOL DISTRICT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended August 31, 2018

The information contained in this Appendix consists of excerpts from the Northside Independent School District Comprehensive Annual Financial Report for the Year Ended August 31, 2018, and is not intended to be a complete statement of the District's financial condition. Reference is made to the complete report for further information.

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Independent Auditor's Report

To the Board of Trustees of
Northside Independent School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Northside 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

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

Auditor's Responsibility

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

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

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

Weaver and Tidwell, L.L.P.
9311 San Pedro Avenue, Suite 1400 | San Antonio, Texas 78216
Main: 210.737.1042 | Fax: 210.737.3103
CPAs AND ADVISORS | WEAVER.COM

Opinions

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

Emphasis of Matter

Change in Accounting Principle
As discussed in Notes 11 and 22 to the basic financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Beginning net position has been restated to reflect the change in accounting principle resulting from this statement. Our opinions are 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 the Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

The Board of Trustees of
Northside Independent School District

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

San Antonio, Texas
January 10, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Northside Independent School District (the "District"), we offer readers of the District's basic financial statements this narrative overview and analysis of the financial activities for the fiscal year ended August 31, 2018. The intent of this section is to look at the District's financial performance as a whole. We encourage readers to consider the additional information presented in the transmittal letter, in the introductory section, and the notes to the basic financial statements in conjunction with this discussion and analysis to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

- Liabilities and deferred inflows of resources of the District exceeded assets and deferred outflows of resources by $93,320,809 (net position). The District has $154,098,747 of negative unrestricted net position. The negative overall and unrestricted net position is a result of the implementation of Governmental Accounting Standards Board (GASB) Pronouncement No. 75 related to the recognition of Other Postemployment Obligations (OPEB) which is discussed extensively in Notes 11, 22, and 23 of the Notes to the Financial Statements. Restricted net position consists of $38,995,385 for debt service, $12,156,712 for child nutrition services and $755,411 for grants.

- The District is reporting an increase in net position of $182,267,183. The increase is primarily as a result of the implementation of GASB No. 75 related to the recognition of OPEB which is discussed extensively in Notes 11, 22, and 23 of the Notes to the Financial Statements.

- Tax collections increased $49,440,857 from 2017 and the tax levy increased by $49,843,211, as a result of the increase in the tax base.

- The ending fund balance of the District's General Fund increased $42,714,521 to $455,128,113. The unassigned portion of fund balance, $183,900,775 represents 28.62% of annual operating expenditures or about 54 days of operations (based on 260 annual operating days).

- In May 2014, the Northside community approved a $648.34 million bond proposal to build five new schools, design and engineer a sixth school, and make additions and improvements to existing schools and facilities. During the year, the District issued $123.39 million from the 2014 bond authorization.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The Comprehensive Annual Financial Report (CAFR) consists of an Introductory Section, Financial Section, Statistical Section and a Federal Awards Section. The Financial Section consists of four parts - Management's Discussion and Analysis (this section), the basic financial statements (with accompanying notes), required supplementary information, and an optional section that presents combining statements for non-major governmental funds, internal service funds, fiduciary funds and capital assets used in the operation of governmental funds. The statements are intended to be organized so that the reader can understand the District as an entire operating entity.

The basic financial statements include two kinds of statements that present different views of the District in addition to the notes that explain some of the information in the basic financial statements and provide data that are more detailed:

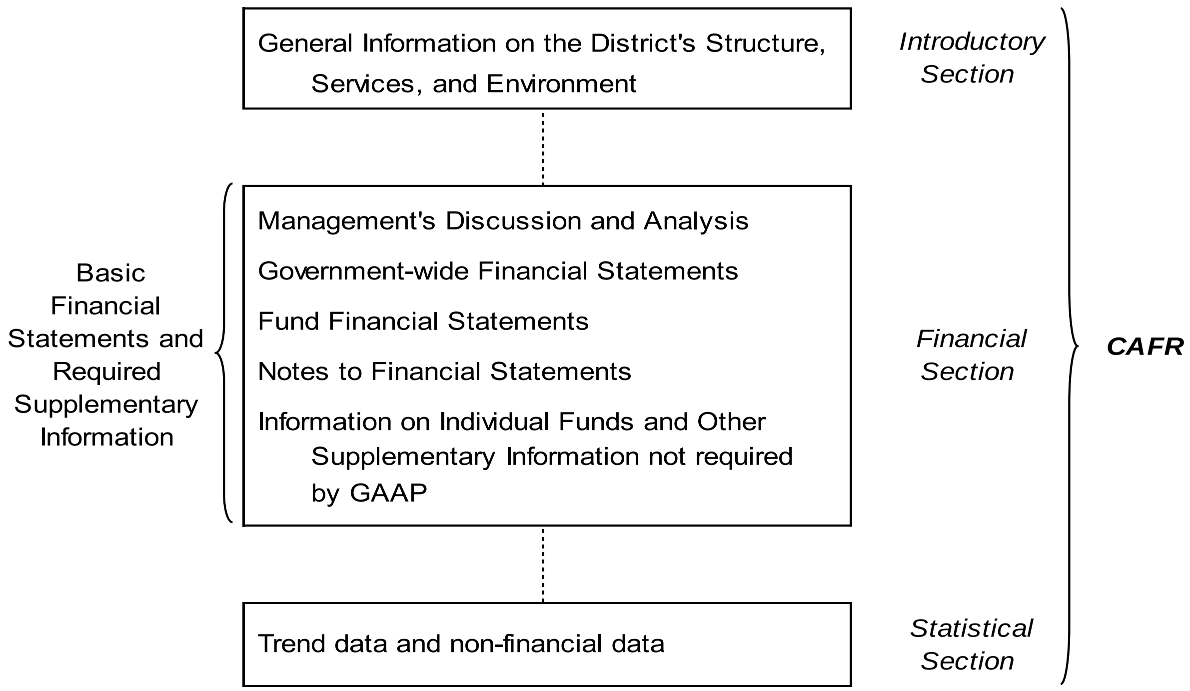
1. The first two statements are *government-wide financial statements,* the Statement of Net Position and the Statement of Activities, which provide both long-term and short-term information about the District's overall financial status.

2. The remaining statements are *fund financial statements* that focus on individual parts of the government, reporting the District's operations in more detail than the government-wide statements. The *governmental funds* statements tell how general government services were financed in the short term as well as what remains for future spending. *Proprietary fund*

statements offer short and long-term financial information about the activities the government operates like businesses, such as printing services. *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The statements are followed by a section of *required supplementary information* and *other supplementary information* that further explains and supports the information in the basic financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-1
Components of the District's Comprehensive Annual Financial Report (CAFR)



Government-Wide Financial Statements (Reporting the District as a Whole)

These statements summarize the large number of funds used by the District to provide programs and activities and view the entire District as a whole. The **Statement of Net Position** includes all assets and liabilities of the District using the accrual basis of accounting similar to the accounting used by most private-sector companies. The **Statement of Activities** takes into consideration all of the current year's revenues and expenses regardless of when cash is received or paid. All inter-fund transactions are eliminated.

These two statements report the District's net position and changes in those positions. Net position, the difference between the District's assets plus deferred outflows and liabilities plus deferred inflows, are one way to measure the District's financial health or position.

Change in net position is important because it tells the reader that, as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the District's property tax base, current Texas school finance laws, student growth, facility needs, and required educational programs.

The District is composed of governmental and business-like activities. Governmental activities comprise the programs and services related to providing a public education to residents of the District. Activities reported include, but are not limited to, instruction, support services, administration, maintenance, pupil transportation, extracurricular activities, technology services and security. Business-like activities comprise activities related to after-school and summer programs for elementary and middle school students.

Fund Financial Statements (Reporting the School District's Most Significant Funds)

Fund financial statements provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions that have been separated for specific activities or objectives. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund, Debt Service Fund, and the Capital Projects Fund.

All the funds of the District can be described by three categories:

- **Governmental Funds** - Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

- **Proprietary Funds** - Services for which the District self-charges customers a fee are generally reported in proprietary funds. Proprietary fund statements, like the government-wide statements, provide both long and short-term financial information. The Enterprise Fund reports the activities of the District's after-school program. Internal Service Funds are used to report activities such as the District's Worker's Compensation Insurance, Unemployment Self Insurance, Armored Car Services, Equipment Replacement, and Printing Operations that provide supplies and services for the District's other programs and activities.

- **Fiduciary Funds** - The District is the trustee, or fiduciary, for Textbook Waivers and Refunds, Student Activities, Northside Booster Association, and University Interscholastic League funds. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. These activities are excluded from the District's basic financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Government–wide)

Net Position

The District's net position was approximately $(93.3) million at August 31, 2018, which is a $182.27 million increase from the August 31, 2017 restated net position of $(275.58) million.

Table A-1 summarizes the change in net position from August 31, 2017 to August 31, 2018.

Table A-1
Net Position
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total	
	08/31/18	08/31/17	08/31/18	08/31/17	08/31/18	08/31/17
Assets						
Current and Other Assets	$ 783.80	$ 715.12	$ 10.47	$ 10.73	$ 794.27	$ 725.85
Capital Assets	2,166.41	2,130.78	-	-	2,166.41	2,130.78
Total Assets	2,950.21	2,845.90	10.47	10.73	2,960.68	2,856.63
Total Deferred Outflows of Resources	79.55	101.41	-	-	79.55	101.41
Liabilities						
Current and Other Liabilities	89.80	85.76	0.85	0.69	$ 90.65	86.45
Long-term Liabilities	2,872.86	3,133.45	-	-	2,872.86	3,133.45
Total Liabilities	2,962.66	3,219.21	0.85	0.69	2,963.51	3,219.90
Total Deferred Inflows of Resources	170.04	13.72	-	-	170.04	13.72
Net Position						
Net Investment in Capital Assets	8.87	(2.63)	-	-	8.87	(2.63)
Restricted	51.91	42.17	-	-	51.91	42.17
Unrestricted	(163.72)	(325.16)	9.62	10.04	(154.10)	(315.12)
Total Net Position	$ (102.94)	$ (285.62)	$ 9.62	$ 10.04	$ (93.32)	$ (275.58)

- 94% percent of the District's $794.27 million in Current and Other Assets are liquid, with $680.57 million in cash and cash equivalents and $64.65 million in government securities.
- Capital Assets reflect the District's investment in land, construction in progress, buildings, and equipment, net of accumulated depreciation. The increase in Capital Assets is from the addition of new schools and other ongoing construction projects less the effect of changes in accumulated depreciation expense.
- Long-term Liabilities include the District's outstanding voter-approved general obligation bonds, which were $2.228 billion. Long-term liabilities increased due to the new bond issuances that are funding the District's construction projects plus the changes in the measurement of the net pension liability.
- The increase in construction projects exceeded the increase in bond issuance activity, causing an increase in Net Investment in Capital Assets.
- Restricted net position is not available for general operations and includes $12.16 million for child nutrition services and $38.99 million for debt service at August 31, 2018.

Changes in Net Position

The District's revenues totaled $1.10 billion in 2017-18. A significant portion, 62.3%, of the District's revenue came from property taxes, 25.7% from state aid – formula grants, 4.9% from operating grants and contributions, and 4.1% from charges for services and .02% from other sources. (See Figure A-2).

The District’s 2018 primary government activities increased net position by $182.69 million as reflected in Table A-2. The largest functional expenses occurred in instruction, plant maintenance and operations, and debt service, which represented $473.31 million or 51.43%, $100.15 million or 10.88%, and $70.31 million or 7.64% of total expenses, respectively. The increase in these functional categories is directly associated with the change in the District’s enrollment and opening of new schools.

The total cost of all programs and services was $920.25 million. Of these costs, 75.39% are for instructional and student support services.

Figure A-2
Sources of Revenue

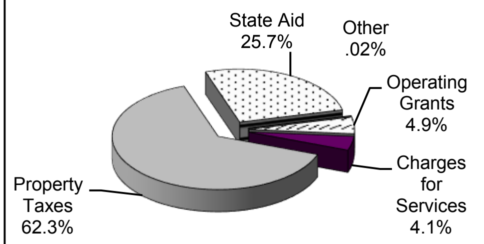


Table A-2
Change in Net Position
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total	
	08/31/18	08/31/17	08/31/18	08/31/17	08/31/18	08/31/17
Revenues						
Program Revenues						
Charges for Services	$ 22.86	$ 21.39	$ 10.06	$ 9.62	$ 32.92	$ 31.01
Operating Grants and Contributions	65.76	179.99	-	-	65.76	179.99
General Revenues					-	
Property Taxes	686.37	642.95	-	-	686.37	642.95
State Aid - formula	283.25	299.37	-	-	283.25	299.37
Investment Earnings	14.09	6.71	0.20	0.11	14.29	6.82
Insurance Proceeds from Hail Damage	19.88	20.00	-	-	19.88	20.00
Other	0.05	4.88	-	-	0.05	4.88
Total Revenues	1,092.26	1,175.29	10.26	9.73	1,102.52	1,185.02
Expenses						
Instruction	473.31	1,027.83	-	-	473.31	631.62
Instructional Resources & Media Services	11.76	18.95	-	-	11.76	13.52
Curriculum & Staff Development	16.34	36.30	-	-	16.34	21.74
Instructional Leadership	16.68	31.86	-	-	16.68	20.28
School Leadership	42.16	85.17	-	-	42.16	53.75
Guidance, Counseling & Evaluation Services	28.54	63.43	-	-	28.54	37.85
Social Work Services	2.84	4.63	-	-	2.84	3.19
Health Services	7.74	16.61	-	-	7.74	9.90
Student (pupil) Transportation	29.77	45.04	-	-	29.77	33.61
Child Nutrition Services	38.85	80.44	-	-	38.85	51.51
Co-Curricular Activities	25.75	37.72	-	-	25.75	27.71
General Administration	19.46	24.87	-	-	19.46	19.58
Plant Maintenance and Operations	100.15	109.45	-	-	100.15	91.19
Security & Monitoring Services	7.84	12.10	-	-	7.84	8.89
Data Processing Services	15.50	22.96	-	-	15.50	18.87
Community Services	2.57	14.30	-	-	2.57	5.48
Debt Service	70.31	64.29	-	-	70.31	64.29
Enterprise Fund	-	-	10.68	8.81	10.68	8.81
Total Expenses	909.57	1,695.95	10.68	8.81	920.25	1,121.79
Change in Net Position	182.69	(520.66)	(0.42)	0.92	182.27	63.23
Beginning Net Position, restated	(285.63)	235.03	10.04	9.12	(275.59)	226.28
Ending Net Position	$ (102.94)	$ (285.63)	$ 9.62	$ 10.04	$ (93.32)	$ 289.51

Governmental Activities

- This year’s property tax collection rate was 99.33% based on a tax levy of $692,106,324. Compared to 2016-17, property tax revenue increased 6.75% for 2017-18 due to a higher tax base.
- Formula State Aid decreased $16.12 million overall, or 5.38%. This decrease is a result of increasing property values offset by higher enrollment for 2017-18 compared to 2016-17.

- During the year, the District issued $123,390,000 in general obligation bonds for new school construction, existing renovations and equipment. The District refunded $284,805,000 of fixed and variable rate bonds.
- During the 2017-18 fiscal year, the District opened Dr. Linda Mora Elementary School.

Table A-3 represents the cost of each of the District's largest functions as well as each function's *net cost* (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what state revenues as well as local tax dollars funded.

Table A-3
Net Cost of Selected District Functions
(in millions of dollars)

	Cost of Services			
	08/31/18		8/31/2017*	
	Total	Net	Total	Net
Instruction	$ 473.31	$ 486.67	$ 631.62	$ 553.49
School Leadership	42.16	47.06	53.75	51.29
Guidance, Counseling and Evaluation Services	28.54	15.50	37.85	20.39
Student (Pupil) Transportation	29.77	30.67	33.61	31.85
Child Nutrition Services	38.85	(7.82)	51.51	1.73
Plant Maintenance and Operations	100.15	101.12	91.19	88.11
Debt Service	70.31	61.70	64.29	57.54
Total	$ 783.09	$ 734.90	$ 963.82	$ 804.40

** - as presented in the prior year without GASB 75 adjustments to recognize the net OPEB liability.*

- Instruction comprises 59.24% of the District's net cost of services on a government-wide basis;
- The net cost of all *governmental* activities this year was $820,955,826. The amount that our taxpayers paid for these activities through property taxes was $686,366,315;
- Costs paid by the state were $283,254,154;
- Net costs include program costs paid by those who directly benefited from the programs of $34,612,304; and
- Net costs include costs paid by grants and contributions, $54,013,562.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Using the modified accrual basis of accounting, revenues from governmental funds totaled $1,203,390,705 and expenditures were $1,290,371,687. The District reported combined governmental funds ending fund balances of $678,829,867. Since not all the ending fund balance is available for new spending, the District has the following fund balance classifications**:**

- Nonspendable amounts from inventories of $6,220,921;
- Nonspendable amounts from long term receivables of $460,600;
- Restricted amounts for debt service of $46,012,360;

- Restricted amounts for child nutrition of $8,305,930;
- Restricted amounts for authorized construction of $158,454,962;
- Restricted amounts for grants of $755,411;
- Committed amounts for local special revenue funds of $6,322,309;
- Committed amounts for opening new schools of $29,834,907;
- Committed amounts for state revenue deficits of $130,670,871;
- Committed amounts for technology deployments of $36,784,915;
- Assigned amounts for employee benefits of $15,436,524;
- Assigned amounts for debt service of $10,000,000;
- Assigned amounts for roofing repair projects of $18,442,252;
- Assigned amounts for E-rate projects of $4,638,221;
- Assigned amounts for administrative district projects of $8,884,158;
- Assigned amounts for federal program reductions of $7,445,522; and
- Assigned amounts for Maintenance of Effort reductions of $6,259,229.

The General Fund experienced a net increase in fund balance of $42,714,521, which was partly the result of $41,773,661 less than anticipated expenditures in 2017-2018.

The Debt Service Fund experienced a net increase in fund balance of $9,862,792 and was in line with the budgeted net increase of $9,251,850.

The Capital Projects Fund experienced a net increase in fund balance of $3,612,934 resulting from current year bond sales exceeding current year bond expenditures.

Budgetary Highlights

Over the course of the year, the District revised its general fund budget three times, as follows:

- Budget Amendment #1 reflected adjustments for carryover of appropriations because of commitments made against the budget for goods not received and services not completed as of August 31, 2017. In addition, adjustments to campus-based formula accounts were included to accommodate the change in student enrollment. High school allotment funds were also carried forward with this amendment. This amendment resulted in a net increase to appropriations of $17,071,558 and a net increase in revenue of $13,430,912.
- Budget Amendment #2 included adjustments that decreased appropriations for various programs, campuses and departments. Budgeted appropriations were increased overall for various one-time costs. This amendment resulted in a net decrease in appropriations of $1,269,714 and a net increase in revenue sources of $18,716,128 for the general fund.
- Budget Amendment #3 (final) included adjustments related to appropriations for campuses, departments and revenue resources. Budgeted revenues were adjusted for state funding, local tax revenue and other items. Budget appropriations were decreased for various program costs. This amendment resulted in a decrease in appropriations of $7,764,607 and an increase in revenue sources of $16,962,925, resulting in a net increase to fund balance of $24,727,532.

The debt service budget was amended with Budget Amendment #3 (final) to increase fund balance by $1.3 million. This was mainly due to bond sale activity during the year offset as well as increases in local tax revenue.

The child nutrition budget was amended with Budget Amendment #3 (final) to decrease appropriations by $1,860,602 and decrease revenue and other resources by the same amount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2018, the District had invested $2.17 billion in a broad range of capital assets, including land, equipment, buildings, and vehicles (see Table A-4). This amount represents a net increase (including additions and deductions) of $35.63 million or 1.7% over last year.

Table A-4
District's Capital Assets
(in millions of dollars)

	08/31/18	08/31/17
Land	$ 109.20	$ 103.71
Buildings and Improvements	2,781.84	2,710.84
Construction in Progress	125.92	86.89
Furniture and Equipment	138.45	131.46
Totals at Historical Cost	3,155.41	3,032.90
Total Accumulated Depreciation	(989.00)	(902.12)
Net Capital Assets	$ 2,166.41	$ 2,130.78

Current significant capital projects under construction include one (1) elementary school and one (1) high school.

The District is continuing the capital improvement program being funded by the 2014 $648.34 million bond authorization. The 2014 authorization includes $274.5 million for the construction of one high school and four elementary schools, $199.83 million for major additions and renovations, $71.84 million for infrastructure improvements, $47.00 million for technology, and $55.17 million for other projects. At August 31, 2018, $397.83 million has been spent on these projects.

In May 5, 2018, the District was authorized to issue $848.91 million in bonds for the construction of one high, one middle school, two elementary schools, various renovations and upgrades to existing facilities, and equipment for technology and transportation.

More information about the District’s capital assets is presented in Note 5 of the Notes to Financial Statements.

Long-Term Debt

During the year, the District issued $123.39 million from the 2014 bond authorization. Additionally, the District continued its active debt management practice by refunding $284.805 million of fixed and variable rate debt to take advantage of lower interest rates. At year-end, the District had $2.873 billion in long-term debt outstanding as shown in Table A-5. More information about the District’s debt is presented in Note 7 in the Notes to Financial Statements.

Table A-5 District's Long Term Debt *(in millions of dollars)*	08/31/18	08/31/17
Bonds payable	$2,326.37	$2,297.30
Net Pension Liability	202.46	237.99
Net OPEB Liability	332.46	586.94
Liability for Compensated		
Absences	7.83	6.94
Workers Compensation	3.74	4.28
Total Long-Term Debt	$2,872.86	$3,133.45

Long-term bonds are rated "AAA" by Moody's Investors Service, Inc. ("Moody's") and Fitch Investors Service ("Fitch") by virtue of the guarantee of the Permanent School Fund of the State of Texas.

The current underlying credit rating from Fitch is AA+. The current underlying credit rating from Moody's is Aa1. The District's short-term credit has been rated "VMIG 1" by Moody's.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND TAX RATES

- Property values used for the 2018-19 budget preparation will be up an estimated $3.2 billion or 7.2% from 2018. The expected resulting increase in General Fund and Debt Service Fund tax revenues is $32.1 million and $10.6 million, respectively.

- For 2018-19, the District's overall tax rate will remain at $1.3755, with the General Fund maintenance and operations tax rate at $1.04 per $100 valuation and the Debt Service Fund tax rate at $0.3355 per $100 valuation.

- The District's 2018-19 General Fund adopted budget included a projected enrollment increase of 345 students. The expected enrollment of 106,411 represents a .3% increase from 2017-18.

- For 2018-19, the District appropriated $912.3 million in General Fund expenditures and other uses and estimated revenues of $883.5 million. The adopted budget included $14.9 million for related costs of growth and new schools, and an increase of payroll costs of $19.9 million. The payroll cost increase was mainly due to a compensation increase for staff.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. If you have questions about this report or need additional financial information, contact the District's Deputy Superintendent for Business and Finance at Northside ISD, 5900 Evers Road, San Antonio, TX 78238.

BASIC FINANCIAL STATEMENTS

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NORTHSIDE INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

STATEMENT OF NET POSITION
August 31, 2018

Data Control Codes		Primary Government: Governmental Activities	Business-type Activities	Total
	ASSETS			
1110	Cash and Cash Equivalents	$ 680,574,265	$ 10,464,492	$ 691,038,757
1120	Investments	64,652,664	-	64,652,664
1220	Property Taxes Receivable (Delinquent)	12,311,284	-	12,311,284
1230	Allowance for Uncollectible Taxes	(6,781,200)	-	(6,781,200)
1240	Due from Other Governments	26,313,629	-	26,313,629
1250	Accrued Interest	247,834	-	247,834
1290	Other Receivables	214,727	6,030	220,757
1300	Inventories	6,264,142	-	6,264,142
	Capital Assets			
1510	Land	109,195,786	-	109,195,786
1520	Buildings, net	1,873,256,221	-	1,873,256,221
1530	Furniture & Equipment, net	58,037,806	-	58,037,806
1580	Construction in Progress	125,923,352	-	125,923,352
1000	Total Assets	2,950,210,510	10,470,522	2,960,681,032
	DEFERRED OUTFLOWS OF RESOURCES			
1701	Deferred Charge for Refunding	10,374,783	-	10,374,783
1705	Deferred Outflow Related to TRS Pension	63,545,574	-	63,545,574
1706	Deferred Outflow Related to TRS OPEB	5,625,474	-	5,625,474
1700	Total Deferred Outflows of Resources	79,545,831	-	79,545,831
	LIABILITIES			
2110	Accounts Payable	31,313,022	136,383	31,449,405
2140	Accrued Interest	7,191,231	-	7,191,231
2150	Payroll Deductions & Withholdings Payable	13,675,522	-	13,675,522
2160	Accrued Wages Payable	34,517,805	333,028	34,850,833
2180	Due to Other Governments	23,352	-	23,352
2190	Due to Student Groups	36,328	-	36,328
2210	Accrued Expenses	613,202	-	613,202
2300	Unearned Revenue	2,429,352	379,496	2,808,848
	Noncurrent Liabilities			
2501	Long term liabilities - due within one year	97,605,178	-	97,605,178
2502	Bonds Payable - due or payable after one year	2,232,882,480	-	2,232,882,480
2540	Net Pension Liability (District's Share)	202,456,772	-	202,456,772
2545	Net OPEB Liability (District's Share)	332,460,481	-	332,460,481
2590	Other Long term liabilities - due or payable after one year	7,456,798	-	7,456,798
2000	Total Liabilities	2,962,661,523	848,907	2,963,510,430
	DEFERRED INFLOWS OF RESOURCES			
2605	Deferred Inflow Related to TRS Pension	30,968,395	-	30,968,395
2606	Deferred Inflow Related to TRS OPEB	139,068,847	-	139,068,847
2600	Total Deferred Inflows of Resources	170,037,242	-	170,037,242
	NET POSITION			
3200	Net Investment in Capital Assets	8,870,430	-	8,870,430
3860	Restricted for Grants	755,411	-	755,411
3840	Restricted for Child Nutrition Services	12,156,712	-	12,156,712
3850	Restricted for Debt Service	38,995,385	-	38,995,385
3900	Unrestricted	(163,720,362)	9,621,615	(154,098,747)
3000	Total Net Position	$ (102,942,424)	$ 9,621,615	$ (93,320,809)

The accompanying notes are an integral part of this statement.

STATEMENT OF ACTIVITIES
Year Ended August 31, 2018

Data Control Codes	Functions/Programs	1 Expenses	Program 3 Charges for Services
	Governmental Activities:		
0011	Instruction	$ 473,312,890	$ 758,173
0012	Instructional Resources & Media Services	11,762,954	-
0013	Curriculum & Staff Development	16,341,034	-
0021	Instructional Leadership	16,680,175	-
0023	School Leadership	42,159,316	-
0031	Guidance, Counseling & Evaluation Services	28,535,547	-
0032	Social Work Services	2,844,125	-
0033	Health Services	7,741,103	-
0034	Student (Pupil) Transportation	29,770,055	353,283
0035	Child Nutrition Services	38,854,550	14,409,105
0036	Co-curricular/Extracurricular Activities	25,751,635	3,050,146
0041	General Administration	19,458,194	52,675
0051	Plant Maintenance & Operations	100,153,713	1,544,274
0052	Security & Monitoring Services	7,838,936	22,487
0053	Data Processing Services	15,503,415	-
0061	Community Services	2,566,553	2,673,044
0072	Debt Service - Interest	68,481,086	-
0073	Debt Service - Fiscal Charges	1,826,411	-
	TOTAL GOVERNMENTAL ACTIVITIES	909,581,692	22,863,187
	Business-type activities:		
	Enterprise fund	10,678,271	10,056,298
TP	TOTAL PRIMARY GOVERNMENT	$ 920,259,963	$ 32,919,485

	General Revenues:
	Taxes:
MT	Property Taxes, Levied for General Purposes
DT	Property Taxes, Levied for Debt Service
SF	State aid - unrestricted formula grants
MI	Miscellaneous local & intermediate
E1	Insurance proceeds from hail damage
IE	Investment earnings
TR	Total general revenues
CN	Changes in Net Position
NB	Net Position -- beginning, restated
NE	Net Position -- ending

The accompanying notes are an integral part of this statement.

Revenues	Net (Expense) Revenue and Changes in Net Position		
4	6		
Operating Grants and Contributions	Total Governmental Activities	Business-type Activities	Total Primary Government
$ (14,114,081)	$ (486,668,798)		$ (486,668,798)
89,172	(11,673,782)		(11,673,782)
2,618,780	(13,722,254)		(13,722,254)
(723,446)	(17,403,621)		(17,403,621)
(4,896,216)	(47,055,532)		(47,055,532)
13,034,723	(15,500,824)		(15,500,824)
(81,462)	(2,925,587)		(2,925,587)
14,816,857	7,075,754		7,075,754
(1,252,079)	(30,668,851)		(30,668,851)
32,265,933	7,820,488		7,820,488
4,242,147	(18,459,342)		(18,459,342)
1,190,514	(18,215,005)		(18,215,005)
(2,506,724)	(101,116,163)		(101,116,163)
(229,275)	(8,045,724)		(8,045,724)
11,346,040	(4,157,375)		(4,157,375)
1,355,324	1,461,815		1,461,815
8,606,472	(59,874,614)		(59,874,614)
-	(1,826,411)		(1,826,411)
65,762,679	(820,955,826)		(820,955,826)
-	-	$ (621,973)	(621,973)
$ 65,762,679	(820,955,826)	(621,973)	(821,577,799)
	518,915,578	-	518,915,578
	167,450,737	-	167,450,737
	283,254,154	-	283,254,154
	56,584	-	56,584
	19,876,035	-	19,876,035
	14,093,318	198,576	14,291,894
	1,003,646,406	198,576	1,003,844,982
	182,690,580	(423,397)	182,267,183
	(285,633,004)	10,045,012	(275,587,992)
	$ (102,942,424)	$ 9,621,615	$ (93,320,809)

NORTHSIDE INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

BALANCE SHEET
GOVERNMENTAL FUNDS
August 31, 2018

Data Control Codes		General Fund	Debt Service Fund
	ASSETS		
1110	Cash and Cash Equivalents	$ 426,559,515	$ 45,263,586
1120	Investments	64,652,664	-
1220	Property Taxes - Delinquent	9,436,894	2,874,390
1230	Allowance for Uncollectible Taxes (credit)	(5,248,500)	(1,532,700)
1240	Due from Other Governments	16,843,988	-
1250	Accrued Interest	247,834	-
1260	Due from Other Funds	5,646,500	362,240
1290	Other Receivables	91,843	10,711
1300	Inventories, at cost	2,370,139	-
1000	Total Assets	$ 520,600,877	$ 46,978,227
	LIABILITIES		
2110	Accounts Payable	$ 7,959,489	$ -
2150	Payroll Deductions & Withholdings Payable	13,675,522	-
2160	Accrued Wages Payable	31,063,044	-
2170	Due to Other Funds	362,240	-
2180	Due to Other Governments	20,118	-
2190	Due to Student Groups	36,328	-
2210	Accrued Expenditures	613,202	-
2300	Unearned Revenue	8,720,350	-
2000	Total Liabilities	62,450,293	-
	DEFERRED INFLOWS OF RESOURCES		
2601	Unavailable Revenue - Property Taxes	3,022,471	965,867
2602	Unavailable Revenue - MAC	-	-
2600	Total Deferred Inflows of Resources	3,022,471	965,867
	FUND BALANCES		
3410	Nonspendable	2,830,739	-
3450	Restricted - Grant Funds	-	-
3470	Restricted - Capital Acquisitions and Contractual Obligations	-	-
3480	Restricted - Debt Service	-	46,012,360
3545	Committed - Other	197,290,693	-
3590	Assigned - Other	71,105,906	-
3600	Unassigned	183,900,775	-
3000	Total Fund Balance	455,128,113	46,012,360
4000	Total Liabilities, Deferred Inflows and Fund Balances	$ 520,600,877	$ 46,978,227

The accompanying notes are an integral part of this statement.

Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
$ 180,576,585	$ 18,750,009	$ 671,149,695
-	-	64,652,664
-	-	12,311,284
-	-	(6,781,200)
-	9,469,641	26,313,629
-	-	247,834
-	-	6,008,740
12,468	94,404	209,426
-	3,850,782	6,220,921
$ 180,589,053	$ 32,164,836	$ 780,332,993
$ 22,134,091	$ 1,210,593	$ 31,304,173
-	-	13,675,522
-	3,436,527	34,499,571
-	5,032,935	5,395,175
-	3,234	23,352
-	-	36,328
-	-	613,202
-	2,429,352	11,149,702
22,134,091	12,112,641	96,697,025
-	-	3,988,338
-	817,763	817,763
-	817,763	4,806,101
-	3,850,782	6,681,521
-	9,061,341	9,061,341
158,454,962	-	158,454,962
-	-	46,012,360
-	6,322,309	203,613,002
-	-	71,105,906
-	-	183,900,775
158,454,962	19,234,432	678,829,867
$ 180,589,053	$ 32,164,836	$ 780,332,993

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NORTHSIDE INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

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

Amounts reported for government activities in the Statement of Net Position are different because:

Total fund balances - governmental funds		$ 678,829,867
The District uses internal service funds to charge the costs of certain activities, such as printing, armored car service and self-insurance (worker's compensation, equipment and unemployment) to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position, including furniture and equipment and accumulated depreciation in the following amounts:		5,812,516
Furniture and Equipment	$ 1,722,523	
Accumulated Depreciation - Furniture and Equipment	(997,611)	
Capital assets used in governmental activities are not financial resources, and therefore, are not reported as assets in the governmental funds.		
Land	$ 109,195,786	
Buildings	2,781,902,277	
Furniture and Equipment	136,670,971	
Construction in Progress	125,923,352	3,153,692,386
Accumulated Depreciation - Buildings	(908,646,056)	
Accumulated Depreciation - Furniture and Equipment	(79,358,077)	(988,004,133)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported as liabilities in the funds. Unearned revenue is not reported as a liability in the government-wide financial statements, because the revenue is considered earned.		
Accrued Interest - Bonds	$ (7,191,231)	
Bonds Payable - Long-term	(2,228,010,000)	
Unamortized Bond Premiums	(98,362,480)	
Other Long term Liability - Accrued Vacation	(7,827,136)	(2,341,390,847)
Unavailable revenue from property taxes and other items is not reported as a deferred inflow in the government-wide financial statements, because the revenue is considered earned.		
Property Taxes	$ 3,988,338	
Other Items	9,538,113	13,526,451
Deferred Charge on Refunding Bonds is a deferred outflow and is not reported in the fund financial statements.		10,374,783
Included in the items related to long term debt, as required by GASB 68 and 75, are the following:		
District's proportionate share of the net pension liability	$ (202,456,772)	
District's proportionate share of the net OPEB liability	(332,460,481)	
Deferred resource inflow related to TRS pension	(30,968,395)	
Deferred resource inflow related to TRS OPEB	(139,068,847)	
Deferred resource outflow related to TRS pension	63,545,574	
Deferred resource outflow related to TRS OPEB	5,625,474	(635,783,447)
Net Position - Governmental Activities		$ (102,942,424)

The accompanying notes are an integral part of this statement.

NORTHSIDE INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
Year Ended August 31, 2018

Data Control Codes		General Fund	Debt Service Fund
	REVENUES:		
5700	Local and Intermediate Sources	$ 549,603,534	$ 169,312,695
5800	State Sources	318,256,687	5,938,735
5900	Federal Sources	34,124,170	2,566,116
5020	Total Revenues	901,984,391	177,817,546
	EXPENDITURES		
	Current:		
0011	Instruction	533,640,017	-
0012	Instructional Resources and Media Services	11,960,820	-
0013	Curriculum and Instructional Staff Development	15,578,180	-
0021	Instructional Leadership	18,689,606	-
0023	School Leadership	51,090,177	-
0031	Guidance and Counseling Services	34,669,591	-
0032	Social Work Services	3,059,025	-
0033	Health Services	9,289,079	-
0034	Pupil Transportation	31,757,378	-
0035	Child Nutrition Services	400,089	-
0036	Co-Curricular Activities	21,422,233	-
0041	General Administration	14,361,913	-
0051	Plant Maintenance and Operations	78,616,026	-
0052	Security & Monitoring Services	8,551,595	-
0053	Data Processing Services	16,199,791	-
0061	Community Services	1,997,008	-
0071	Debt Service - Principal on Long-Term Debt	-	83,405,000
0072	Debt Service - Interest	-	81,682,651
0073	Debt Service - Cost of Issuance and Fiscal Charges	-	1,826,411
0081	Facilities Acquisition and Construction	22,116,999	-
0095	Juvenile Alternative Education Program	126,884	-
0099	Other Intergovernmental Charges	4,921,425	-
6030	Total Expenditures	878,447,836	166,914,062
1100	Excess (Deficiency) of Revenues Over Expenditures	23,536,555	10,903,484
	OTHER FINANCING SOURCES (USES)		
7911	Issuance of Debt - General Obligations Bonds	-	-
7911	Issuance of Debt - Refunding Bonds	-	251,990,000
7915	Transfers in	-	-
7916	Premium on Issuance of Bonds	-	24,961,072
7919	Insurance Recovery	19,876,035	-
8911	Transfers out	(698,069)	-
8940	Payment to Refunded Bond Escrow Agent	-	(277,991,764)
	Total Other Financing Sources (Uses)	19,177,966	(1,040,692)
1200	Net Change in Fund Balance	42,714,521	9,862,792
0100	FUND BALANCES, September 1, 2017	412,413,592	36,149,568
3000	FUND BALANCES, August 31, 2018	$ 455,128,113	$ 46,012,360

The accompanying notes are an integral part of this statement.

Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
$ 2,452,380	$ 26,603,150	$ 747,971,759
-	7,048,235	331,243,657
-	87,485,003	124,175,289
2,452,380	121,136,388	1,203,390,705
-	51,123,827	584,763,844
-	863,436	12,824,256
-	5,334,223	20,912,403
-	1,235,680	19,925,286
-	1,305	51,091,482
-	1,675,785	36,345,376
-	200,058	3,259,083
-	495,754	9,784,833
-	-	31,757,378
-	47,097,868	47,497,957
-	5,722,718	27,144,951
-	-	14,361,913
-	3,131,154	81,747,180
-	138	8,551,733
-	-	16,199,791
-	2,810,465	4,807,473
-	-	83,405,000
-	-	81,682,651
-	-	1,826,411
125,215,756	101,622	147,434,377
-	-	126,884
-	-	4,921,425
125,215,756	119,794,033	1,290,371,687
(122,763,376)	1,342,355	(86,980,982)
123,390,000	-	123,390,000
-	-	251,990,000
648,069	50,000	698,069
2,338,241	-	27,299,313
-	-	19,876,035
-	-	(698,069)
-	-	(277,991,764)
126,376,310	50,000	144,563,584
3,612,934	1,392,355	57,582,602
154,842,028	17,842,077	621,247,265
$ 158,454,962	$ 19,234,432	$ 678,829,867

NORTHSIDE INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
Year Ended August 31, 2018

Amounts reported for government activities in the Statement of Activities are different because:

Total net change in fund balances - governmental funds		$ 57,582,602
The District uses internal service funds to charge the costs of certain activities, such as printing, armored car services, and self-insurance (worker's compensation, equipment and unemployment) to appropriate functions in other funds. The net income (loss) of the internal service funds are reported with the governmental activities.		160,071
Current year capital expenditures in the fund financial statements are shown as increases in capital assets in the government-wide financial statements.		125,054,936
Long-term issuances of debt are reported as resources in the fund financial statements and are shown as increases in long-term debt in the government-wide financial statements. Payments of principal on long-term debt are expenditures in the fund financial statements and are shown as reductions in long-term debt in the government-wide financial statements. Long-term debt activity was:		
Accrued Interest - Bonds	(338,762)	
Bonds Payable - Long-term	(16,170,000)	
Unamortized Bond Premiums	(12,895,828)	
Deferred Charge for Refunding Bonds	1,323,606	(28,080,984)
Depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(89,256,763)
Adjustments related to the net pension liability, net OPEB liability, and related deferred inflows and deferred outflows, which impact ending net position.		110,507,885
Reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue as revenue, recognizing liabilities for compensated absences, and consolidating interfund transactions.		6,722,833
Changes in Net Position - Governmental Activities		$ 182,690,580

The accompanying notes are an integral part of this statement.

NORTHSIDE INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

STATEMENT OF NET POSITION

PROPRIETARY FUNDS
August 31, 2018

		Business-Type Activities Enterprise Fund	Governmental Activities Internal Service Funds
	ASSETS		
	Current Assets:		
1110	Cash and Cash Equivalents	$ 10,464,492	$ 9,424,570
1290	Other Receivables	6,030	5,301
1310	Inventories, at Cost	-	43,221
	Total Current Assets	10,470,522	9,473,092
	Capital Assets		
1530	Furniture & Equipment	-	1,722,523
1570	Accumulated Depreciation	-	(997,611)
	Total Capital Assets (net of accumulated depreciation)	-	724,912
1000	TOTAL ASSETS	$ 10,470,522	$ 10,198,004
	LIABILITIES		
	Current Liabilities		
2110	Accounts Payable	$ 136,383	$ 8,849
2160	Accrued Wages Payable	333,028	18,234
2170	Due to Other Funds	-	613,565
2200	Accrued Expenses - Claims Payable	-	3,551,307
2300	Unearned Revenue	379,496	-
	Total Current Liabilities	848,907	4,191,955
	Non-current Liabilities		
2590	Claims Payable - Non-current	-	193,533
	Total Non-current Liabilities	-	193,533
2000	TOTAL LIABILITIES	848,907	4,385,488
	NET POSITION		
3200	Net Investment in Capital Assets	-	724,912
3900	Unrestricted	9,621,615	5,087,604
3000	TOTAL NET POSITION	$ 9,621,615	$ 5,812,516

The accompanying notes are an integral part of this statement.

NORTHSIDE INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended August 31, 2018

		Business-Type Activities	Governmental Activities
		Enterprise Fund	Internal Service Funds
	OPERATING REVENUES		
5754	Charges for Services	$ 10,056,298	$ 1,240,458
5749	Premiums	-	2,771,582
5020	Total Operating Revenues	10,056,298	4,012,040
	OPERATING EXPENSES		
6100	Payroll Costs	8,987,270	773,132
6200	Purchased and Contracted Services	103,292	738,171
6300	Supplies and Materials	1,331,823	254,241
6429	Claims Expenses	-	1,885,123
6400	Other Operating Expenses	255,886	197,652
6449	Depreciation	-	166,604
6030	Total Operating Expenses	10,678,271	4,014,923
	Operating Income (Loss)	(621,973)	(2,883)
	NON-OPERATING REVENUES (EXPENSES)		
7955	Investment Income	198,576	162,954
1300	Changes in Net Position	(423,397)	160,071
0100	TOTAL NET POSITION, September 1, 2017	10,045,012	5,652,445
3300	TOTAL NET POSITION, August 31, 2018	$ 9,621,615	$ 5,812,516

The accompanying notes are an integral part of this statement.

NORTHSIDE INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS
Year Ended August 31, 2018

	Business-Type Activities Enterprise Fund	Governmental Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	$ 10,040,571	$ -
Cash Received from Interfund Services Provided	-	3,853,773
Cash Payments to Employees for Services	(8,915,781)	(769,400)
Cash Payments to Suppliers	(1,326,988)	(1,009,827)
Cash Payments for Insurance Claims	-	(2,424,279)
Cash Payments for Other Operating Expenses	(255,886)	(197,652)
Net Cash Provided (Used) by Operating Activities	(458,084)	(547,385)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Earnings	198,576	162,954
Net Cash Flows Provided (Used) by Investing Activities	198,576	162,954
Net Increase In Cash & Cash Equivalents	(259,508)	(384,431)
CASH AND CASH EQUIVALENTS, September 1, 2017	10,724,000	9,809,001
CASH AND CASH EQUIVALENTS, August 31, 2018	$ 10,464,492	$ 9,424,570

	Business-Type Activities Enterprise Fund	Governmental Activities Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	$ (621,973)	$ (2,883)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation	-	166,604
Effect of Changes in Current Assets and Liabilities:		
(Increase) Decrease in Other Receivables	1,492	(5,301)
(Increase) Decrease in Inventories	-	3,169
Increase (Decrease) in Accounts Payable	108,127	(20,584)
Increase (Decrease) in Due to Other Funds	-	(152,966)
Increase (Decrease) in Claims Payable	-	(539,156)
Increase (Decrease) in Unearned Revenue	(17,219)	-
Increase (Decrease) in Accrued Wages	71,489	3,732
Net Cash Provided (Used) by Operating Activities	$ (458,084)	$ (547,385)

The accompanying notes are an integral part of this statement.

NORTHSIDE INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

FIDUCIARY FUND
August 31, 2018

		AGENCY FUNDS
	ASSETS	
1110	Cash	$ 3,859,130
1290	Due from Others	17,119
1000	TOTAL ASSETS	$ 3,876,249
	LIABILITIES	
2180	Due to Other Governments	$ 421,742
2190	Due to Other Groups	118,135
2190	Due to Student Groups	3,336,372
2000	TOTAL LIABILITIES	$ 3,876,249

The accompanying notes are an integral part of this statement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. 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 Northside Independent School District, San Antonio, Texas. Because members of the Board of Trustees are elected by the public, have the authority to make decisions, appoint administrators and managers, and significantly influence operations, and have the primary accountability for fiscal matters, the District is not included in any other governmental "reporting entity" as defined by Governmental Accounting Standards Board (GASB), Statement No. 14, "The Financial Reporting Entity", and/or GASB Statements No. 39, No. 61, and No. 80, determining whether certain organizations are component units. There are no component units included within the reporting entity.

Since the District receives funding from local, state, and federal government sources, it must comply with the requirements of the entities providing those funds.

The accounting policies of the District substantially comply with the rules prescribed in the Texas Education Agency Financial Accountability System Resource Guide (Resource Guide). The accounting policies included in the Resource Guide conform to accounting principles generally accepted in the United States of America applicable to state and local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted body for establishing governmental accounting and financial reporting standards.

b. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. statement of net position and the statement of activities) display information about the District. These statements include the financial activities of the overall government, except for fiduciary activities. Consolidations have been made to minimize the double counting of internal activities. Inter-fund services provided and used are not eliminated in the process of consolidation. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange 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. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees 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. Property taxes, State aid - formula grants, and other items not included in program revenues are presented as general revenues. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Learning Tree after school program, the internal service fund's print shop and self-funded programs. Operating expenses for include the cost of sales and services, administrative expenses, and depreciation on capital assets. All other revenues and expenses are non-operating.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Agency funds have no economic resources measurement focus and are presented on 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. Non-exchange 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 imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they are both measurable and available. For this purpose, the District considers all revenues to be available if the revenues are collected within sixty days after year-end. Expenditures generally are recorded when the related fund liability is incurred, if measurable, except for debt service expenditures, and compensated absences, which are recognized as expenditures only when payment is due. Property tax revenue, interest, and revenues received from the State are recognized under the susceptible to accrual concept. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Miscellaneous revenues are recorded as revenues 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. General capital asset acquisitions are reported as expenditures in governmental funds.

Grants funds are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount has been received during the period or within the available period of this revenue source. All other revenue items are considered to be measurable and available only when cash is received by the District.

The proprietary fund types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable. Expenses are recognized in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Position. The net position is segregated into net investment in capital assets, restricted net position, and unrestricted net position.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to apply block grants, followed by general revenues and then cost reimbursement grant resources.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District reports the following major governmental funds:

- General Fund - The General Fund accounts for financial resources used for the fundamental operations of the District. All revenues and expenditures not required to be accounted for in other funds are included here. It is a budgeted fund and unassigned fund balances are considered resources available for current operations. From year to year within unassigned fund balance are investments with a maturity of greater than one year from the date of the financial statements. The District has traditionally held investments to maturity and does not intend for those investments to be utilized for expenditure in the budget year following the date of the financial statements. There are no investments with a maturity greater than one year for year ending August 31, 2018. General Fund primary revenue sources include local property taxes and state funding.
- Debt Service Fund - The Debt Service Fund accounts for the accumulation of resources for, and the payment of, bonded debt principal and interest. The primary revenue source is local property taxes levied specifically for debt service. The fund balance of this fund represents amounts that will be used for retirement of bonds and payment of interest in the future. The Debt Service Fund is a budgeted fund.
- Capital Projects Fund - The Capital Projects Fund was established to account for the proceeds from the sale of bonds including earnings on investments of the fund. Proceeds are used for acquiring school sites, constructing and equipping new school facilities, and renovating existing facilities. The Capital Projects Fund is a budgeted fund.

Additionally, the District reports the following fund types:

- Special Revenue Funds - These funds are used to account for the majority of federal and state funded grants. These grants are awarded to the District with the purpose of accomplishing specific educational tasks. Funds are used primarily for math and reading improvement programs for the educationally deprived, special education programs involving learning disabilities and the physically handicapped, career and technology education programs, and a child nutrition program. The District’s Special Revenue Funds use project accounting and budgeting for all funds.
- Enterprise Fund – This fund is used to account for after-school and summer programs for elementary and middle school students.
- Internal Service Funds – These funds are used to account for the financing of goods and services provided by one fund to other funds of the District, on a cost - reimbursement basis. These activities include printing services, armored car services and the worker’s compensation self - funded insurance program of the District. These are not budgeted funds.
- Agency Funds – These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include Agency Funds which are funds set aside for scholarships and monies that are collected principally through fund raising efforts of the individual schools or school-sponsored groups (student activity funds).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Budgets

The official budget was prepared for adoption for all required Governmental Fund Types. The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

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

2) A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days public notice of the meeting has been given.

3) Prior to September 1, the budget is legally enacted through passage of a resolution by the Board.

The legal level of budgetary control is at the major functional expenditure level by fund type. Annual budgets are adopted for the General Fund, Child Nutrition Special Revenue Fund, and Debt Service Fund on a basis consistent with accounting principles generally accepted in the United States of America. All budget appropriations lapse at year end.

	Original Budget	Net Change	Amended Budget
General Fund	$912,882,329	$7,339,168	$920,221,497
Debt Service	166,128,525	834,126	166,962,651
Special Revenue Funds – Child Nutrition Services	$56,860,525	($1,860,602)	$54,999,923

Once a budget is approved, it may be amended by management without Board approval within a major functional expenditure category and can be amended at the major functional expenditure level by fund type only by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Amendments are reflected in the official minutes of the Board and are made before the fiscal year end as required by law.

The budget amounts included in this report reflect various amendments made by management and adopted by the Board throughout the year through the final amended budget, which was approved by the Board on August 28, 2018.

A reconciliation of fund balances for both budgeted and unbudgeted special revenue funds follows:

Budgeted Funds – Child Nutrition Services	$12,156,712
Funds not Budgeted	7,077,720
	$19,234,432

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Encumbrances

An encumbrance system of accounting is maintained to account for commitments from approved purchase orders, work orders and contracts. Capital Projects Fund encumbrances represent significant construction commitments. Under Texas law, appropriations lapse at August 31, 2018 and encumbrances outstanding at the time are canceled or re-appropriated in the succeeding year's budget. End-of-year outstanding encumbrances that were provided for in the subsequent year’s budget are presented below:

General Fund	$9,979,388
Capital Projects Fund	158,454,962
Special Revenue Funds	1,272,363

f. Inventories

Inventories of supplies on the balance sheet are stated at cost, determined on the weighted average method, while inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services on the date received. Inventories are maintained on a perpetual inventory system and adjusted at year end to physical count balances, if necessary. Inventory in governmental funds consist of expendable goods held for consumption. Reported inventories in these funds are equally offset by nonspendable fund balance. Expenditures are recorded when individual inventory items are distributed from the warehouse to campuses and District offices.

g. Long-Term Debt

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. The amount of deferred charge for refunding transactions is reported as a deferred outflow of resources and amortized using the straight-line method over the shorter of the life of the new debt or the refunded debt.

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

h. Capital Assets

Capital assets, which include land, buildings and improvements, furniture and equipment, and construction in progress, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at their acquisition value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives is not capitalized.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Capital Assets (continued)

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

Asset Class	Estimated Useful Lives
Buildings and Improvements	10 – 40 years
Automotive Equipment	7 – 18 years
Furniture and Equipment	5 – 15 years

i. Fund Equity

In the governmental fund financial statements, fund balance amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose are designated as restricted, committed, assigned and non-spendable. Designations of fund balance for non-spendable amounts, commitments, and assignments have been eliminated from the government-wide financial statements. The unassigned fund balance represents that portion of the fund balance that is available for budgeting in future periods.

Commitments of fund balance may only be done by a resolution of the Board of Trustees. By Board of Trustees resolution, assignments of fund balance may be made by the Deputy Superintendent for Business and Finance. Fund balance amounts that are restricted, committed, or assigned are considered to have been spent when the expenditure is incurred for the purpose for which the fund balance was restricted, committed, or assigned. Committed and assigned fund balances may also be relieved by Board resolution. If an expenditure meets the criteria in more than one fund balance category, then the District considers the fund balance relieved in the following order: restricted, committed, assigned, and then unassigned.

j. Net Position

In the government-wide financial statements, net position represents the difference between assets plus deferred outflows and liabilities plus deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, adjusted by outstanding debt related to the acquisition of those capital assets and any unspent bond proceeds. Net position is reported as restricted when there are limitations imposed on its use by external creditors or grantors. Any remaining net position is considered unrestricted.

k. Compensated Absences

Accumulated vacation and earned leave for eligible employees are expected to be liquidated with expendable available financial resources and are recognized as governmental fund liabilities, to the extent that they have matured.

The liability for compensated absences reported in the government-wide and proprietary fund statements consists of:

- Vacation leave earned by hourly non-exempt personnel is accrued when incurred and unused balances are distributed on termination from employment.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. Compensated Absences (continued)

- Compensatory time earned by salaried non-exempt personnel is accrued when earned. Unused balances are paid annually to the extent balances exceed 120 hours and the entire unused balance is paid on termination from employment. The liability has been calculated using the vesting method. Compensated absences typically have been liquidated in the general and the child nutrition funds.
- Accumulated State and Local leave earned by eligible employees is paid upon retirement under the Teacher's Retirement System at a percentage of an established pay rate that increases based on years of service.

l. Cash and Cash Equivalents

Cash in bank, money market accounts, and external investment pools are reported as cash and cash equivalents in the financial statements. For the statement of cash flows, cash and cash equivalents consist of cash in banks, investment pool deposits, and securities with maturities of less than three months from the date purchased.

Investments

State statutes and Board policy authorize the District to invest any and all of its funds in fully collateralized CDs, direct debt securities of the United States of America or the state of Texas, other obligations the principal and interest of which are unconditionally guaranteed by the state of Texas or the United States, fully collateralized direct repurchase agreements, bankers' acceptances, local government investment pools, money market mutual funds, and other investments specifically allowed by Chapter 2256 of the Texas Government Code. The District participates in several local government investment pools and accrues interest based on the terms and interest rates of the pools. The District's policy is to report local government investment pools that meet the criteria of GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, at the pool's net asset value (NAV) which is based on amortized cost.

m. Accounting System

In accordance with Texas Education Code, Chapter 44, subchapter A, the District has adopted and installed an accounting system which meets at least the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. Data Control codes refer to the account code structure prescribed by the Texas Education Agency in the Resource Guide.

n. Accrual of Foundation School Program Revenues

The State of Texas provides funding to Districts through the Foundation School Program based on instructional days, average daily attendance by fiscal year, and other factors. The academic year for the District typically begins after the fourth Monday in August and before the beginning of the subsequent fiscal year (September 1). During this period, expenditures are incurred that relate directly to revenues received in the subsequent fiscal year. In the current fiscal year, the District accrued Foundation School revenues that would be received next year to match August days of instructional expenditures.

o. Unearned Revenue

Nonexchange revenues where resources are transmitted before the eligibility requirements are met are reported as unearned revenues on the balance sheet of the governmental funds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o. Unearned Revenue (continued)

Prepaid meals for the School Lunch Program and prepaid tuition for the Learning Tree enterprise fund are also recorded as unearned revenues.

p. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred inflows and outflows, and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses/expenditures during the reported period. Actual results could differ from those estimates.

q. Indirect Expenses

School districts are required to report all expenses by function, except for certain indirect expenses – general administration and data processing services. These include expenses that are indirect and not allocated to other functions.

r. Arbitrage Payable

The Tax Reform Act of 1986 enacted section 148(f) of the Internal Revenue Code, relating to arbitrage rebate requirements, which generally provides that in order for interest on any issue of obligation to be excluded from gross income (i.e., tax-exempt), the issuer must rebate to the United States the excess of the amount earned on investments acquired from bond proceeds over the amount which would have been earned if such investments had been invested at a yield equal to the yield on the issue. This amount is determined based on current investment yields and is subject to change prior to the due date of the rebate. The due date of the rebate is five years from the date of issue. The District records the liability, which is currently payable, in the Capital Projects Fund. There was no arbitrage payable at August 31, 2018.

s. Deferred Outflows and Inflows of Resources

Deferred Outflows of Resources are reported between the assets and liabilities sections on the government-wide Statement of Net Position. These represent a consumption of net position that applies to a future period and will not be recognized until then. The District reports the deferred charge for refunding in this category, which is the difference between the carrying value of refunded debt and its reacquisition price. The District also reports deferred outflows related to pension and other post-employment benefit amounts. There are no deferred outflows of resources to report in the fund financial statements.

Deferred Inflows of Resources represent an acquisition of net position that applies to a future period and will not be recognized until then. The District reports unavailable revenue for property taxes and unavailable grant revenue in this category as these amounts are not anticipated to be available within 60 days of the fiscal year end. TRS pension and other post-employment benefits investment earnings are reported only on the Government-wide Statement of Net Position. These amounts are deferred and recognized as an inflow of resources in the period amounts become available.

t. 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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

t. Pensions (continued)

accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

u. Other Post-Employment Benefits (OPEB)

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

2. DEPOSITS AND INVESTMENTS

a. Cash Deposits

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the School Depository Act. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect the District's 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.

At August 31, 2018, the carrying amount of the District's deposits (cash and interest bearing money market accounts) was $30,034,383 and the bank balance was $30,185,323. The District's cash deposits at August 31, 2018 were covered by FDIC insurance and by pledged collateral held by the Federal Reserve in a book entry system in the name of the District.

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

- Name of the bank: Wells Fargo Bank, N.A.
- As of the date of the highest combined balance on deposit occurring during the month of January 2018, the District's cash deposits were partially covered by FDIC insurance and by pledged collateral.
- The largest combined balances of cash, savings, and time deposit accounts amount to $48,715,337 and occurred on January 29, 2018. The total amount of FDIC coverage at the time of the largest combined balance was $750,000. The amount of pledged collateral was $35,633,227. The resulting undercollateralization was $12,332,110. The District's cash was adequately collateralized the next business day.

b. Investments

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the

2. DEPOSITS AND INVESTMENTS (continued)

Interlocal Cooperation Act, Chapter 79 of the Texas Government Code and are subject to the provisions of 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 AAAm 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.

State statutes authorize the District to invest in obligations of the U.S. Treasury, the State of Texas, certain United States agencies, certificates of deposit, money market savings accounts, repurchase agreements, no-load money market mutual funds and other investments specifically allowed by Chapter 2256 Public Funds Investment and Chapter 2257 Collateral for Public Funds of the Government Code. The District invests primarily in obligations of U.S. agencies, TexPool, LoneStar Investment Pool ("LoneStar"), the Texas Short Term Asset Reserve Program (TEXSTAR), Texas CLASS, Texas TERM Investment Pool ("TexasDaily") and the Local Government Investment Cooperative (LOGIC).

The Comptroller of Public Accounts (Comptroller) exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure.

LoneStar is governed by the Texas Association of School Boards. This entity has the responsibility of adopting and monitoring compliance with the investment advisor, custodian, investment consultant, administrator, and other service providers. The Board is also responsible for monitoring the performance of the Pool.

In September 2005, TEXSTAR and LOGIC merged. A separate board for each pool holds legal title to all money, investments, and assets and has the authority to employ personnel, contract for services, and engage in other administrative activities necessary or convenient to accomplish the objectives of TEXSTAR and LOGIC. The business and affairs of TEXSTAR and LOGIC are managed by their Boards in accordance with their bylaws. The Bylaws set forth procedures governing the selection of, and action taken by, the Board. Board oversight of TEXSTAR and LOGIC is maintained through daily, weekly, and monthly reporting requirements.

Texas CLASS is a local government investment pool. Texas CLASS invests in securities allowed by the Texas Public Funds Investment Act. The pool is governed by a board of trustees, elected annually by its participants.

The TexasTERM Local Government Investment Pool investments are designed to comply with all Texas statutes, including regulations for the allowable investment of public funds. The Pool's investors elect Advisory Board Members who are responsible for overall management of the Pool, including formulation and implementation of investment and operating policies.

The District's agency notes and municipal bonds are reported at amortized cost which approximates fair value. Money market investments are reported at amortized cost if the remaining maturity at time of purchase is one year or less, provided that the fair value of those

2. DEPOSITS AND INVESTMENTS (Continued)

investments are not significantly affected by the impairment of the credit standing of the issuer or by other factors. Accordingly, the District's money market investments are reported at amortized cost and do not include any unrealized gains and losses. At fiscal year end the District had no money market investments. The fair value of the position in the government investment pools is the same as the value of the pool shares which is at either amortized cost or net asset value (NAV) which is based on amortized cost.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. However, investments issued or explicitly guaranteed by the United States government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. The following is the minimum rating required by the District's investment policy and the Act and the actual rating as of August 31, 2018 for each investment:

Description	Days to Maturity	Minimum Legal Rating	Investment Rating	Rating Organization	Carrying Value	Percentage Invested	Weighted Average Days to Maturity
Investment Pools:							
Lone Star Corporate Overnight Plus Fund	N/A	AAA-m	AAAf/S1+	Standard & Poor's	$ 220,874,968	30.28%	0.33
Lone Star Government Overnight Fund	N/A	AAA-m	AAA-m	Standard & Poor's	15,945,144	2.19%	0.02
LOGIC	N/A	AAA-m	AAA-m	Standard & Poor's	103,226,164	14.15%	0.16
Texpool	N/A	AAA-m	AAA-m	Standard & Poor's	20,933,837	2.87%	0.03
Texpool Prime	N/A	AAA-m	AAA-m	Standard & Poor's	160,238,122	21.96%	0.24
TexSTAR	N/A	AAA-m	AAA-m	Standard & Poor's	16,116,059	2.21%	0.02
Texas Class	N/A	AAA-m	AAA-m	Standard & Poor's	127,529,212	17.48%	0.19
Agency Notes:							
Agency Notes	00-90	A	AA+	Standard & Poor's	5,000,000	0.69%	0.19
Agency Notes	181-364	A	AA+	Standard & Poor's	54,794,908	7.51%	19.6
Agency Notes	365+	A	AA	Standard & Poor's	4,857,754	0.67%	2.66
Total Investments					$ 729,516,168	100.00%	23.44

Standard and Poor's Rating Legend	
Rating	**Capacity to maintain principal stability and to limit exposure to principal losses due to credit risk.**
AAA	Extremely strong
AA	Strong
A	Strong but suspectible to adverse effects of changes in circumstances.
BBB	Adequate but more likely to be affected by adverse effects of changes in circumstances.
BB	Uncertain and vulnerable. Demonstrates speculative characteristics.
D	Failed to maintain resulting in realized or unrealized loss of principal.

2. DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk

The District is required to disclose investments in any one issuer that represents 5% or more of total investments. However, investments issued or explicitly guaranteed by the United States government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. At August 31, 2018, the District had no investments that exceeded 5%.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting exposure to fair value losses due to rising interest rates, the District's investment policy states “To reduce exposure to changes in interest rates that could adversely affect the value of investments, the District shall use final and weighted-average-maturity limits and diversification. The District shall monitor interest rate risk using weighted average maturity and specific identification.”

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside third party. Investment securities are exposes to custodial risk if the securities are uninsured, are not register in the name of the district and are held by the counterparty, its trust or agent, but not in the District’s name. The District’s investment securities are not exposed to custodial credit risk because all securities held by the District’s custodial banks are in the District’s name.

As of August 31, 2018, the District had $729,516,168 invested with a weighted average maturity of 0.06 years or 23.44 days.

Fair Value Measurement

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

Level 1 – inputs are quoted prices in active markets for identical assets. The District has no level 1 assets at August 31, 2018.

Level 2 – inputs are significant observable inputs, which may include quoted prices for similar assets in active markets, quoted prices of similar assets in non-active markets, and inputs other than quoted that are observable either directly or indirectly.

Level 3 – inputs are unobservable and may include situations where there is minimal, if any, market activity. The District has no level 3 assets at August 31, 2018.

2. DEPOSITS AND INVESTMENTS (Continued)

The District's investments at August 31, 2018 are as follows:

	August 31, 2018	Level 1	Level 2	Level 3
Investments by fair value level:				
Debt Securities:				
Federal Home Loan Bank	$ 29,872,477	$ -	$ 29,872,477	$ -
Federal Home Loan Mortgage Corporation	20,000,000	-	20,000,000	-
Farm Credit Discount Note	4,922,431		4,922,431	
Federal National Mortgage Association	4,857,754	-	4,857,754	-
Federal Farm Credit Bank System Bond	5,000,000	-	5,000,000	-
Total Debt Securities	64,652,662	-	64,652,662	-
Total investments by fair value:	64,652,662	$ -	$ 64,652,662	$ -
Investments measured at amortized cost:				
External Investment Pools:				
Lone Star Corporate Overnight Plus Fund	220,874,968			
Lone Star Government Overnight Fund	15,945,144			
TexPool	20,933,837			
TexPool Prime	160,238,122			
TexasDAILY	-			
Total External Investment Pools	417,992,071			
Total investments measured at amortized cost	417,992,071			
Investments measured at net asset value ("NAV"):				
External Investment Pools:				
LOGIC	103,226,164			
Tex STAR	16,116,059			
Texas Class	127,529,212			
Total External Investment Pools	246,871,435			
Total investments measured at NAV	246,871,435			
Total Investments	$ 729,516,168			

The valuation method for investments measured at the NAV per share (or its equivalent) is presented on the following table.

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Investments measured at net asset value ("NAV"):				
External Investment Pools:				
LOGIC	$ 103,226,164	N/A	Daily	N/A
Tex STAR	16,116,059	N/A	Daily	N/A
Texas Class	127,529,212	N/A	Daily	N/A
Total investments measured at NAV	$ 246,871,435			

GASB Statement Number 72 established a hierarchy that prioritizes the inputs used to measure fair value. Certain investment types utilized by the District are not required to be fair valued. Securities classified as Level 2 have used a number pricing methodologies including Treasury Desktop inputs. Since these are not prices quoted for identical securities quoted in active markets they are not classified as Level 1 inputs.

3. INTERFUND RECEIVABLE, PAYABLE, AND TRANSFERS

Interfund receivable and payable balances at August 31, 2018 were as follows:

	Receivable Balance	Payable Balance
General Fund:		
Debt Service Funds	$ -	$ 362,240
Non-major Governmental Funds	5,032,935	-
Proprietary Funds	613,565	-
Total General Fund	$ 5,646,500	$ 362,240
Debt Service Fund:		
General Fund	362,240	-
Other Governmental Funds:		
General Fund	-	5,032,935
Proprietary Funds:		
General Fund	-	613,565
TOTAL	$ 6,008,740	$ 6,008,740

From time to time, grant funds, which are on a reimbursement basis, may experience deficit cash balances. The centralized cash disbursement process through the general fund will pay for liabilities incurred until reimbursement is received. Such cash deficits are recorded as interfund payables to the general fund. In addition, the general fund paid for equipment purchased for the Printing Operations internal service fund. This interfund loan is being repaid over several years.

The District also made the following permanent transfers:

- The General Fund subsidized activities whose resources were insufficient to pay for all activities of the catering programs. Transfers to non-major governmental funds were $50,000.
- The General Fund reimbursed from insurance proceeds, appropriate activities of the Capital Projects Fund in association with repairs from damage to facilities as a result of a hail storm for $648,069.

4. PROPERTY TAXES

In accordance with Texas statutes, the Board of the District approves a tax rate and order to levy taxes in August of each year. Property taxes are billed by the county tax assessor collector as of October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are payable 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 the year following the District's order to levy taxes (the assessment date), a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. The assessment date represents the date on which an enforceable legal claim arises and attaches as a lien of the assessed property. In the government-wide financial statements, property tax revenue is recognized as earned, net of an allowance for uncollectible taxes. In the governmental fund financial statements, property tax revenues are considered available when they become due and

4. PROPERTY TAXES (Continued)

receivable within the current period.

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

5. CAPITAL ASSETS

A summary of capital asset activity of the District for the year ended August 31, 2018 follows:

	Balance September 1, 2017	Additions	Transfers	Deletions	Balance, August 31, 2018
Capital Assets not being depreciated:					
Land	$ 103,709,809	$ 5,485,977	$ -	$ -	$ 109,195,786
Construction In Progress	86,895,870	83,111,413	(44,083,931)	-	125,923,352
Total	190,605,679	88,597,390	(44,083,931)	-	235,119,138
Capital Assets being depreciated:					
Buildings and Improvements	2,710,840,755	26,943,664	44,083,931	(21,892)	2,781,846,458
Furniture and Equipment	131,458,482	9,513,882	-	(2,523,051)	138,449,313
Total	2,842,299,237	36,457,546	44,083,931	(2,544,943)	2,920,295,771
Less Accumulated Depreciation:					
Buildings and Improvements	(827,069,927)	(81,576,129)	-	21,892	(908,624,164)
Furniture and Equipment	(75,053,393)	(7,847,238)	-	2,523,051	(80,377,580)
Total	(902,123,320)	(89,423,367)	-	2,544,943	(989,001,744)
Total Capital Assets being depreciated	1,940,175,917	(52,965,821)	44,083,931	-	1,931,294,027
Capital Assets, Net	$ 2,130,781,596	$ 35,631,569	$ -	$ -	$ 2,166,413,165

5. CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental activities in the following functional categories:

Instruction	$ 52,707,568
Instructional Resources & Media Services	1,221,212
Curriculum & Staff Development	1,875,247
Instructional Leadership	1,783,772
School Leadership	4,578,433
Guidance, Counseling & Evaluation Services	3,259,562
Social Work Services	292,072
Health Services	877,957
Student Transportation	2,846,026
Child Nutrition Services	4,256,662
Co-Curricular Activities	2,976,485
General Administration	1,783,059
Plant Maintenance & Operations	7,330,342
Security & Monitoring Services	796,741
Data Processing Services	1,451,788
Community Services	1,386,441
Total Depreciation	$ 89,423,367

6. UNEARNED REVENUE

Unearned revenue consisted of the following:

General Fund		
State Aid	$	8,513,114
Other		207,236
Total General Fund		8,720,350
Non-Major Governmental Fund		
Pre-paid Meals		1,175,596
Grants		1,253,756
Total Special Revenue Fund		2,429,352
Total Governmental Activities	$	11,149,702
Enterprise Fund		
Learning Tree	$	379,496

7. LONG-TERM LIABILITIES

Bonded Debt Payable

The District issues general obligation bonds for the governmental activities to provide funds for the acquisition and construction of major capital facilities. The bonds are supported by a pledge of the District's full faith and credit and require a levy and collection of taxes without limitation as to rate or amount on all property subject to taxation by the District sufficient in amount to pay the principal and interest on such bonds as they become due. The indentures also require that a debt service fund be created and administered by the District solely for paying principal and interest when due.

Bond indebtedness of the District is reflected in the government-wide financial statements, and current requirements for principal and interest expenditures are accounted for in the Debt Service Fund.

The following is a summary of general obligation bonds payable at August 31, 2018.

Issue Date	Series	Original Amount	Interest Rates	Final Maturity	Outstanding 08/31/18	Due Within One Year
Unlimited Tax School Building Bonds						
07/31/03	2003A	$ 47,900,000	2.00 - 5.00%	2031	$ 23,790,000	$ 1,320,000
07/31/03	2003B	47,900,000	2.00 - 4.00%	2029	23,260,000	1,290,000
05/04/06	2006A	36,730,000	2.00 - 5.00%	2033	25,160,000	1,135,000
02/25/09	2009	75,670,000	3.00 - 5.13%	2039	64,350,000	1,850,000
11/11/09	2009A	32,500,000	4.00 - 5.00%	2029	23,760,000	1,960,000
07/01/12	2012	55,000,000	2.00 - 5.00%	2042	50,000,000	-
06/03/13	2007A	80,490,000	2.00 - 5.00%	2036	68,615,000	2,705,000
10/10/13	2013	68,975,000	2.00 - 5.00%	2043	65,260,000	-
05/22/14	2014	40,090,000	2.00 - 5.00%	2034	33,270,000	1,565,000
07/09/15	2015	70,315,000	0.50 - 5.00%	2035	57,960,000	2,345,000
05/18/16	2016	69,030,000	2.00 - 5.00%	2046	65,085,000	2,460,000
06/28/17	2010	69,450,000	2.00 - 5.00%	2038	67,350,000	2,205,000
Unlimited Tax School Building and Refunding Bonds						
07/30/15	2015	93,420,000	2.50 - 5.00%	2045	82,720,000	2,670,000
05/23/17	2017	86,650,000	2.50 - 5.00%	2037	79,475,000	6,005,000
Unlimited Tax Refunding Bonds						
11/11/09	2009	15,340,000	3.00 - 4.00%	2024	8,080,000	1,215,000
12/07/10	2010	50,685,000	2.00 - 4.00%	2026	26,935,000	3,425,000
11/01/11	2011	67,020,000	0.50 - 5.00%	2032	56,355,000	1,055,000
04/15/12	2012	95,305,000	2.00 - 5.00%	2034	86,705,000	4,570,000
11/21/13	2013	81,175,000	2.00 - 5.00%	2035	46,475,000	6,770,000
04/03/14	2014	74,175,000	2.00 - 5.00%	2033	60,805,000	1,165,000
12/11/14	2014A	69,115,000	2.00 - 5.00%	2033	62,035,000	3,520,000
04/06/16	2016	85,575,000	2.00 - 5.00%	2035	76,705,000	4,565,000
10/20/16	2016A	88,335,000	3.00 - 5.00%	2037	81,215,000	5,050,000
12/06/17	2017	49,675,000	2.00 - 5.00%	2027	49,060,000	5,825,000
05/30/18	2018	202,315,000	3.35 - 5.00%	2044	202,315,000	21,505,000
Unlimited Tax Qualified School Construction Bonds (Tax Credit Bonds)						
11/12/09	2009	28,000,000	1.505%	2026	28,000,000	-
Unlimited Tax School Building Bonds (Taxable Direct Subsidy - Build America Bonds)						
11/12/09	2009	25,075,000	6.246%	2039	25,075,000	-
11/16/10	2010	107,995,000	5.491 - 5.891%	2040	107,995,000	-
Variable Rate Unlimited Tax School Building Bonds						
07/15/12	2012	70,000,000	1.00%	2032	60,870,000	3,355,000
05/22/14	2014	79,245,000	2.00%	2044	79,245,000	-
07/31/14	2011	78,470,000	2.13%	2040	71,490,000	1,980,000
05/18/16	2016	73,545,000	2.00%	2046	73,545,000	-
05/23/17	2017	100,000,000	1.45%	2047	100,000,000	-
07/11/18	2018	123,390,000	2.75%	2048	123,390,000	-
Variable Rate Unlimited Tax School Refunding Bonds						
05/31/14	2011A	78,630,000	2.00%	2039	71,660,000	1,980,000
Totals		$ 2,517,185,000			$ 2,228,010,000	$ 93,490,000

7. LONG-TERM LIABILITIES (Continued)

Voted and authorized bonds are issued solely for the purpose of constructing, equipping, and renovating school buildings, purchasing sites for future schools, and paying costs of issuance. The remaining authorized but unissued unlimited tax bonds are as follows:

Date Authorized	Amount Authorized	Previously Issued	Amount Issued	Unissued Balance
5/10/2014	$648,340,000	$423,340,000	$125,000,000*	$100,000,000
5/5/2018	$848,910,000	$0	$0	$848,910,000

* Amount includes $123,390,000 of debt issuance and $1,610,000 of premium from debt issuance.

Annual debt service requirements of currently outstanding bonds are as follows:

Year Ending August 31,	Principal	Interest	Total
2019	$ 93,490,000	$ 83,721,214	$ 177,211,214
2020	75,810,000	84,623,951	160,433,951
2021	79,315,000	87,339,276	166,654,276
2022	79,465,000	86,319,626	165,784,626
2023	84,710,000	84,572,401	169,282,401
2024-28	456,390,000	379,874,247	836,264,247
2029-33	507,500,000	274,571,186	782,071,186
2034-38	458,750,000	161,265,702	620,015,702
2039-43	278,305,000	66,440,695	344,745,695
2044-48	114,275,000	13,798,870	128,073,870
Total	$ 2,228,010,000	$1,322,527,169	$ 3,550,537,169

There are a number of limitations and restrictions contained in the general obligation bond indentures. The District is in compliance with all significant limitations and restrictions at August 31, 2018.

a. On December 6, 2017, the District issued $49,675,000 Unlimited Tax Refunding Bonds, Series 2017, to refund $55,230,000 representing certain maturities of Unlimited Tax School Building Bonds, Series 2008 and Unlimited Tax School Building Bonds, Series 2008A. The resulting economic gain was $8,494,849. The resulting net cash flows from the refunding are as follows:

Cash flow requirements to service old debt service	$	71,540,901
Less: Cash flow requirements for new debt service		61,621,603
Net decreases in cash flow from refunding	$	9,919,298

7. LONG-TERM LIABILITIES (Continued)

b. On May 30, 2018, the District issued $202,315,000 Unlimited Tax Refunding Bonds, Series 2018, to refund $229,575,000 representing certain maturities of Unlimited Tax School Building Bonds, Series 2008, Unlimited Tax School Building Bonds, Series 2008A, Variable Rate Unlimited Tax School Building Bonds, Series 2013 and Variable Rate Unlimited Tax School Building Bonds, Series 2015, with a resulting economic gain of $22,553,147. The resulting net cash flows from the refunding are as follows:

Cash flow requirements to service old debt service	$	349,992,188
Less: Cash flow requirements for new debt service		320,827,211
Net decreases in cash flow from refunding	$	29,164,977

c. On July 11, 2018, the District issued $123,390,000 Variable Rate Unlimited Tax School Building Bonds, Series 2018. The bonds were issued pursuant to an election held on May 10, 2014 authorizing the issuance of $648.34 million and an Order adopted by the Board of Trustees on October 28, 2014. Proceeds from the sale of the Bonds will be used to (i) acquire, construct, renovate, improve and equip various school facilities and purchase the necessary sites therefor, and (ii) pay the costs of issuance of the Bonds. The Bonds will bear interest at an Initial Rate from July 11, 2018 through August 1, 2023, with interest being payable initially on February 1, 2019 and will be payable on each February 1 and August 1 thereafter through the initial rate period at the rate of 2.75%. Thereafter, the Bonds will convert to and bear interest at a Term Rate determined by the Remarketing Agent provided that the interest rate mode on the Bonds may be (a) changed from time to time to a Weekly Rate, Monthly Rate, Quarterly Rate or Semiannual Rate or back to a Term Rate (each a "*Variable Rate*"), (b) changed to a Flexible Rate, or (c) converted to a Fixed Rate until maturity.

The bonds will be subject to mandatory tender without the right of retention on the Conversion Date immediately following the end of the Initial Rate Period, which occurs on August 1, 2023. During the Initial Rate Period, the Bonds are not subject to the benefit of a liquidity facility provided by a third party. Accordingly, a failure by the Remarketing Agent to remarket Bonds subject to mandatory tender on the Conversion Date at the end of the Initial Rate Period will result in the rescission of the notice of mandatory tender with respect thereto and the District not having any obligation to purchase such bonds at that time. The occurrence of the foregoing will not result in an event of default under the Order. Until the District redeems or remarkets the bonds that have been unsuccessfully remarketed, such bonds shall bear interest at the "Stepped Rate", which is defined herein to mean 7.00% per annum.

d. On May 31, 2011, the District issued $84,000,000 Variable Unlimited Tax Refunding Bonds Series 2011A to refund $84,000,000 representing the outstanding balance of Variable Rate Unlimited Tax School Building Bonds, Series 2009. Of the $81,165,000 of outstanding Bonds, $1,530,000 was redeemed pursuant to mandatory redemption provisions and $1,005,000 was redeemed pursuant to optional redemption provisions. The balance of $78,630,000 was remarketed on May 20, 2014 to a five-year term mode. The Bonds will bear interest from June 1, 2014 through May 31, 2019, with interest being payable initially on December 1, 2014 and on each June 1 and December 1 thereafter at the rate of 2.00%. Thereafter, the Bonds will convert to and bear interest at a Term Rate determined by the Remarketing Agent provided that the interest rate mode on the bonds may be (a) changed from time to time to a Weekly Rate, Monthly Rate, Quarterly Rate or Semiannual Rate or back to a Term Rate (each a "*Variable Rate*"), (b)

7. LONG-TERM LIABILITIES (Continued)

changed to a Flexible Rate or, (c) converted to a Fixed Rate until maturity.

The bonds will be subject to mandatory tender without the right of retention on the Conversion Date immediately following the end of the Term Rate Period, which occurs on June 1, 2019.

During the term rate period, the bonds are not subject to the benefit of a liquidity facility provided by a third party. Accordingly, a failure by the remarketing agent to remarket bonds subject to mandatory tender on the conversion date at the end of the term rate period will result in the rescission of the notice of mandatory tender with respect thereto and the District not having any obligation to purchase such bonds at that time. The occurrence of the foregoing will not result in an event of default under the Order. Until the District redeems or remarkets the bonds that have been unsuccessfully remarketed, such bonds shall bear interest at the rate of 7.00% per annum.

The bonds are subject to mandatory redemption prior to maturity as follows:

Variable Refunding Series 2011A, Mandatory Redemption Schedule

June 1	Redemption	June 1	Redemption	June 1	Redemption
2019	$ 1,980,000	2027	$ 2,980,000	2035	$4,485,000
2020	2,080,000	2028	3,135,000	2036	4,720,000
2021	2,190,000	2029	3,300,000	2037	4,970,000
2022	2,305,000	2030	3,475,000	2038	5,230,000
2023	2,425,000	2031	3,655,000	2039	* 4,500,000
2024	2,555,000	2032	3,845,000		
2025	2,690,000	2033	4,050,000		
2026	2,830,000	2034	4,260,000		

*Scheduled final maturity.

e. On March 8, 2011 the District issued $80,000,000 Variable Rate Unlimited Tax School Building Bonds, Series 2011. The bonds were issued pursuant to an election held on May 8, 2010 and an Order adopted by the Board of Trustees on February 24, 2011. The amount of the outstanding Bonds, $80,000,000, was redeemed pursuant to mandatory redemption provisions of $1,530,000, redeemed pursuant to optional redemption provisions and the balance of $78,470,000 remarketed July 23, 2014 to a six-year term mode. The Bonds will bear interest from August 1, 2014 through July 31, 2020, with interest being payable initially on February 1, 2015 and on each August 1 and February 1 thereafter at the rate of 2.125%. Thereafter, the Bonds will convert to and bear interest at a Term Rate determined by the Remarketing Agent provided that the interest rate mode on the bonds may be (a) changed from time to time to a Weekly Rate, Monthly Rate, Quarterly Rate or Semiannual Rate or back to a Term Rate (each a "*Variable Rate*"), (b) changed to a Flexible Rate or, (c) converted to a Fixed Rate until maturity.

The bonds will be subject to mandatory tender without the right of retention on the Conversion Date immediately following the end of the Term Rate Period, which occurs on August 1, 2020. During the term rate period, the bonds are not subject to the benefit of a liquidity facility provided by a third party. Accordingly, a failure by the remarketing agent to remarket bonds subject to mandatory tender on the conversion date at the end of the term rate period will result in the rescission of the notice of mandatory tender with respect thereto and the District not having any obligation to purchase such bonds at that time. The occurrence of the foregoing will not result in

7. LONG-TERM LIABILITIES (Continued)

an event of default under the Order. Until the District redeems or remarkets the bonds that have been unsuccessfully remarketed, such bonds shall bear interest at the rate of 7.00% per annum.

The bonds are subject to mandatory redemption prior to maturity as follows:

Series 2011, Mandatory Redemption Schedule

August 1	Redemption	August 1	Redemption	August 1		Redemption
2019	$ 1,980,000	2027	$ 2,980,000	2036		$ 4,440,000
2020	2,085,000	2028	3,135,000	2037		4,670,000
2021	2,190,000	2029	3,300,000	2038		4,915,000
2022	2,305,000	2030	2,725,000	2039		5,175,000
2023	2,430,000	2031	3,615,000	2040	*	5,445,000
2024	2,555,000	2032	3,805,000			
2025	2,690,000	2033	4,005,000			
2026	2,830,000	2035	4,215,000			

* Scheduled final maturity.

f. On July 15, 2012 the District issued $70,000,000 Variable Rate Unlimited Tax School Building Bonds, Series 2012. The bonds were issued pursuant to an election held on May 8, 2010 authorizing the issuance of $535.142 million and an Order adopted by the Board of Trustees on May 22, 2012. The amount of the outstanding Bonds, $67,105,000, was remarketed May 20, 2016 to a six-year term mode. The Bonds will bear interest from June 1, 2016 through May 31, 2022, with interest being payable initially on December 1, 2016 and will be payable on each June 1 and December 1 thereafter at the rate of 1.75%. Thereafter, the Bonds will convert to and bear interest at a Term Rate determined by the Remarketing Agent provided that the interest rate mode on the Bonds may be (a) changed from time to time to a Weekly Rate, Monthly Rate, Quarterly Rate or Semiannual Rate or back to a Term Rate (each a "*Variable Rate*"), (b) changed to a Flexible Rate, or (c) converted to a Fixed Rate until maturity.

The bonds will be subject to mandatory tender without the right of retention on the Conversion Date immediately following the end of the Term Rate Period, which occurs on June 1, 2022. During the Initial Rate Period, the Bonds are not subject to the benefit of a liquidity facility provided by a third party. Accordingly, a failure by the Remarketing Agent to remarket Bonds subject to mandatory tender on the Conversion Date at the end of the Initial Rate Period will result in the rescission of the notice of mandatory tender with respect thereto and the District not having any obligation to purchase such bonds at that time. The occurrence of the foregoing will not result in an event of default under the Order. Until the District redeems or remarkets the bonds that have been unsuccessfully remarketed, such bonds shall bear interest at the "Stepped Rate", which is defined herein to mean 7.00% per annum.

The bonds are subject to mandatory redemption prior to maturity as noted below.

7. LONG-TERM LIABILITIES (Continued)

Series 2012, Mandatory Redemption Schedule

June 1	Redemption	June 1	Redemption	June 1		Redemption
2019	$ 3,355,000	2025	$ 4,495,000	2031		$ 1,400,000
2020	3,250,000	2026	4,720,000	2032	*	6,090,000
2021	3,695,000	2027	4,955,000			
2022	3,880,000	2028	5,205,000			
2023	4,075,000	2029	5,465,000			
2024	4,280,000	2030	5,735,000			

* Scheduled final maturity.

g. On April 23, 2014, the District issued $79,245,000 Variable Rate Unlimited Tax School Building Bonds, Series 2014. The bonds were issued pursuant to an election held on May 8, 2010 authorizing the issuance of $535.142 million and an Order adopted by the Board of Trustees on February 25, 2014. The Bonds will bear interest at an Initial Rate from May 22, 2014 through July 31, 2019, with interest being payable initially on February 1, 2015 and will be payable on each February 1 and August 1 thereafter through the initial rate period at the rate of 2.00%. Thereafter, the Bonds will convert to and bear interest at a Term Rate determined by the Remarketing Agent provided that the interest rate mode on the Bonds may be (a) changed from time to time to a Weekly Rate, Monthly Rate, Quarterly Rate or Semiannual Rate or back to a Term Rate (each a "*Variable Rate*"), (b) changed to a Flexible Rate, or (c) converted to a Fixed Rate until maturity.

The bonds will be subject to mandatory tender without the right of retention on the Conversion Date immediately following the end of the Initial Rate Period, which occurs on August 1, 2019. During the Initial Rate Period, the Bonds are not subject to the benefit of a liquidity facility provided by a third party. Accordingly, a failure by the Remarketing Agent to remarket Bonds subject to mandatory tender on the Conversion Date at the end of the Initial Rate Period will result in the rescission of the notice of mandatory tender with respect thereto and the District not having any obligation to purchase such bonds at that time. The occurrence of the foregoing will not result in an event of default under the Order. Until the District redeems or remarkets the bonds that have been unsuccessfully remarketed, such bonds shall bear interest at the "Stepped Rate", which is defined herein to mean 7.00% per annum.

The bonds are subject to mandatory redemption prior to maturity as noted below.

Series 2014, Mandatory Redemption Schedule

August 1	Redemption	August 1	Redemption	August 1		Redemption
2035	$ 6,300,000	2038	$ 7,295,000	2041		$ 8,440,000
2036	6,615,000	2039	7,660,000	2042		8,865,000
2037	6,945,000	2040	8,040,000	2043		9,310,000
				2044	*	9,775,000

* Scheduled final maturity.

7. LONG-TERM LIABILITIES (Continued)

h. On May 18, 2016, the District issued $73,545,000 Variable Rate Unlimited Tax School Building Bonds, Series 2016. The bonds were issued pursuant to an election held on May 10, 2014 authorizing the issuance of $648.34 million and an Order adopted by the Board of Trustees on October 28, 2014. Proceeds from the sale of the Bonds will be used to (i) acquire, construct, renovate, improve and equip various school facilities, (ii) purchase the necessary sites therefor, and (iii) pay the costs of issuance of the Bonds. The Bonds will bear interest at an Initial Rate from May 18, 2016 through May 31, 2021, with interest being payable initially on December 1, 2016 and will be payable on each June 1 and December 1 thereafter through the initial rate period at the rate of 2.00%. Thereafter, the Bonds will convert to and bear interest at a Term Rate determined by the Remarketing Agent provided that the interest rate mode on the Bonds may be (a) changed from time to time to a Weekly Rate, Monthly Rate, Quarterly Rate or Semiannual Rate or back to a Term Rate (each a "*Variable Rate*"), (b) changed to a Flexible Rate, or (c) converted to a Fixed Rate until maturity.

The bonds will be subject to mandatory tender without the right of retention on the Conversion Date immediately following the end of the Initial Rate Period, which occurs on May 31, 2021. During the Initial Rate Period, the Bonds are not subject to the benefit of a liquidity facility provided by a third party. Accordingly, a failure by the Remarketing Agent to remarket Bonds subject to mandatory tender on the Conversion Date at the end of the Initial Rate Period will result in the rescission of the notice of mandatory tender with respect thereto and the District not having any obligation to purchase such bonds at that time. The occurrence of the foregoing will not result in an event of default under the Order. Until the District redeems or remarkets the bonds that have been unsuccessfully remarketed, such bonds shall bear interest at the "Stepped Rate", which is defined herein to mean 7.00% per annum.

The bonds are subject to mandatory redemption prior to maturity as noted below.

Series 2016, Mandatory Redemption Schedule

June 1	Redemption	June 1	Redemption	June 1		Redemption
2021	$ 1,440,000	2030	$ 2,230,000	2039		$ 3,465,000
2022	1,510,000	2031	2,345,000	2040		3,635,000
2023	1,585,000	2032	2,460,000	2041		3,815,000
2024	1,665,000	2033	2,585,000	2042		4,010,000
2025	1,750,000	2034	2,715,000	2043		4,210,000
2026	1,835,000	2035	2,850,000	2044		4,420,000
2027	1,930,000	2036	2,990,000	2045		4,640,000
2028	2,025,000	2037	3,140,000	2046	*	4,870,000
2029	2,125,000	2038	3,300,000			

* Scheduled final maturity.

i. On June 21, 2017, the District issued $100,000,000 Variable Rate Unlimited Tax School Building Bonds, Series 2017. The bonds were issued pursuant to an election held on May 10, 2014 authorizing the issuance of $648.34 million and an Order adopted by the Board of Trustees on October 28, 2014. Proceeds from the sale of the Bonds will be used to (i) acquire, construct, renovate, improve and equip various school facilities, (ii) purchase the necessary sites therefor, and (iii) pay the costs of issuance of the Bonds. The Bonds will bear interest at an Initial Rate

7. LONG-TERM LIABILITIES (Continued)

from June 21, 2017 through May 31, 2020, with interest being payable initially on December 1, 2017 and will be payable on each June 1 and December 1 thereafter through the initial rate period at the rate of 1.45%. Thereafter, the Bonds will convert to and bear interest at a Term Rate determined by the Remarketing Agent provided that the interest rate mode on the Bonds may be (a) changed from time to time to a Weekly Rate, Monthly Rate, Quarterly Rate or Semiannual Rate or back to a Term Rate (each a "*Variable Rate*"), (b) changed to a Flexible Rate, or (c) converted to a Fixed Rate until maturity.

The bonds will be subject to mandatory tender without the right of retention on the Conversion Date immediately following the end of the Initial Rate Period, which occurs on May 31, 2020. During the Initial Rate Period, the Bonds are not subject to the benefit of a liquidity facility provided by a third party. Accordingly, a failure by the Remarketing Agent to remarket Bonds subject to mandatory tender on the Conversion Date at the end of the Initial Rate Period will result in the rescission of the notice of mandatory tender with respect thereto and the District not having any obligation to purchase such bonds at that time. The occurrence of the foregoing will not result in an event of default under the Order. Until the District redeems or remarkets the bonds that have been unsuccessfully remarketed, such bonds shall bear interest at the "Stepped Rate", which is defined herein to mean 7.00% per annum.

The bonds are subject to mandatory redemption prior to maturity as noted below.

Series 2017, Mandatory Redemption Schedule

June 1	Redemption	June 1	Redemption	June 1	Redemption
2032	$ 4,225,000	2038	$ 5,665,000	2044	$ 7,590,000
2033	4,440,000	2039	5,950,000	2045	7,970,000
2034	4,660,000	2040	6,245,000	2046	8,370,000
2035	4,895,000	2041	6,555,000	2047	* 8,785,000
2036	5,140,000	2042	6,885,000		
2037	5,395,000	2043	7,230,000		

* Scheduled final maturity.

Worker's Compensation

All funds of the District participate in the Worker's Compensation Insurance Fund and make payments to the Fund based on rates, which reflect historical claims experience. The claims payable of $3,744,840 reported in the Fund at August 31, 2018 is based on an actuarial study completed in October 2018. The study was performed to provide claims payable in accordance with the requirements of Governmental Accounting Standards Board Statement No. 10 as amended by GASB Statement No. 30. This standard requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

The liability includes provisions for the following:

- cash reserves on open claims
- expected ultimate value of future development on reported claims
- expected ultimate value of claims not yet reported
- expected ultimate value of reopened claims
- allocated loss adjustment expenses

7. LONG-TERM LIABILITIES (Continued)

The claims liability reported as accrued claims payable in the accompanying financial statement is based on a discounted rate of 3% in anticipation of the investment income potential.

Changes in Long-term Liabilities

Changes in Long-term liabilities of governmental activities for the year ended August 31, 2018 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable	$2,211,840,000	$375,380,000	$359,210,000	$2,228,010,000	$93,490,000
Unamortized Bond Premium	85,466,652	27,299,313	14,403,485	98,362,480	-
Compensated Absences	6,936,523	3,042,268	2,151,655	7,827,136	563,871
Net Pension Liability	237,987,397	23,419,052	58,949,677	202,456,772	-
Net OPEB Liability	586,942,187	56,262	254,537,968	332,460,481	-
Worker's Compensation	4,283,996	1,262,395	1,801,551	3,744,840	3,551,307
Total	$3,133,456,755	$430,459,290	$691,054,336	$2,872,861,709	$97,605,178

Internal Service Funds serve only the governmental funds of the District. The liability associated with the Worker's Compensation Internal Service Fund is, therefore, included in the above activity. A reconciliation of changes in the aggregate liabilities for worker's compensation claims for the prior and the current year are presented below:

	2018	2017
Beginning of Year Liability	$ 4,283,996	$ 4,717,666
Current Year Claims and Changes in Estimates	1,262,395	1,850,628
Claim Payments	(1,801,551)	(2,284,298)
End of Year Liability	$ 3,744,840	$ 4,283,996

8. HEALTH CARE COVERAGE

At August 31, 2018, 10,448 employees of the District were covered by an employee benefits health plan. TRS-qualified insurance plan participants were 10,424. The District paid premiums averaging $599 per month per employee to the plan and employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed provider. Total premiums paid by the District during the year were $61,162,372.

9. FUND BALANCE

The fund balance as of August 31, 2018 consists of the following amounts:

	General Fund	Debt Service Fund	Capital Project Fund	Other Governmental Funds	Total
Non-spendable:					
Inventory	$ 2,370,139	$ -	$ -	$ 3,850,782	$ 6,220,921
Long-term Loan/Notes Rec	460,600	-	-	-	460,600
Restricted:					
Debt Service	-	46,012,360	-	-	46,012,360
Child Nutrition	-	-	-	8,305,930	8,305,930
Authorized Construction	-	-	158,454,962	-	158,454,962
Grants	-	-	-	755,411	755,411
Committed:					
Local Special Revenue	-	-	-	6,322,309	6,322,309
Opening New Schools	29,834,907	-	-	-	29,834,907
State Revenue Deficits	130,670,871	-	-	-	130,670,871
Technology Deployments	36,784,915	-	-	-	36,784,915
Assigned:					
Employee Benefits	15,436,524	-	-	-	15,436,524
Debt Service	10,000,000	-	-	-	10,000,000
Roofing Repair Projects	18,442,252	-	-	-	18,442,252
E-rate Projects	4,638,221	-	-	-	4,638,221
Administrative Projects	8,884,158	-	-	-	8,884,158
Federal Program Reductions	7,445,522	-	-	-	7,445,522
Federal Maintenance of Effort	6,259,229	-	-	-	6,259,229
Unassigned	183,900,775	-	-	-	183,900,775
Total	$ 455,128,113	$ 46,012,360	$ 158,454,962	$ 19,234,432	$ 678,829,867

Nonspendable fund balance results from items that are not in spendable form as of August 31st including inventory and prepaid items. Restricted fund balance consists of items that are legally restricted for specific purposes. The committed fund balance consists of funds designated by the Board of Trustees to be used for specific purposes. Assigned fund balances reflect management intentions to use funds for specific purposes.

10. DEFINED BENEFIT PENSION PLANS

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). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms. All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at https://www.trs.texas.gov/TRS%20Documents/cafr_2017.pdf; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided

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

Contributions

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

10. DEFINED BENEFIT PENSION PLANS (continued)

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

Contribution Rates	2017	2018
Member	7.70%	7.70%
Non-Employer Contributing Entity (State)	6.80%	6.80%
Employers	6.80%	6.80%

Northside ISD 2017 Employer Contributions	$20,751,937
Northside ISD 2017 Member Contributions	$49,976,261
Northside ISD 2017 NECE On-behalf Contributions	$30,823,084

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.

10. DEFINED BENEFIT PENSION PLANS (continued)

- 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 of certain instructional or administrative employees; and 100% of the state contributions for all other employees.

Actuarial Assumptions

The total pension liability in the August 31, 2017 actuarial valuation 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	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.5%
Salary Increases including inflation	3.5% to 9.5%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

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

Discount Rate

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2017 are summarized below:

10. DEFINED BENEFIT PENSION PLANS (continued)

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

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

Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District's proportionate share of the net pension liability:	$341,302,116	$202,456,772	$86,845,488

10. DEFINED BENEFIT PENSION PLANS (continued)

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 $202,456,772 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	$202,456,772
State's proportionate share that is associated with District	301,343,520
Total	$503,800,292

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 employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2016 thru August 31, 2017.

At August 31, 2017 the District's proportion of the collective net pension liability was 0.6331797% which was an increase of 0.0033921% from its proportion measured as of August 31, 2016.

Changes Since the Prior Actuarial Valuation

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

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

For the year ended August 31, 2018, the District recognized pension expense of $30,823,084 and revenue of $30,823,084 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 pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 2,962,034	$ 10,918,228
Changes in actuarial assumptions	9,222,227	5,279,510
Difference between projected and actual investment earnings	-	14,754,607
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	29,991,579	16,050
Contributions paid to TRS subsequent to the measurement date	21,369,734	-
Total	$ 63,545,574	$ 30,968,395

10. DEFINED BENEFIT PENSION PLANS (continued)

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

Year ended August 31:	Pension Expense Amount
2019	$971,197
2020	$13,894,538
2021	($21,723)
2022	($3,804,422)
2023	$235,731
Thereafter	($67,876)

11. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

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.

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.

Benefits Provided

TRS-Care provides a basic health insurance coverage (TRS-Care 1), at no cost to all retirees 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 the 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.

11. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (continued)

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.

TRS-Care Plan Premium Rates Effective Sept. 1, 2016 - Dec. 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

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 (State)	1.00%	1.25%
Employers	0.55%	0.75%
Federal/private Funding remitted by Employers	1.00%	1.25%

Employer # 015915 - 2017 Employer Contributions	$ 3,974,741
Employer # 015915 - 2017 Member Contributions	$ 1,630,269
Employer # 015915 - 2017 NECE On-behalf Contributions	$ 5,379,272

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether or not they participate in the TRS Care OPEB

11. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (continued)

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 Non-Employer Contributing Entity in the amount of $15.6 million in fiscal year 2017 and $182.6 million in fiscal year 2018.

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 which were adopted by the TRS Board of Trustees 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

Other Information: There was a significant plan change adopted in fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will be offered and all retirees will be required to contribute monthly premiums for coverage. Assumption changes made for the August 31, 2017 valuation include a change to the assumption regarding the phase-out of the Medicare

11. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (continued)

Part D subsidies and a change to the discount rate from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017.

Discount Rate

A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of .44 percent in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (2.42%)	Current Single Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
District's proportionate share of the Net OPEB Liability:	$ 392,385,902	$ 332,460,481	$ 284,293,954

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 $332,460,481 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 pension liability	$332,460,481
State's proportionate share that is associated with District	506,815,527
Total	$839,276,008

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 actuarial valuation as of that date. The District's proportion of the Net OPEB Liability was based on the District's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2016 thru August 31, 2017.

11. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (continued)

At August 31, 2017 the District's proportion of the collective Net OPEB Liability was 0.7645186% which was the same proportion measured as of August 31, 2016.

Changes Since the Prior Actuarial Valuation – There were significant changes of benefit terms that affected measurement of the Total OPEB liability during the measurement period.

- Effective January 1, 2018, only one health plan option is made available instead of three and all retirees are 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.
- The August 31, 2016 valuation had assumed that the savings related to Medicare Part D reimbursement 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 OPEB liability. This change significantly lowered the OPEB liability.
- The discount rate change from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017. This change lowered the OPEB liability.

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 $ 6,059,248 and revenue of $ 6,059,248 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
Difference between expected and actual economic experience	$ -	$ 6,940,365
Changes in actuarial assumptions	-	132,128,482
Difference between projected and actual investment earnings	50,502	-
Changes in proportion and Differences between the District's contributions and proportionate share of contributions	1,537	-
Contributions paid to TRS subsequent to the measurement date	5,573,435	-
Total	$ 5,625,474	$ 139,068,847

11. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (continued)

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:	OPEB Expense Amount
2019	$ (18,343,430)
2020	$ (18,343,430)
2021	$ (18,343,430)
2022	$ (18,343,430)
2023	$ (18,356,055)
Thereafter	$ (47,287,033)

12. RISK MANAGEMENT

Equipment Insurance

The District maintains an Equipment Insurance Fund, an internal service fund, to account for and finance its uninsured risks of loss in the event of theft or vandalism of certain District equipment and supplies. Under this program, the fund provides coverage for up to a maximum of $25,000 in the aggregate per year. The District purchases commercial insurance for claims in excess of coverage provided by the fund. Settled claims have not exceeded this commercial coverage for each of the past three fiscal years. In addition, historical losses in the Equipment Insurance Fund have not been material to the financial statements; therefore, accrued liabilities are not recorded in this fund.

Unemployment Insurance

The District maintains an Unemployment Insurance Fund, an internal service fund, to account for and finance its uninsured risks of loss for unemployment compensation benefits. It is the District's policy not to pay for unemployment insurance premiums for the risks of losses to which it is exposed. Instead, the District management believes it is more economical to manage its risks internally and set aside assets for unemployment compensation benefits in this fund. The District pays the Texas Workforce Commission on a reimbursement basis for unemployment compensations paid to qualifying employees. Historical losses in the unemployment insurance fund have not been material to the financial statements; therefore, accrued liabilities are not recorded in this fund.

Worker's Compensation

The District maintains a Worker's Compensation Insurance Fund, an internal service fund, to account for and finance its uninsured risks of loss for worker's compensation coverage. Under this program, the fund provides coverage for up to a maximum per occurrence of $500,000. The District purchases stop-loss coverage through a commercial insurer for claims in excess of coverage provided by the fund. Settled claims have not exceeded this stop-loss coverage for each of the past three fiscal years.

Casualty Liability

In July 2017, the District moved from a deductible insurance plan to a self-insured Plan for liability claims. Due to the change, the District maintains a Casualty Liability Insurance fund to account and finance its uninsured risks of loss pertaining to auto liability, educator's legal liability and general liability. Under this program, the fund provides coverage for up to a maximum per occurrence of $50,000. The District purchases excess liability insurance through a commercial insurer for claims in

12. RISK MANAGEMENT (continued)

excess of coverage provided by the fund. Settled claims have not exceeded this stop-loss coverage since inception of the self-insured program which is accounted for in the general fund.

13. CONTINGENCIES AND COMMITMENTS

Legal Proceedings

The District is a defendant in several lawsuits for claims filed against it. In the best judgment of the District's management in consultation with legal counsel, the accompanying financial statements will not be affected materially by the outcome of any of these proceedings and therefore no loss contingency has been recorded.

14. MEDICARE PART D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One provision of the law allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible participants. These payments totaled $2,030,736, $1,967,480, and $2,457,790 for fiscal years 2018, 2017, and 2016, respectively.

15. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Most federal grants shown below are passed through from the Texas Education Agency and are reported on the basic financial statements as Due from Other Governments.

Amounts due from federal and state governments as of August 31, 2018, are summarized below:

Fund	Inter-local	State Entitlements	Federal Grants	Total
General Fund	$ -	$ 5,319,067	$ 11,524,921	$ 16,843,988
Nonmajor Governmental Funds	12,197	255,570	9,201,874	9,469,641
Total	$ 12,197	$ 5,574,637	$ 20,726,795	$ 26,313,629

16. SHARED SERVICE ARRANGEMENTS

The District is the fiscal agent for three shared service arrangements (SSA) that provide special education teachers and instructional assistants to member districts. In addition to the District, there are 8 other member districts. The following are the SSA revenue and expenditures:

16. SHARED SERVICE ARRANGEMENTS (continued)

	315 SSA IDEA Programs	434 SSA Visually Impaired	435 SSA Regional Day School - Deaf
Revenue:			
Distributed by TEA	$ 108,569	$ -	$ 426,890
State Agencies Other than TEA	-	59,170	-
Total Revenues	$ 108,569	$ 59,170	$ 426,890
Expenditures:			
Payroll Costs	$ 43,167	$ 59,170	$ 426,890
Purchased & Contracted Services	2,665	-	-
Supplies and Materials	53,136	-	-
Miscellaneous Operating Costs	9,601	-	-
Total Expenditures	$ 108,569	$ 59,170	$ 426,890

17. MAJOR SOURCES OF REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

The District's major sources of local revenues in its governmental funds are presented below:

	General	Debt Service	Capital Projects	Non-major Governmental	Total
Property Taxes	$ 519,709,547	$ 167,615,243	$ -	$ -	$ 687,324,790
Tuition & Fees	2,944,102	-	-	-	2,944,102
Investment Earnings	9,634,204	1,697,452	2,433,562	165,146	13,930,364
Rentals	359,877	-	-	-	359,877
E-Rate	11,749,117	-	-	-	11,749,117
Food Sales	-	-	-	14,283,627	14,283,627
Athletic/Co-curricular	1,813,173	-	-	-	1,813,173
Local Grants	-	-	-	1,029,864	1,029,864
Campus Activities	-	-	-	9,983,452	9,983,452
Other	3,393,514	-	18,818	1,141,061	4,553,393
Total	$ 549,603,534	$ 169,312,695	$ 2,452,380	$ 26,603,150	$ 747,971,759

18. FEDERAL REVENUE RECORDED IN THE GENERAL FUND

Program Title	Type Program	Amount
Medicaid School Health and Related Services	Direct	$ 31,515,424
Impact Aid-P.L. 81-874	Direct	354,247
ROTC	Direct	990,372
Teacher Placement Program	Direct	12,250
Summer School LEP	Direct	37,989
ESEA Title I, Part A	Indirect	501,229
Title I 1003(A) School Improvement	Indirect	2,739
ESEA Title II, Part A	Indirect	58,278
Title III, English Language Acquisition- LEP	Indirect	22,412
Title III, English Language Acquisition-Immigrant	Indirect	9,192
Title IV, Part A, SSAEP	Indirect	10,168
Carl Perkins Basic Grant for Career & Technology	Indirect	17,940
Stewart B. McKinney Homeless Assistance Act	Indirect	5,893
IDEA VI-B Formula	Indirect	532,070
IDEA VI-B Preschool Formula	Indirect	7,218
IDEA VI-B Discretionary (Deaf)	Indirect	2,897
Adult Education	Indirect	33,849
Climate Transformation Program	Indirect	10,003
		$ 34,124,170

19. COMPLIANCE AND ACCOUNTABILITY

a. Finance Related Legal and Contractual Provisions
In accordance with GASB Statement No. 38, “Certain Financial Statement Note Disclosures”, violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

Violation	Action Taken
None reported	Not applicable

b. Deficit Fund Balance or Fund Net Assets of Individual Funds
The following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

Fund Name	Deficit Amount	Remarks
None reported	Not applicable	Not applicable

20. NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 75: Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Statement 75 was issued in June 2015. 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 MultipleEmployer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB plans. This standard became effective for the District in the current fiscal year. The impact of this Statement is discussed in Notes 11 and 22.

GASB Statement No. 81: This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. This statement became effective for the District in the current fiscal year and has no impact on the financial statements of the District.

GASB Statement No. 82: Pension Issues. This Statement clarifies that a deviation, as the term is used in Actuarial Standards of Practice issued by the Actuarial Standards Board, from the guidance in an Actuarial Standard of Practice is not considered to be in conformity with the requirements of Statement 67, Statement 68, or Statement 73 for the selection of assumptions used in determining the total pension liability and related measures. This Statement also clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer’s expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions. This statement became effective for the District in the current fiscal year and its impact is contained within the information documented in Note 10.

GASB Statement No. 83: Certain Asset Retirement Obligations. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement becomes effective for the District in fiscal year 2019 and is anticipated to have no impact on the financial statements of the District.

GASB Statement No. 84: Fiduciary Activities. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. This Statement became effective for the District in the current fiscal year and had no impact on the financial statements of the District.

20. NEW ACCOUNTING PRONOUNCEMENTS (continued)

GASB Statement No. 85: Omnibus 2017. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). This Statement became effective for the District in the current fiscal year and its impact is incorporated into Notes 10 and 11.

GASB Statement No. 86: Certain Debt Extinguishment Issues. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement became effective for the District in the current fiscal year and had no impact on the financial statements of the District.

GASB Statement No. 87: Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement becomes effective for the District in fiscal year 2021 and its impact is not yet determined.

GASB Statement No. 88: Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements. The objective of this Statement is to improve consistency in the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, and to provide financial statement users with additional essential information about debt. This Statement becomes effective for the District in fiscal year 2019 and is not anticipated to have an impact on the financial statements of the District.

GASB Statement No. 89: Accounting for Interest Cost Incurred before the End of a Construction Period. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement becomes effective for the District in fiscal year 2021 and is not anticipated to have an impact on the financial statements of the District.

GASB Statement No. 90: Majority Equity Interests. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a

20. NEW ACCOUNTING PRONOUNCEMENTS (continued)

legally separate organization and to improve the relevance of financial statement information for certain component units. The District currently has no equity interest in a component unit. This Statement becomes effective for the District in fiscal year 2020 and is not anticipated to have an impact on the financial statements of the District.

21. SUBSEQUENT EVENTS

On October 25, 2018, the District issued $57,570,000 Unlimited Tax Refunding Bonds, Series 2018A pursuant to an Order adopted by the Board of Trustees on October 23, 2018. Proceeds from the sale of these Bonds will be used to refund certain maturities of the District's currently outstanding indebtedness and to pay the cost of issuance. The Bonds mature through August 15, 2039. Interest on the Bonds accrues at the rate ranging from 4%-5% per annum from the expected date of delivery, November 20, 2018.

22. PRIOR PERIOD ADJUSTMENT

In the current fiscal year, the District implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension. As a result, the beginning net position of the District's governmental activities has been restated on the Statement of Activities to reflect the net OPEB liability and deferred outflow of resources relating to TRS-Care contributions made after the prior measurement date of the plan are shown below.

Beginning Net Position as originally presented	$ 297,334,442
Restatement due to net OPEB liability	(582,967,446)
Beginning Net Position as restated	$ (285,633,004)

23. NEGATIVE OPERATING GRANTS AND CONTRIBUTIONS

Expense activity is required to be recorded by districts participating in cost sharing pension and OPEB plans with a special funding situation where non-employer contributing entities (NECE) also contribute to the plans. The TRS retirement plan and TRS OPEB plan are both cost sharing plans with special funding situations. Therefore, the District is required to record on-behalf expense and on-behalf revenues to recognize the contributions made by the State of Texas to the TRS pension and TRS-Care OPEB plans as a NECE. The expenses and revenues are recorded in equal amounts in the Statement of Activities as part of the adjustment to record the net pension and OPEB liabilities in accordance with GASB Statements 68 and 75.

During the year under audit, the NECE expense and revenue were negative due to significant changes in the benefits offered within the TRS-Care plans. The accrual for the District's proportionate share of that expense and revenue was a negative adjustment to the Statement of Activities. This resulted in overall negative revenue for Operating Grants and Contributions in certain functions on the Statement of Activities in accordance with current guidance provided by GASB.

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APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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FINAL

IN REGARD to the authorization and issuance of the "Northside Independent School District Unlimited Tax School Building and Refunding Bonds, Series 2019" (the *Bonds*), dated May 1, 2019, in the aggregate original principal amount of $106,370,000, we have reviewed the legality and validity of the issuance thereof by the Northside Independent School District (the *Issuer*). The Bonds are issuable in fully registered form only, in denominations of $5,000 or any integral multiple thereof. The Bonds have Stated Maturities of August 15 in each of the years 2020 through 2040, August 15, 2044, and August 15, 2049, unless optionally or mandatorily redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Bonds. Interest on the Bonds accrues from the dates, at the rates, in the manner, and is payable on the dates, all as provided in the order (the *Order*) authorizing the issuance of the Bonds. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Order.

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

WE HAVE EXAMINED the applicable and pertinent laws of the State of Texas and the United States of America. In rendering the opinions herein we rely upon (1) original or certified copies of the proceedings of the Issuer in connection with the issuance of the Bonds, including the Order; and the Escrow Deposit Letter (the *Escrow Agreement*) between the Issuer and U.S. Bank National Association, Dallas, Texas (the *Escrow Agent*), (2) the certification of Hilltop Securities Inc. (the *Certificate of Sufficiency*) concerning the sufficiency of the cash and investments deposited with the Escrow Agent pursuant to the Escrow Agreement; (3) certificates executed by officers of the Issuer relating to the expected use and investment of proceeds of the Bonds and certain other funds of the Issuer, and to certain other facts solely within the knowledge and control of the Issuer; and (4) such other documentation, including an examination of the Bonds executed and delivered initially by the Issuer, and such matters of law as we deem relevant to the matters discussed below. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements and information contained in such certificates. We express no opinion concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

BASED ON OUR EXAMINATION, IT IS OUR OPINION that the Escrow Agreement has been duly authorized, executed, and delivered by the Issuer and, assuming due authorization, execution, and delivery thereof by the Escrow Agent, is a valid and binding obligation, enforceable in accordance with its terms (except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity), and that the outstanding obligations refunded, discharged, paid, and retired with certain proceeds of the Bonds have been defeased and are regarded as being outstanding only for the purpose of receiving payment from the funds held in trust with the Escrow Agent, pursuant to the Escrow Agreement and the order authorizing their issuance, and in accordance with the provisions of Chapter 1207, as amended, Texas Government Code. In rendering this opinion, we have relied upon the Certificate of Sufficiency by Hilltop Securities Inc. concerning the sufficiency of cash and investments deposited with the Escrow Agent pursuant to the Escrow Agreement for the purposes of paying the outstanding obligations refunded and to be retired with the proceeds of the Bonds and the interest thereon.

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

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

WE EXPRESS NO OTHER OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Ownership of tax exempt

Legal Opinion of Norton Rose Fulbright US LLP, San Antonio, Texas, in connection with the authorization and issuance of "NORTHSIDE INDEPENDENT SCHOOL DISTRICT UNLIMITED TAX SCHOOL BUILDING AND REFUNDING BONDS, SERIES 2019"

obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement Benefits, individuals otherwise qualifying for the earned income credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax exempt obligations.

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

Norton Rose Fulbright US LLP

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