OFFICIAL NOTICE OF SALE, BID FORM
and
PRELIMINARY OFFICIAL STATEMENT

$5,650,000*

RED OAK INDEPENDENT SCHOOL DISTRICT

(Ellis County, Texas)

Maintenance Tax Notes
Series 2019

Bids Due
July 22, 2019
at 11:00 a.m., Central Time

**Preliminary, subject to change. See "THE NOTES – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE NOTES" herein.*

This Official Notice of Sale does not alone constitute an invitation for bids but is merely notice of sale of the Notes defined and described herein. The invitation for bids on the Notes is being made by means of this Official Notice of Sale, the Official Bid Form, and the Preliminary Official Statement.

OFFICIAL NOTICE OF SALE

$5,650,000*
RED OAK INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Ellis County, Texas)

MAINTENANCE TAX NOTES, SERIES 2019

THE SALE

NOTES OFFERED FOR SALE AT COMPETITIVE BID: The Board of Trustees (the "Board") of the Red Oak Independent School District (the "District" or the "Issuer") is offering for sale at competitive bid its $5,650,000* Maintenance Tax Notes, Series 2019 (the "Notes"). Bidders may submit bids for the Notes by either of the following methods:

(1) Submit bids electronically as described below in "BIDS BY INTERNET;" or
(2) Submit bids by facsimile as described below in "BIDS BY FACSIMILE."

BIDS BY INTERNET: Interested bidders may, at their option and risk, submit their bid by electronic media, as described below, by 11:00 A.M., Central time, on July 22, 2019. Bidders submitting a bid by internet **shall not** be required to submit signed Official Bid Forms prior to the award. Any prospective bidder that intends to submit an electronic bid must submit its electronic bid via the facilities of the i-Deal, LLC Parity System ("PARITY") and should, as a courtesy, register with PARITY by 10:00 A.M., Central time, on July 22, 2019 indicating their intent to submit a bid by internet.

In the event of a malfunction in the electronic bidding process, bidders may submit their bids by facsimile, as described below. Any bid received after the scheduled time for their receipt will not be accepted.

The official time for the receipt of bids shall be the time maintained by PARITY. All electronic bids shall be deemed to incorporate the provisions of this Official Notice of Sale, the Official Bid Form, and the Preliminary Official Statement. To the extent that any instructions or directions set forth in PARITY conflict with this Official Notice of Sale, the terms of this Official Notice of Sale shall control. For further information about the PARITY System, potential bidders may contact i-Deal LLC at 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone 212-849-5021.

An electronic bid made through the facilities of PARITY shall be deemed an irrevocable offer to purchase the Notes on the terms provided in this Official Notice of Sale, and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the Issuer. The Issuer shall not be responsible for any malfunction or mistake made by, or as a result of the use of PARITY, the use of such facilities being the sole risk of the prospective bidder.

BIDS BY FACSIMILE: Interested bidders may, at their option and risk, submit their bid by facsimile to the District's Financial Advisor, SAMCO Capital Markets, Inc. Attention: Mr. Brian Grubbs at (214) 279-8683 by 11:00 A.M., Central time, on July 22, 2019. Bidders submitting a bid by facsimile **shall not** be required to submit signed Official Bid Forms prior to the award. Any prospective bidder that intends to submit a bid by facsimile should, as a courtesy, submit an email message to bgrubbs@samcocapital.com by 10:00 A.M., Central time, on July 22, 2019 indicating their intent to submit a bid by facsimile.

Neither the District nor SAMCO Capital Markets, Inc. is responsible for any failure of either of the Financial Advisor's or the bidder's fax machine. Bids received by facsimile after the bid deadline will not be accepted. Bidders who fax bids do so at their own risk. All such bids are binding on the bidder.

PLACE AND TIME OF BID OPENING: The bids for the Notes will be opened at the District's offices at 11:00 A.M. Central time, on July 22, 2019.

AWARD OF THE NOTES: The Board will take action to award the Notes (or reject all bids) at a meeting to commence at 7:00 P.M., Central time, on July 22, 2019.

THE NOTES

DESCRIPTION: The Notes will be dated August 1, 2019, (the "Dated Date") but interest will accrue from the date of initial delivery, expected to be on or about August 20, 2019. Interest on the Notes will be due on February 15, 2020, and each August 15 and February 15 thereafter until maturity or prior redemption. The Notes will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository (the "Securities Depository"). Book-entry interests in the Notes will be made available for purchase in the principal amount of $5,000 or any integral multiple thereof. Purchasers of the Notes ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Notes purchased. So long as DTC or its nominee is the registered owner of the Notes, the principal of and interest on the Notes will be payable by BOKF, NA, Dallas, Texas as Paying Agent/Registrar, to the Securities Depository, which will in turn remit such principal and interest to its Participants, which will in turn remit such principal and interest to the Beneficial Owners of the Notes. (See "BOOK-ENTRY-ONLY SYSTEM" in the Preliminary Official Statement.)

**Preliminary, subject to change. See "THE NOTES – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE NOTES" herein.*

MATURITY SCHEDULE: The Notes will be stated to mature on February 15 in each of the following years in the following amounts:

Maturity	Principal Amount*	Maturity	Principal Amount*
2020	$385,000	2028	$380,000
2021	310,000	2029	390,000
2022	320,000	2030	400,000
2023	325,000	2031	415,000
2024	335,000	2032	425,000
2025	345,000	2033	440,000
2026	355,000	2034	455,000
2027	370,000		

ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE NOTES: After selecting the winning bid, the aggregate principal amount of the Notes and the principal amortization schedule may be adjusted as determined by the District and its Financial Advisor in $5,000 increments to reflect the actual interest rates and to create a substantially level debt service schedule for the District. Such adjustments will not change the aggregate principal amount of the Notes by more than 10% from the amount set forth herein or change the principal amount due on the Notes in any year by more than 20%. The dollar amount bid for the Notes by the winning bidder will be adjusted proportionately to reflect any increase or decrease in the aggregate principal amount of the Notes finally determined to be issued. The District will use its best efforts to communicate to the winning bidder any such adjustment within four (4) hours after the opening of the bids. Purchaser's compensation will be based upon the final par amount after any adjustment thereto, subsequent to the receipt and tabulation of the winning bid, within the aforementioned parameters.

In the event of any adjustment of the maturity schedule for the Notes as described above, no rebidding or recalculation of the proposals submitted will be required or permitted. Any such adjustment of the aggregate principal amount of the Notes and/or the maturity schedule for the Notes made by the District or its Financial Advisor shall be subsequent to the award of the Notes to the winning bidder as determined pursuant to "CONDITIONS OF THE SALE – BASIS OF AWARD" herein and shall not affect such determination. The winning bidder may not withdraw its bid as a result of any changes made within the aforementioned limits.

SERIAL NOTES AND/OR TERM NOTES: Bidders may provide that all of the Notes be issued as serial maturities or the Purchaser may select two or more consecutive maturities in the years 2030 through 2034 to be grouped together to form one or more "Term Notes", and such Term Notes would be subject to mandatory sinking fund redemption in accordance with the Resolution. (see "THE NOTES – Mandatory Sinking Fund Redemption")

MANDATORY SINKING FUND REDEMPTION: If the successful bidder designates principal amounts of the Notes to be combined into one or more Term Notes, each such Term Note will be subject to mandatory sinking fund redemption commencing on February 15 of the first year which has been combined to form such Term Note and continuing on February 15 in each year thereafter until the stated maturity date of that Term Note. The amount redeemed in any year will be equal to the principal amount for such year set forth in the table above under the caption "MATURITY SCHEDULE" (subject to adjustment, as provided in "ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE NOTES"). Term Notes to be redeemed in any year by mandatory sinking fund redemption will be redeemed at par and will be selected by lot from among the Term Notes then subject to redemption. The District, at its option, may credit against any mandatory sinking fund redemption requirement Term Notes of the maturity then subject to redemption which have been purchased and canceled by the District and not theretofore applied as a credit against any mandatory sinking fund redemption requirement.

OPTIONAL REDEMPTION: The Notes maturing on or after February 15, 2030 are subject to redemption at the option of the District in whole or in part on August 15, 2029 or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption.

QUALIFIED TAX-EXEMPT OBLIGATIONS: The District will designate the Notes as "qualified tax-exempt obligations" for financial institutions. (See "TAX MATTERS – Qualified Tax-Exempt Obligations" in the Official Statement.)

AUTHORITY FOR ISSUANCE AND SECURITY FOR PAYMENT: The Notes are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Section 45.108 of the Texas Education Code, as amended, and a note resolution to be adopted by the District's Board on July 22, 2019 (the "Resolution"). The Notes are direct obligations of the District and are payable as to both principal and interest from the District's Maintenance and Operations tax, a limited annual ad valorem tax to be levied on all taxable property within the District, within the limitations prescribed by law as provided in the Resolution. (See "THE NOTES – Security" in the Preliminary Official Statement).

PAYING AGENT/REGISTRAR: The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. In the Resolution, the District covenants to provide a Paying Agent/Registrar at all times while the Notes are outstanding, and any Paying Agent/Registrar selected by the District shall be a commercial bank or trust company organized under the laws of the United States and any state and duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Notes. The Paying Agent/Registrar will maintain the Security Register containing the names and addresses of the registered owners of the Notes.

In the Resolution the District retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, such Paying Agent/Registrar, promptly upon the appointment of a successor, is required to deliver the Security Register to the successor Paying Agent/Registrar.

In the event there is a change in the Paying Agent/Registrar, the District has agreed to notify each registered owner of the Notes by United States mail, first-class postage prepaid, at the address in the Security Register, stating the effective date of the change and the mailing address of the successor Paying Agent/Registrar.

BOOK-ENTRY-ONLY SYSTEM: The District intends to utilize the Book-Entry-Only System of DTC with respect to the issuance of the Notes. See "BOOK-ENTRY-ONLY SYSTEM" in the Preliminary Official Statement.

**Preliminary, subject to change. See "THE NOTES – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE NOTES" herein.*

MUNICIPAL BOND RATING AND INSURANCE: In connection with the sale of the Notes, the District has made application to Moody's Investors Service, Inc. ("Moody's") for a municipal bond rating. The District has an unenhanced, underlying rating of "A1" by Moody's. In addition, the District has made applications for an insurance policy insuring the timely payment of the principal of and interest on the Notes with a municipal bond insurance company. The purchase of such insurance, if available, and the payment of all associated costs will be at the option and expense of the Initial Purchaser (defined herein). IF THE BIDDER/PURCHASER CHOOSES TO SUBMIT A BID UTILIZING MUNICIPAL BOND INSURANCE, ANY DOWNGRADING OR PUBLISHED NEGATIVE CREDIT WATCH OR SIMILAR PUBLISHED INFORMATION FROM A RATING AGENCY REFLECTING A CHANGE OR POSSIBLE CHANGE IN THE RATING OF THE MUNICIPAL BOND INSURER THAT MAY OCCUR PRIOR TO THE CLOSING OF THE NOTES WILL NOT CONSTITUTE A RIGHT TO TERMINATE THE BIDDER/PURCHASER'S CONTRACT TO PURCHASE THE NOTES AT THE PRICE AND TERMS OF ITS BID. (See "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS" in the Preliminary Official Statement.)

OFFICIAL STATEMENT AND OTHER TERMS AND COVENANTS IN THE RESOLUTION: Further details regarding the Notes and certain covenants of the District contained in the Resolution are set forth in the Preliminary Official Statement, to which reference is made for all purposes.

CONDITIONS OF THE SALE

TYPES OF BIDS AND INTEREST RATES: The Notes will be sold in one block, on an "All or None" basis, and at a price of not less than their par value and no accrued interest. **No bid producing a cash premium on the Notes that results in a dollar price of less than $102.00 nor greater than $110.00 will be considered; provided, however, that any bid is subject to adjustment as described under the caption "THE NOTES – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE NOTES."** Bidders are invited to name the rate(s) of interest to be borne by the Notes, provided that each rate bid must be in a multiple of 1/8 of 1% or 1/20 of 1% and the net effective interest rate for the Notes (calculated in the manner required by Chapter 1204, as amended, Texas Government Code) must not exceed 15%. **The highest rate bid may not exceed the lowest rate bid by more than 300 basis points (or 3.00% in rate)**. **No limitation is imposed upon bidders as to the number of rates or changes which may be used**. All Notes of one stated maturity must bear one and the same rate. No bids involving supplemental interest rates will be considered.

BASIS OF AWARD: The sale of the Notes will be awarded to the bidder making a bid that conforms to the specifications herein and which produces the **lowest True Interest Cost (defined herein) rate on the Notes to the District**. The "True Interest Cost" rate is that rate which, when used to compute the total present value as of the **date of Initial Delivery (defined herein)** of all debt service payments on the Notes on the basis of semi-annual compounding, produces an amount equal to the sum of the par value of the Notes plus the premium bid (but not interest accrued from the Dated Date to the date of their Initial Delivery). In the event of a bidder's error in interest cost rate calculations, the interest rates, and premium set forth in the Official Bid Form will be considered as the intended bid.

In order to provide the District with information required to be submitted to the Texas Bond Review Board pursuant to Section 1202.008, Texas Government Code, as amended, the Initial Purchaser will be required to provide the District with a breakdown of its "underwriting spread" among the following categories: Takedown, Management Fee (if any), Legal Counsel Fee (if any) and Spread Expenses (if any).

ESTABLISHING THE ISSUE PRICE FOR THE NOTES: In order to provide the Issuer with information that enables it to comply with certain requirements of the Internal Revenue Code of 1986, as amended relating to the exclusion of interest on the Notes from the gross income of their owners, the winning bidder will be required to complete, execute, and deliver to the Issuer or to the Issuer's municipal advisor, SAMCO Capital Markets, Inc. (the "Issuer's Municipal Advisor") (within 5 business days of the date on which the 10% Test, as defined below, is satisfied with respect to each of the maturities of the Notes) the appropriate certification as to the Notes' "issue price" (the "Issue Price Certificate") substantially in the form and to the effect attached hereto or accompanying this Notice of Sale. In the event the winning bidder will not reoffer any maturity of the Notes for sale to the Public (as defined herein) by the Closing Date, the Issue Price Certificate may be modified in a manner approved by the Issuer. Each bidder, by submitting its bid, agrees to complete, execute, and timely deliver the appropriate form of the Issue Price Certificate, if its bid is accepted by the Issuer. It will be the responsibility of the winning bidder to institute such syndicate reporting requirements, to make such investigation, or otherwise to ascertain such facts necessary to enable it to make such certification with reasonable certainty. Any questions concerning such certification should be directed to Bond Counsel (identified in the Preliminary Official Statement).

For purposes of this section of this Notice of Sale:

(i) "Public" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a Related Party,

(ii) "Underwriter" means (A) any person that agrees pursuant to a written contract with the Issuer (or with the lead Underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the Public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Notes to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Notes to the Public),

(iii) "Related Party" means any two or more persons (including an individual, trust, estate, partnership, association, company, or corporation) that are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) "Sale Date" means the date that the Notes are awarded by the Issuer to the winning bidder.

All actions to be taken by the Issuer under this Notice of Sale to establish the issue price of the Notes may be taken on behalf of the Issuer by the Issuer's Municipal Advisor, and any notice or report to be provided to the Issuer may be provided to the Issuer's Municipal Advisor.

The Issuer will consider any bid submitted pursuant to this Notice of Sale to be a firm offer for the purchase of the Notes, as specified in the bid and, if so stated, in the Official Bid Form.

The Issuer intends to rely on Treasury Regulation section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of municipal bonds), which requires, among other things, that the Issuer receives bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds (the "Competitive Sale Requirement").

The sale of the Notes will be awarded to the bidder making a bid that conforms to the specifications herein. In the event that the bidding process does not satisfy the Competitive Sale Requirement, bids will not be subject to cancellation and the winning bidder will be required to hold-the-offering-price of each maturity of the Notes, other than any maturity 10% of which have been sold to the Public on the Sale Date at the initial offering prices or any higher prices ("Hold-the-Price Notes"), as described in the next paragraph.

By submitting a bid, the winning bidder agrees, on behalf of each Underwriter participating in the purchase of the Notes, that each Underwriter will neither offer nor sell any maturity of the Hold-the-Price Notes to any person at a price that is higher than the initial offering price to the Public during the period starting on the Sale Date and ending on the earlier of the following:

(1) the close of the fifth (5th) business day after the Sale Date; or

(2) the date on which the Underwriters have sold at least 10% of that maturity of the Notes to the Public at a price that is no higher than the initial offering price to the Public.

The winning bidder shall promptly advise the Issuer when such bidder has sold at least 10% of a maturity of the Hold-the-Price Notes to the Public at a price that is not higher than the initial offering price to the Public, if that occurs prior to the close of the fifth (5th) business day after the Sale Date.

In the event that the bidding process does not satisfy the Competitive Sale Requirement, in order to assist the Issuer with documenting the establishment of the issue prices of the Notes, the winning bidder agrees to promptly report to the Issuer the prices at which at least 10% of each maturity of the Notes have been sold to the Public (the "10% Test") (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% Test). That reporting obligation shall continue until 10% of each maturity of the Notes is sold to the Public. By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Notes to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable, (A) to report the prices at which it sells to the Public the unsold Notes of each maturity allocated to it until either all such Notes have been sold or it is notified by the winning bidder that the 10% Test has been satisfied as to the Notes of that maturity, (B) to promptly notify the winning bidder of any sales of Notes that, to its knowledge, are made to a purchaser who is a Related Party to an Underwriter, and (C) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder will assume that based on such agreement each order submitted by the underwriter, dealer or broker-dealer is a sale to the Public; and (ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Notes to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Notes to the Public to require each underwriter or dealer that is a party to such third-party distribution agreement to report the prices at which it sells to the Public the unsold Notes of each maturity allocated to it until either all such Notes have been sold or it is notified by the winning bidder or such Underwriter that the 10% Test has been satisfied as to the Notes of that maturity. Sales of any Notes to any person that is a Related Party to an Underwriter shall not constitute sales to the public for purposes of this Notice of Sale.

GOOD FAITH DEPOSIT: A bank cashier's check, payable to the order of "Red Oak Independent School District", in the amount of $113,000 which is 2% of the proposed par value of the Notes (the "Good Faith Deposit"), is required to accompany any bid. The Good Faith Deposit of the Purchaser will be retained uncashed by the District pending the Purchaser's compliance with the terms of its bid and this Official Notice of Sale. In the event the Purchaser should fail or refuse to take up and pay for the Notes in accordance with its bid, then said check shall be cashed and accepted by the District as full and complete liquidated damages. The Good Faith Deposit may accompany the Official Bid Form or it may be submitted separately; however, if submitted separately, it shall be made available to the District prior to the opening of the bids, and shall be accompanied by instructions from the bank on which it is drawn which authorizes its use as a Good Faith Deposit by the Purchaser who shall be named in such instructions. **The Good Faith Deposit of the Purchaser will be returned to the Purchaser on the date of Initial Delivery**. No interest will be allowed on the Good Faith Deposit. Checks accompanying bids other than the winning bid will be returned promptly after the bids are opened, and an award of the Notes has been made by the District.

ADDITIONAL CONDITION OF AWARD — DISCLOSURE OF INTERESTED PARTY FORM: Obligation of the District to receive information from winning bidder. In accordance with Texas Government Code, Section 2252.908, (the "Interested Party Disclosure Act") the District may not award the Notes to a bidder unless the winning bidder either:

> (i) submits a Certificate of Interested Parties Form 1295 (the "Disclosure Form") to the District as prescribed by the Texas Ethics Commission ("TEC"),
>
> or
>
> (ii) certifies in the Official Bid Form that it is exempt from filing the Disclosure Form by virtue of being a publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity.

In the event that the bidder's bid for the Notes is the best bid received, the District, acting through its financial advisor, will promptly notify the winning bidder. That notification will serve as the District's conditional verbal acceptance of the bid, and, unless the bidder is exempt from filing a Disclosure Form, such notification will obligate the winning bidder to promptly file a completed Disclosure Form, as described below, in order to allow the District to complete the award. The District reserves the right to reject any bid that does not comply with the requirements prescribed herein.

Process for completing the Disclosure Form. For purposes of illustration, the Disclosure Form is attached hereto, and reference should be made to such form for the following information needed to complete it: (a) item 2 – name of the governmental entity (*Red*

Oak Independent School District) and (b) item 3 – the identification number assigned to this contract by the District (*0001*) and description of the goods or services (*Purchase of the Red Oak Independent School District Maintenance Tax Notes, Series 2019*). **The Interested Party Disclosure Act and the rules adopted by the TEC with respect thereto (the "Disclosure Rules") require a business entity contracting with the District to complete the Disclosure Form electronically at https://www.ethics.state.tx.us/main/file.htm, print, complete the unsworn declaration, sign, and deliver, in physical form, the certified Disclosure Form that is generated by the TEC's "electronic portal" to the District. The completed and signed Disclosure Form must be sent by email, to the District's financial advisor at bgrubbs@samcocapital.com, as soon as possible following the notification of conditional verbal acceptance and prior to the final written award.** Upon receipt of the final written award, the winning bidder must submit the Disclosure Form with original signatures by email to Bond Counsel as follows: sgill@mphlegal.com.

Preparations for completion, and the significance of, the reported information. To the extent that the bidder is not exempt from filing a Disclosure Form and therefor makes such filing with the District, the Interested Party Disclosure Act and the Disclosure Form provide that such declaration is made "under oath and under penalty of perjury." Consequently, a bidder should take appropriate steps prior to completion of the Disclosure Form to familiarize itself with the Interested Party Disclosure Act, the Disclosure Rules and the Disclosure Form. **Time will be of the essence in submitting the form to the District, and no final award will be made by the District regarding the sale of the Notes until a completed Disclosure Form is received. The District reserves the right to reject any bid that does not satisfy the requirement of a completed Disclosure Form, as described herein.** Neither the District nor its consultants have the ability to verify the information included in a Disclosure Form, and neither party has an obligation nor undertakes responsibility for advising any bidder with respect to the proper completion of the Disclosure Form. Consequently, an entity intending to bid on the Notes should consult its own advisors to the extent it deems necessary and be prepared to submit the completed form promptly upon notification from the District that its bid is the conditional winning bid. Instructional videos on logging in and creating a certificate are provided on the TEC's website at https://www.ethics.state.tx.us/whatsnew/elf_info_form1295.htm.

IMPACT OF BIDDING SYNDICATE ON AWARD: For purposes of contracting for the sale of the Notes, the entity signing the bid form as Purchaser shall be solely responsible for the payment of the purchase price of the Notes. The Purchaser may serve as a syndicate manager and contract under a separate agreement with other syndicate members. However, the District is not a party to that agreement and any information provided regarding syndicate managers would be for informational purposes only.

NO BOYCOTT OF ISRAEL VERIFICATION: In accordance with Chapter 2270, Texas Government Code ("Chapter 2270"), the District and other governmental entities in the State may not enter into a contract with a company for goods or services unless the contract contains a written verification from the company that it: (1) does not boycott Israel; and (2) will not boycott Israel during the term of the contract. To enable the District to comply with Chapter 2270, and to enable it to contract for the sale of the Notes, the Official Bid Form for the Notes includes a written verification of the bidder to the effect described above. Each bidder should review the "no Israel boycott verification" included in the Official Bid Form prior to making a bid for the Notes to determine whether such statement can be made, which is a condition to making a bid for the Notes.

VERIFICATION OF NO DEALINGS WITH FOREIGN TERROIST ORGANIZATIONS: Pursuant to Chapter 2252, Texas Government Code, the District will not award the Notes to a bidder unless the bidder certifies that neither it nor any wholly owned subsidiary, majority-owned subsidiary, parent company of affiliate of the same, is a company that contracts with or provides supplies or services to a foreign terrorist organization, as defined by Section 2252.151(2), Texas Government Code, or identified as a company known to have contracts with or provide supplies or services to a foreign terrorist organization as identified on a list prepared and maintained under Sections 2270.0201 or 2252.153, Texas Government Code. The Official Bid Form includes a written verification that the bidder certifies to the representations necessary and convenient for the compliance with the aforementioned laws and, at the request of the District, agrees to execute further written certifications as may be necessary or convenience for the District to establish compliance with the aforementioned laws.

OFFICIAL STATEMENT

To assist the winning bidder (the "Purchaser" or Initial Purchaser") in complying with Rule 15c2-12, as amended (the "Rule"), of the United States Securities and Exchange Commission ("SEC"), the Issuer and the Initial Purchaser contract and agree, by the submission and acceptance of the winning bid, as follows:

COMPLIANCE WITH RULE 15c2-12 OF THE SECURITIES AND EXCHANGE COMMISSION: The Issuer has approved and authorized distribution of the accompanying Preliminary Official Statement for dissemination to potential purchasers of the Notes, but does not presently intend to prepare any other document or version thereof for such purpose, except as described below. Accordingly, the Issuer deems the accompanying Preliminary Official Statement to be final as of its date, within the meaning of the Rule, except for information relating to the offering prices, interest rates, final debt service schedule, selling compensation, identity of the Purchaser and other similar information, terms and provisions to be specified in the competitive bidding process. The Initial Purchaser shall be responsible for promptly informing the Issuer of the initial offering yields of the Notes.

Thereafter, the Issuer will complete and authorize distribution of the final Official Statement, being a modification of the Preliminary Official Statement, identifying the Initial Purchaser and containing such omitted information. The Issuer does not intend to amend or supplement the Official Statement otherwise, except to take into account certain subsequent events, if any, as described below. By delivering the final Official Statement or any amendment or supplement thereto in the requested quantity to the Initial Purchaser on or after the sale date, the Issuer intends the same to be final as of such date, within the meaning of the Rule. Notwithstanding the foregoing, the Issuer makes no representation concerning the absence of material misstatements or omissions from the Official Statement, except only as and to the extent under "NO LITIGATION AND OFFICIAL STATEMENT CERTIFICATION" as described below.

FINAL OFFICIAL STATEMENT: The Issuer will furnish to the Purchaser, within seven (7) business days after the sale date, an aggregate maximum of one hundred (100) copies of the Official Statement, together with information regarding interest rates, and other terms relating to the reoffering of the Notes. In addition, the District agrees to provide, or cause to be provided, to the Purchaser, the Preliminary Official Statement and the Official Statement and any amendments or supplements thereto in a "designated electronic format" (or printed format with respect to the final Official Statement) as may be required for the Purchaser to comply with the Rule or the rules of the Municipal Securities Rulemaking Board ("MSRB"). The District consents to the distribution of such documents in a "designated electronic format." Upon receipt, the Purchaser shall promptly file the Official Statement with the MSRB in accordance with MSRB Rule G-32. The Purchaser may arrange at its own expense to have the Official Statement reproduced and printed if it requires more copies and may also arrange, at its own expense and responsibility, for completion and perfection of the first or cover page of the Official Statement so as to reflect interest rates and other terms and information related to the reoffering of the Notes. The Purchaser will be responsible for providing information concerning the Issuer and the Notes to subsequent purchasers of the Notes, and the Issuer will undertake no responsibility for providing such information other than to make the Official Statement available to the Purchaser as provided herein. The Issuer's obligation to supplement the Official Statement to correct key representations determined to be omitted or materially misleading, after the date of the Official Statement, shall terminate 25 days after the closing date.

CHANGES TO OFFICIAL STATEMENT: If, subsequent to the date of the Official Statement, the Issuer learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Initial Purchaser of any adverse event which causes the Official Statement to be incomplete or materially misleading, and unless the Initial Purchaser elects to terminate its obligation to purchase the Notes, as described below under "DELIVERY AND ACCOMPANYING DOCUMENTS – CONDITIONS TO DELIVERY," the Issuer will promptly prepare and supply to the Initial Purchaser an appropriate amendment or supplement to the Official Statement, in a “designated electronic format” satisfactory to the Initial Purchaser.

NO LITIGATION AND OFFICIAL STATEMENT CERTIFICATION: At the time of payment for and delivery of the hereinafter defined Initial Notes (“Initial Delivery”), the Initial Purchaser will be furnished a certificate, executed by proper officials of the Issuer, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the Issuer contained in its Official Statement, and any addenda, supplement or amendment thereto, for the Notes, on the date of such Official Statement, on the date of sale of said Notes and the acceptance of the best bid therefor, and on the date of the Initial Delivery, were and are true and correct in all material respects; (b) insofar as the Issuer and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements including financial data, of or pertaining to entities, other than the Issuer, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the Issuer believes to be reliable and the Issuer has no reason to believe that they are untrue in any material respect; (d) except as may be otherwise described in the Official Statement, there has been no material adverse change in the financial condition of the Issuer, since June 30, 2018, the date of the last financial statements of the Issuer appearing in the Official Statement; and (e) no litigation of any nature has been filed or is pending, as of the date hereof, to restrain or enjoin the issuance or delivery of the Notes or which would affect the provisions made for their payment or security or in any manner question the validity of the Notes. The Official Statement and this Official Notice of Sale have been approved as to form and content and the use thereof in the offering of the Notes has been authorized, ratified and approved by the Board in the Resolution, and the Initial Purchaser will be furnished, upon request, at the time of payment for and the delivery of the Notes, a certified copy of such approval, duly executed by the proper officials of the Issuer.

CONTINUING DISCLOSURE AGREEMENT: The District has agreed in the Resolution to provide certain periodic information and notices of certain events in accordance with the Rule, as described in the Official Statement under "CONTINUING DISCLOSURE OF INFORMATION". The Purchaser's obligation to accept and pay for the Notes is conditioned upon delivery to the Purchaser or its agent of a certified copy of the Resolution containing the agreement described under such heading.

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

DELIVERY AND ACCOMPANYING DOCUMENTS

INITIAL DELIVERY OF INITIAL NOTE: Initial Delivery will be accomplished by the issuance of one or more fully registered Notes in the aggregate principal amount of the Notes payable to the Purchaser (the "Initial Note" or "Initial Notes"), signed by the duly appointed officers of the Board, by their manual or facsimile signatures, approved by the Texas Attorney General, and registered and manually signed by the Texas Comptroller of Public Accounts. Initial Delivery will be at the corporate trust office of the Paying Agent/Registrar. Upon delivery of the Initial Notes, they shall be immediately canceled and one definitive Note for each maturity of the Notes payable to Cede & Co. will be delivered to DTC in connection with DTC's Book-Entry-Only System. Payment for the Notes must be made in immediately available funds for unconditional credit to the District, or as otherwise directed by the District. The Purchaser will be given six business days' notice of the time fixed for delivery of the Notes. It is anticipated that the delivery of the Initial Note can be made on or about August 20, 2019, but if for any reason the District is unable to make delivery by September 19, 2019, then the District shall immediately contact the Purchaser and offer to allow the Purchaser to extend its obligation to take up and pay for the Notes an additional thirty days. If the Purchaser does not elect to extend its offer within six days thereafter, then its Good Faith Deposit will be returned, and both the District and the Purchaser shall be relieved of any further obligation. In no event shall the District be liable for any damages by reason of its failure to deliver the Notes, provided that such failure is due to circumstances beyond the District's reasonable control.

CUSIP NUMBERS: It is anticipated that CUSIP identification numbers will be printed on the Notes, but neither the failure to print such number on any Note nor any error with respect thereto shall constitute cause for a failure or refusal by the Initial Purchaser to accept delivery of and pay for the Notes in accordance with the terms of the Official Bid Form and this Official Notice of Sale. All expenses in relation to the printing of CUSIP numbers on the Notes shall be paid by the Issuer; however, the CUSIP Service Bureau's charge for the assignment of the numbers shall be paid by the Initial Purchaser.

CONDITIONS TO DELIVERY: The obligation to take up and pay for the Notes is subject to the following conditions: the issuance of an approving opinion of the Attorney General of the State of Texas, the Initial Purchaser's receipt of the legal opinion of Bond Counsel and the certificate regarding the Official Statement, and the non-occurrence of the events described below under the caption "NO MATERIAL ADVERSE CHANGE”. In addition, if the Issuer fails to comply with its obligations described under "OFFICIAL STATEMENT" above, the Initial Purchaser may terminate its contract to purchase the Notes by delivering written notice to the Issuer within five (5) days thereafter.

NO MATERIAL ADVERSE CHANGE: The obligations of the Initial Purchaser to take up and pay for the Notes, and of the Issuer to deliver the Initial Notes, are subject to the condition that, up to the time of delivery of and receipt of payment for the Initial Notes, there shall have been no material adverse change in the affairs of the Issuer subsequent to the date of sale from that set forth in the Official Statement, as it may have been finalized, supplemented or amended through the date of Initial Delivery.

LEGAL OPINIONS: The District will furnish the Purchaser a complete transcript of proceedings incident to the authorization and issuance of the Notes, including the unqualified approving legal opinion of the Attorney General of the State of Texas as to the Notes, to the effect that the Notes are valid and legally binding obligations of the District, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, regarding the legality and validity of the Notes issued in compliance with the provisions of the Resolution. (See "LITIGATION" and "LEGAL MATTERS" in the Official Statement and "Appendix C – Form of Legal Opinion of Bond Counsel" attached to the Official Statement.)

CHANGE IN TAX-EXEMPT STATUS: At any time before the Notes are tendered for initial delivery to the Initial Purchaser, the Initial Purchaser may withdraw its bid if the interest on obligations such as the Notes shall be declared to be includable in the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes, either by Treasury regulations, by ruling or administrative guidance of the Internal Revenue Service, by a decision of any federal court, or by the terms of any federal income tax legislation enacted subsequent to the date of this Official Notice of Sale.

GENERAL CONSIDERATIONS

RATING: In connection with the sale of the Notes, the District has made application to Moody's for a municipal bond rating. The District's unenhanced, underlying rating is "A1" by Moody's. If the Purchaser chooses to submit a bid utilizing municipal bond insurance, the enhanced long-term rating on the Notes will be dependent upon the rating of the provider of such policy. See "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS" in the Preliminary Official Statement. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if in the judgment of said rating company, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Notes. Neither the District, except as described in the Preliminary Official Statement under the subcaption "CONTINUING DISCLOSURE OF INFORMATION – Notice of Certain Events," nor the Purchaser has undertaken any responsibility to advise owners of the Notes of any lowering or withdrawal of such ratings.

REGISTRATION AND QUALIFICATION OF NOTES FOR SALE: No registration statement relating to the Notes has been filed with the SEC under the Securities Act of 1933, as amended, in reliance upon exemptions provided in such Act. The Notes have not been approved or disapproved by the SEC, nor has the SEC passed upon the accuracy or adequacy of the Official Statement. Any representation to the contrary is a criminal offense. The Notes have not been registered or qualified under the Securities Act of Texas in reliance upon exemptions contained therein, nor have the Notes been registered or qualified under the securities acts of any other jurisdiction. The Issuer assumes no responsibility for registration or qualification of the Notes under the securities laws of any jurisdiction in which the Notes may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Notes shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

It is the obligation of the Purchaser to register or qualify the sale of the Notes under the securities laws of any jurisdiction which so requires. The Issuer agrees to cooperate, at the Purchaser's written request and expense and within reasonable limits, in registering or qualifying the Notes, or in obtaining an exemption from registration or qualification in any state where such action is necessary, but the District will in no instance execute a general consent to service of process in any state in which the Notes are offered for sale.

ADDITIONAL COPIES: Subject to the limitations described herein, additional copies of this Official Notice of Sale, the Official Bid Form, and the Official Statement may be obtained from SAMCO Capital Markets, Inc., 5800 Granite Parkway, Suite 210, Plano, Texas 75024.

On the date of the sale, the Board will, in the Resolution, approve the form and content of the Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Notes by the Purchaser.

RED OAK INDEPENDENT SCHOOL DISTRICT

/s/ John Anderson
President, Board of Trustees

ATTEST:

/s/ Melanie Petersen
Secretary, Board of Trustees

Dated: July 12, 2019

OFFICIAL BID FORM

President and Board of Trustees
Red Oak Independent School District
109 W. Red Oak Road
Red Oak, Texas 75154

July 22, 2019

Ladies & Gentlemen:

Reference is made to your Official Notice of Sale and Preliminary Official Statement dated July 12, 2019 of $5,650,000* RED OAK INDEPENDENT SCHOOL DISTRICT MAINTENANCE TAX NOTES, SERIES 2019 (the "Notes"), both of which constitute a part hereof.

For your legally issued Notes, as described in said Official Notice of Sale and Preliminary Official Statement, we will pay you a price of par value thereof plus a cash premium of $_______________ **(no bid producing a cash premium that results in a dollar price of less than $102.00 nor greater than $110.00 will be considered)** for Notes maturing and bearing interest as follows:

Maturity (2/15)	Principal Amount*	Interest Rate (%)	Maturity (2/15)	Principal Amount*	Interest Rate (%)
2020	$385,000	___________	2028	$380,000	___________
2021	310,000	___________	2029	390,000	___________
2022	320,000	___________	2030	400,000	___________
2023	325,000	___________	2031	415,000	___________
2024	335,000	___________	2032	425,000	___________
2025	345,000	___________	2033	440,000	___________
2026	355,000	___________	2034	455,000	___________
2027	370,000	___________			

(Interest to Accrue from the Delivery Date)

Of the principal maturities of the Notes set forth in the table above, we have created term Notes (the "Term Notes") as indicated in the following table (which may include multiple Term Notes, one Term Note or no Term Note if none is indicated). For those years which have been combined into a Term Note, the principal amount shown in the table above will be the mandatory sinking fund redemption amounts in such years except that the amount shown in the year of the Term Note maturity date will mature in such year. The Term Notes created are as follows:

Term Note Maturity Date February 15	Year of First Mandatory Redemption	Principal Amount of Term Note	Interest Rate
___________	___________	___________	___________
___________	___________	___________	___________

Our calculation (which is not a part of this bid) of the interest cost in accordance with the above bid is:

TRUE INTEREST COST _________________________%

By accepting this bid, we understand the District will provide the copies of the Official Statement and of any amendments or supplements thereto in accordance with the Official Notice of Sale.

The Initial Note(s) shall be registered in the name of the Purchaser. We will advise DTC of registration instructions at least five business days prior to the date set for Initial Delivery. It is the obligation of the Purchaser of the Notes to complete the DTC Eligibility Questionnaire.

Cashier's Check of the _________________________________ (bank), _______________ (location), in the amount of $113,000 which represents our Good Faith Deposit is attached hereto or has been made available to you prior to the opening of the bid, in accordance with the terms set forth in the Official Notice of Sale and the Preliminary Official Statement. The Good Faith Deposit of the Purchaser will be returned to the Purchaser on the date of Initial Delivery upon completion of the closing.

We agree to accept delivery of the Initial Note(s) through DTC and make payment for the Initial Note(s) in immediately available funds at BOKF, NA, Dallas, Texas, no later than 10:00 A.M., Central time, on August 20, 2019 or thereafter on the date the Initial Note(s) are tendered for delivery, pursuant to the terms set forth in the Official Notice of Sale.

The Issuer will consider any bid submitted pursuant to the Official Notice of Sale relating to the Notes to be a firm offer for the purchase of the Notes.

The undersigned agrees to complete, execute and deliver to the District by the date of delivery of the Notes, a certificate relating to the "issue price" of the Notes in the form and to the effect attached to or accompanying the Official Notice of Sale, with such changes thereto as may be acceptable to the District.

For purposes of contracting for the sale of the Notes, the entity signing the bid form as Purchaser shall be solely responsible for the payment of the purchase price of the Notes. The Purchaser may serve as a syndicate manager and contract under a separate agreement with other syndicate members. However, the District is not a party to that agreement and any information provided regarding syndicate managers would be for informational purposes only.

**Preliminary, subject to change. See "THE NOTES – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE NOTES" in the Official Notice of Sale and Bidding Instructions.*

No Boycott of Israel Verification. The Purchaser hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, does not boycott Israel and, to the extent this bid for the Notes is a contract for goods or services, will not boycott Israel through the date of initial delivery of the Notes. The foregoing verification is made solely to comply with Section 2270.002, Texas Government Code, and to the extent such Section does not contravene applicable Federal law. As used in the foregoing verification, 'boycott Israel' means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes. The Purchaser understands 'affiliate' to mean an entity that controls or is controlled by, or is under common control with, the Purchaser and exists to make a profit.

Iran, Sudan and Foreign Terrorist Organizations. The Purchaser represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under section 2252.153 or Section 2270.0201, Texas Government Code, and posted on any of the following pages of such officer's internet website:

https://comptroller.texas.gov/purchasing/docs/sudanlist.pdf, https://comptroller.texas.gov/purchasing/docs/iran-list.pdf, or
https://comptroller.texas.gov/purchasing/docs/ftolist.pdf.

The foregoing representation is made solely to comply with Section 2252.152, Texas Government Code, and to the extent such Section does not contravene applicable Federal law and excludes the Purchaser and the Purchaser's parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization. The Purchaser understands "affiliate" to mean any entity that controls, is controlled by, or is under common control with, the Purchaser and exists to make a profit

In accordance with Texas Government Code Section 2252.908 (the "Interested Party Disclosure Act"), the District may not award the Notes to a bidder unless the winning bidder either:

(i) submits a Certificate of Interested Parties Form 1295 (the "Disclosure Form") to the District as prescribed by the Texas Ethics Commission ("TEC"),

or

(ii) certifies below that it is exempt from filing the Disclosure Form by virtue of being a publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity.

Unless the bidder certifies that it is exempt from filing a Disclosure Form with the District, upon notification of conditional verbal acceptance and if required, the undersigned will complete an electronic form of the Disclosure Form through the TEC's electronic portal and the resulting certified Disclosure Form that is generated by the TEC's electronic portal will be printed, signed and sent by email to the District's financial advisor at bgrubbs@samcocapital.com. The undersigned understands that the failure to provide the certified Disclosure Form will prohibit the District from providing final written award of the enclosed bid.

The Purchaser (mark one):

(i) Agrees to timely make a filing of a completed Disclosure Form with the District [___]

or

(ii) Hereby certifies that it is exempt from filing the Disclosure Form by virtue of being a publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity [___].

Respectfully submitted,

____
(Purchaser)

____
(Signature - Title)

____
(Telephone)

ACCEPTANCE CLAUSE

THE FOREGOING BID IS IN ALL THINGS HEREBY ACCEPTED this July 22, 2019 by Resolution of the Board of Trustees of the Red Oak Independent School District.

President, Board of Trustees

ATTEST:

Secretary, Board of Trustees

CERTIFICATE OF INTERESTED PARTIES

FORM 1295

Complete Nos. 1 - 4 and 6 if there are interested parties.
Complete Nos. 1, 2, 3, 5, and 6 if there are no interested parties.

OFFICE USE ONLY
CERTIFICATION OF FILING

1 **Name of business entity filing form, and the city, state and country of the business entity's place of business.**

2 **~~Name of governmental entity or state agency that is a party to the contract for which the form is~~ being filed.**

Red Oak Independent School District

3 **Provide the identification number used by the governmental entity or state agency to track or identify the contract, and provide a description of the services, goods, or other property to be provided under the contract.**

0001

Purchase of the Red Oak Independent School District Maintenance Tax Notes, Series 2019

4

Name of Interested Party	City, State, Country (place of business)	Nature of interest (check applicable)	
		Controlling	Intermediary

5 **Check only if there is NO Interested Party.** ☐

6 **UNSWORN DECLARATION**

My name is ____, and my date of birth is ____________________.

My address is ____________________________________, ____________________, _______, _____________, _________.
(street) (city) (state) (zip code) (country)

I declare under penalty of perjury that the foregoing is true and correct.

Executed in ______________________________County, State of ______________, on the _____day of ___________, 20_____.
(month) (year)

____
Signature of authorized agent of contracting business entity
(Declarant)

ISSUE PRICE CERTIFICATE

(**Form of Certificate if at least 3 bids are received from underwriters**)

The undersigned, as the underwriter or the manager of the syndicate of underwriters ("Purchaser"), with respect to the purchase at competitive sale of the Maintenance Tax Notes, Series 2019 issued by the Red Oak Independent School District ("Issuer") in the principal amount of $5,650,000* ("Notes"), hereby certifies and represents, based on its records and information, as follows:

(a) On the first day on which there was a binding contract in writing for the purchase of the Notes by the Purchaser, the Purchaser's reasonably expected initial offering prices of each maturity of the Notes with the same credit and payment terms (the "Expected Offering Prices") to a person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter are as set forth in the pricing wire or equivalent communication for the Notes, as attached to this Certificate as Schedule A. The Expected Offering Prices are the prices for the Notes used by the Purchaser in formulating its bid to purchase the Notes.

(b) The Purchaser had an equal opportunity to bid to purchase the Notes and it was not given the opportunity to review other bids that was not equally given to all other bidders (i.e., no last look).

(c) The bid submitted by the Purchaser constituted a firm bid to purchase the Notes.

For purposes of this Issue Price Certificate, the term "Underwriter" means (1) (i) a person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the Public, or (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (1)(i) of this paragraph (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Notes to the Public) to participate in the initial sale of the Notes to the Public, and (2) any person who has more than 50% common ownership, directly or indirectly, with a person described in clause (1) of this paragraph.

The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Federal Tax Certificate and with respect to compliance with the federal income tax rules affecting the Notes, and by McCall, Parkhurst & Horton L.L.P. in connection with rendering its opinion that the interest on the Notes is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Notes. Notwithstanding anything set forth herein, the Purchaser is not engaged in the practice of law and makes no representation as to the legal sufficiency of the factual matters set forth herein.

EXECUTED and DELIVERED as of this [ISSUE DATE].

[NAME OF PURCHASER], as Purchaser

By:____________________________________

Name:__________________________________

* *Preliminary, subject to change. See "THE NOTES – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE NOTES" herein.*

ISSUE PRICE CERTIFICATE

(**Form of Certificate if less than 3 bids are received from underwriters**)

The undersigned, as the underwriter or the manager of the syndicate of underwriters ("Purchaser"), with respect to the purchase at competitive sale of the Maintenance Tax Notes, Series 2019 issued by the Red Oak Independent School District ("Issuer") in the principal amount of $5,650,000* ("Notes"), hereby certifies and represents, based on its records and information, as follows:

(a) [Other than the Notes maturing in ____ ("Hold-the-Price Maturities"), the][The first prices at which at least ten percent ("Substantial Amount") of the principal amount of each maturity of the Notes having the same credit and payment terms ("Maturity") was sold to a person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter ("Public") are their respective initial offering prices, as listed in the pricing wire or equivalent communication for the Notes that is attached to this Certificate as Schedule A.

(Add (b) and (c) only if winning bidder designates one or more maturities as Hold-the-Price Maturities)

(b) On or before the first day on which there is a binding contract in writing for the sale of the Notes ("Sale Date"), the Purchaser offered to the Public each Maturity of the Hold-the-Price Maturities at their respective initial offering prices, as set forth in Schedule A hereto ("Initial Offering Price").

(c) As set forth in the Notice of Sale, the Purchaser agreed in writing to neither offer nor sell any of the Hold-the-Price Maturities to any person at any higher price than the Initial Offering Price for each such Maturity until the earlier of the close of the fifth business day after the Sale Date or the date on which the Purchaser sells at least ten percent of a Hold-the-Price-Maturity of the Notes to the Public at no higher price than the Initial Offering Price for such Maturity.

For purposes of this Issue Price Certificate, the term "Underwriter" means (1) (i) a person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the Public, or (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (1)(i) of this paragraph (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Notes to the Public) to participate in the initial sale of the Notes to the Public, and (2) any person who has more than 50% common ownership, directly or indirectly, with a person described in clause (1) of this paragraph.

The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Federal Tax Certificate and with respect to compliance with the federal income tax rules affecting the Notes, and by McCall, Parkhurst & Horton L.L.P. in connection with rendering its opinion that the interest on the Notes is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Notes. Notwithstanding anything set forth herein, the Purchaser is not engaged in the practice of law and makes no representation as to the legal sufficiency of the factual matters set forth herein.

EXECUTED and DELIVERED as of this [ISSUE DATE].

[NAME OF PURCHASER], as Purchaser

By:______________________________________

Name:_____________________________________

* *Preliminary, subject to change. See "THE NOTES – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE NOTES" herein.*

SCHEDULE A

PRICING WIRE OR EQUIVALENT COMMUNICATION

(*Attached*)

BOND YEARS

$5,650,000*
RED OAK INDEPENDENT SCHOOL DISTRICT
(Ellis County, Texas)

MAINTENANCE TAX NOTES, SERIES 2019

Dated: August 1, 2019
Due: February 15

		Bond Years*	
Year	Amount*	Bond Years	Cumulative Bond Years
2020	$ 385,000	187.1527	187.1527
2021	310,000	460.6944	647.8471
2022	320,000	795.5555	1,443.4027
2023	325,000	1,132.9861	2,576.3887
2024	335,000	1,502.8472	4,079.2359
2025	345,000	1,892.7083	5,971.9442
2026	355,000	2,302.5694	8,274.5136
2027	370,000	2,769.8611	11,044.3747
2028	380,000	3,224.7222	14,269.0969
2029	390,000	3,699.5833	17,968.6802
2030	400,000	4,194.4444	22,163.1246
2031	415,000	4,766.7361	26,929.8606
2032	425,000	5,306.5972	32,236.4578
2033	440,000	5,933.8888	38,170.3466
2034	455,000	6,591.1805	44,761.5272

Average Maturity = 7.922

*Preliminary, subject to change. See "THE NOTES - ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE NOTES" in the Official Notice of Sale and Bidding Instructions.

Rating: Moody's: "Applied For"
(See "RATING" and "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS" herein)

PRELIMINARY OFFICIAL STATEMENT
Dated: July 12, 2019

NEW ISSUE: BOOK-ENTRY-ONLY

In the opinion of Bond Counsel, interest on the Notes will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on corporations.

The District will designate the Notes as "Qualified Tax-Exempt Obligations" for financial institutions.

$5,650,000*
RED OAK INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Ellis County, Texas)
Maintenance Tax Notes, Series 2019

Dated Date: August 1, 2019 **Due: February 15, as shown on the inside cover page**

The Red Oak Independent School District Maintenance Tax Notes, Series 2019 (the "Notes") are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Section 45.108 of the Texas Education Code, as amended, and a note resolution (the "Resolution") authorizing the issuance of the Notes to be adopted on July 22, 2019 by the Board of Trustees (the "Board") of the Red Oak Independent School District (the "District"). The Notes constitute direct obligations of the District, secured by and payable from a continuing, direct annual ad valorem tax levied for maintenance purposes by the District against all taxable property located within the District, within the limit prescribed by law, as provided in the Resolution. (See "THE NOTES– Security" and "TAX RATE LIMITATIONS").

Interest on the Notes will accrue from the date of initial delivery to the purchaser (defined below) anticipated to occur on or about August 20, 2019 (the "Initial Delivery"), and will be payable on February 15 and August 15 of each year, commencing February 15, 2020, until stated maturity or prior redemption. The Notes will be issued in fully registered form in principal denominations of $5,000 or any integral multiple thereof. Principal of the Notes will be payable by the Paying Agent/Registrar, which initially is BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"), upon presentation and surrender of the Notes for payment. Interest on the Notes is payable by check dated as of the interest payment date and mailed by the Paying Agent/Registrar to the registered owners as shown on the records of the Paying Agent/Registrar on the close of business as of the last business day of the month next preceding each interest payment date.

The District intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York ("DTC"). Such Book-Entry-Only System will affect the method and timing of payment and the method of transfer of the Notes. (See "BOOK-ENTRY-ONLY SYSTEM").

Proceeds from the sale of the Notes will be used for the payment of maintenance expenses of the District, including without limitation, buses, practice fields, light replacement, sound and audio replacement, technology upgrades, portables, HVAC replacement and paying the costs of issuance of the Notes. (See "THE NOTES - Authorization and Purpose").

The Notes maturing on or after February 15, 2030 are subject to redemption at the option of the District in whole or in part on August 15, 2029 or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. (See "THE NOTES - Optional Redemption").

The District has made application to municipal bond insurance companies to have the payment of the principal of and interest on the Notes insured by a municipal bond guaranty policy. The purchase of such insurance, if available, and the payment of all associated costs will be at the option and expense of the initial purchaser (the "Purchaser"). (See "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS.")

MATURITY SCHEDULE
(On Inside Cover)

The Notes are offered for delivery when, as and if issued, and received by the Purchaser subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel. The Notes are expected to be available for initial delivery through the facilities of DTC on or about August 20, 2019.

BIDS DUE JULY 22, 2019 BY 11:00 A.M., CENTRAL TIME

**Preliminary, subject to change.*

$5,650,000*
RED OAK INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Ellis County, Texas)
MAINTENANCE TAX NOTES, SERIES 2019

MATURITY SCHEDULE
Base CUSIP No.: 756843 [1]

Maturity Date 2/15	Principal Amount*	Interest Rate	Initial Yield	CUSIP No. Suffix[1]
2020	$385,000			
2021	310,000			
2022	320,000			
2023	325,000			
2024	335,000			
2025	345,000			
2026	355,000			
2027	370,000			
2028	380,000			
2029	390,000			
2030	400,000			
2031	415,000			
2032	425,000			
2033	440,000			
2034	455,000			

(Interest to accrue from the Delivery Date)

**Preliminary, subject to change.*

[1] CUSIP numbers are included solely for the convenience of owners of the Notes. 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. 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 Purchaser are responsible for the selection or correctness of the CUSIP numbers set forth herein.

RED OAK INDEPENDENT SCHOOL DISTRICT

BOARD OF TRUSTEES

Name	Date Initially Elected	Current Term Expires	Occupation
John Anderson, President	2002	2020	Applications Engineer
Eric Thompson, Vice President	2018	2021	Fire Chief
Melanie Petersen, Secretary	2015	2021	Librarian
Johnny Knight, Member	2014	2020	Operations Manager
Brian Sebring, Member	2019	2022	Account Manager
Dr. Joy Shaw, Member	2010	2022	Retired Educator
Penny Story, Member	2019	2020	Real Estate Broker

APPOINTED OFFICIALS

Name	Position	Length of Education Service	Length of Service with District
Kevin Freels*	Acting Superintendent	33 Years	11 Years
Michelle Ailara	Assistant Superintendent of Human Resources	24 Years	9 Years
Patrick Torres	Assistant Superintendent of Curriculum and Instruction	26 Years	2 Years
Dr. William Johnston	Assistant Superintendent of Business Services	20 Years	1/2 Year

**Mr. Freels, Assistant Superintendent of District Operations was named Acting Superintendent on June 24, 2019 upon the departure of Dr. Michael Goddard.*

CONSULTANTS AND ADVISORS

McCall, Parkhurst & Horton L.L.P., Dallas, Texas	Bond Counsel
SAMCO Capital Markets, Inc., Dallas, Texas	Financial Advisor
Hankins, Eastup, Deaton, Tonn & Seay, Denton, Texas	Certified Public Accountants

For additional information, contact:

Dr. William Johnston
Assistant Superintendent
of Business Services
Red Oak ISD
109 W. Red Oak Road
Red Oak, Texas 75154
(972) 617-2941

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

USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended ("Rule 15c2-12"), and in effect on the date of this Preliminary Official Statement, this document constitutes an "official statement" of the District with respect to the Notes that has been "deemed final" by the District as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

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

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

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

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein.

THE NOTES 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 NOTES IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THE NOTES HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

NONE OF THE DISTRICT, ITS FINANCIAL ADVISOR, OR THE PURCHASER MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY, NEW YORK, NEW YORK ("DTC") OR ITS BOOK-ENTRY-ONLY SYSTEM, AS SUCH INFORMATION WAS PROVIDED BY DTC AND OR THE BOND INSURER, IF ANY, AND ITS MUNICIPAL BOND INSURANCE POLICY DESCRIBED HEREIN UNDER THE HEADING "BOND INSURANCE", AS SUCH INFORMATION WAS PROVIDED BY DTC AND THE BOND INSURER, RESPECTIVELY.

The agreements of the District and others related to the Notes 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 Notes is to be construed as constituting an agreement with the purchasers of the Notes. INVESTORS SHOULD READ THIS ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

TABLE OF CONTENTS

SELECTED DATA FROM THE OFFICIAL STATEMENT

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

The District	The Red Oak Independent School District (the "District") is a political subdivision of the State of Texas located in Ellis County, Texas. The District is governed by a seven-member Board of Trustees (the "Board"). Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent of Schools who is the chief administrative officer of the District. Support services are supplied by consultants and advisors.
The Notes	The Notes are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Section 45.108 of the Texas Education Code, as amended, and a note resolution (the "Resolution") authorizing the issuance of the Notes to be adopted on July 22, 2019 by the Board. The Notes constitute direct obligations of the District, secured by and payable from a continuing, direct annual ad valorem tax levied for maintenance purposes by the District against all taxable property located within the District, within the limit prescribed by law, as provided in the Resolution. (See "THE NOTES– Security" and "TAX RATE LIMITATIONS"). Proceeds from the sale of the Notes will be used for the payment of maintenance expenses of the District, including without limitation, buses, practice fields, light replacement, sound and audio replacement, technology upgrades, portables, HVAC replacement and paying the costs of issuance of the Notes.
Paying Agent/Registrar	The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. The District intends to use the Book-Entry-Only System of The Depository Trust Company. (See "BOOK-ENTRY-ONLY SYSTEM" herein).
Security	The Notes are direct obligations of the District payable as to principal and interest from and secured by the proceeds of a continuing, direct annual ad valorem tax levied for maintenance purposes by the District, against all taxable property located within the District, within the limit prescribed by law as provided in the Resolution. (See "THE NOTES – Security" herein.) See "TAX RATE LIMITATIONS" herein for a discussion of applicable tax limitations pertaining to the District's limited maintenance tax.
Redemption	The Notes maturing on or after February 15, 2030 are subject to redemption at the option of the District in whole or in part on August 15, 2029 or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. Additionally, the Purchaser may select two or more consecutive maturities of the Notes to be grouped together to form one or more "Term Notes", and such Term Notes would be subject to mandatory sinking fund redemption in accordance with the Resolution. (see "THE NOTES – Mandatory Sinking Fund Redemption") (See "THE NOTES – Optional Redemption").
Rating and Note Insurance	In connection with the sale of the Notes, the District has made application to Moody's Investors Service, Inc. ("Moody's") for a municipal bond rating. The District's current unenhanced, underlying rating is "A1" by Moody's. In addition, the District has made an application for an insurance policy insuring the timely payment of the principal of and interest on the Notes. The purchase of such insurance, if available and the payment of all associated costs will be at the option and expense of the initial Purchaser. (See "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS" herein.)
Tax Matters	In the opinion of Bond Counsel for the District, interest on the Notes is excludable from gross income for federal income tax purposes, subject to the matters described under "TAX MATTERS" herein. (See "TAX MATTERS" and Appendix C - "Form of Legal Opinion of Bond Counsel.")
Payment Record	The District has never defaulted on the payment of its bonded indebtedness.
Qualified Tax-Exempt Obligations	The District will designate the Notes as "Qualified Tax-Exempt Obligations" for financial institutions. (See "TAX MATTERS – Qualified Tax-Exempt Obligations").
Legal Opinion	Delivery of the Notes is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel.
Delivery	When issued, anticipated to be on or about August 20, 2019.

INTRODUCTORY STATEMENT

This Official Statement (the "Official Statement"), which includes the cover page and Appendices attached hereto, has been prepared by the Red Oak Independent School District (the "District"), a political subdivision of the State of Texas (the "State") located in Ellis County, Texas, in connection with the offering by the District of its Maintenance Tax Notes, Series 2019 (the "Notes") identified on page ii hereof.

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

There follows in this Official Statement descriptions of the Notes and the Resolution (defined below) to be adopted by the Board of Trustees of the District (the "Board") on July 22, 2019 authorizing the issuance of the Notes and certain other information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained upon request by writing the Red Oak Independent School District, 109 W. Red Oak Road, Red Oak, Texas 75154 and, during the offering period, from the Financial Advisor, SAMCO Capital Markets, Inc., 5800 Granite Parkway, Suite 210, Plano, Texas 75024 by electronic mail or upon payment of reasonable copying, mailing, and handling charges.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. A copy of this Official Statement relating to the Notes will be submitted by the initial Purchaser of the Notes to the Municipal Securities Rulemaking Board, and will be available through its Electronic Municipal Market Access system. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the District's undertaking to provide certain information on a continuing basis.

THE NOTES

Authorization and Purpose

The Notes are being issued in the principal amount of $5,650,000 (preliminary, subject to change) pursuant to the Constitution and general laws of the State of Texas, particularly Section 45.108 of the Texas Education Code, as amended, and a note resolution (the "Resolution") authorizing the issuance of the Notes to be adopted on July 22, 2019 by the Board. Proceeds from the sale of the Notes will be used for the payment of maintenance expenses of the District, including without limitation, buses, practice fields, light replacement, sound and audio replacement, technology upgrades, portables, HVAC replacement and paying the costs of issuance of the Notes.

General Description

The Notes will be dated August 1, 2019 (the "Dated Date") but interest will accrue from the Initial Delivery. The Notes will mature on the dates and in the principal amounts set forth on page ii of this Official Statement. Interest on the Notes will be computed on the basis of a 360-day year of twelve 30-day months, and is payable on February 15, 2020 and on each August 15 and February 15 thereafter until stated maturity or prior redemption.

The Notes will be issued only as fully registered Notes. The Notes will be issued in the denominations of $5,000 of principal or any integral multiple thereof within a maturity.

Interest on the Notes is payable by check mailed on or before each interest payment date by the Paying Agent/Registrar, initially, BOKF, NA, Dallas, Texas, to the registered owner at the last known address as it appears on the Paying Agent/Registrar's registration books on the Record Date (as defined herein) or by such other customary banking arrangement acceptable to the Paying Agent/Registrar and the registered owner to whom interest is to be paid, provided, however, that such person shall bear all risk and expense of such other arrangements. Principal of the Notes will be payable only upon presentation of such Notes at the corporate trust office of the Paying Agent/Registrar at stated maturity or prior redemption. So long as the Notes are registered in the name of CEDE & CO. or other nominee for The Depository Trust Company, New York, New York ("DTC"), payments of principal of and interest on the Notes will be made as described in "BOOK-ENTRY-ONLY SYSTEM" herein.

If the date for any payment on the Notes is a Saturday, Sunday, legal holiday or a day on which banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive resolution to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

Redemption

The Notes maturing on or after February 15, 2030, are subject to redemption, at the option of the District, in whole or in part, on August 15, 2029, or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. If less than all of the Notes are to be redeemed, the District shall determine the amounts and maturities thereof to be redeemed and shall direct the Paying Agent/Registrar to select by lot the Notes, or portions thereof, to be redeemed. Not less than 30 days prior to a redemption date for the Notes, the District shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to each registered owner of a Note 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.

Additionally, two or more consecutive maturities of the Notes may be grouped together as a "Term Note" by the Purchaser, and such "Term Notes" would be subject to mandatory sinking fund redemption in accordance with the Resolution. In that event, the redemption provisions will be described in the final Official Statement.

Notice of Redemption and DTC Notices

With respect to any optional redemption of the Notes, unless certain prerequisites to such redemption required by the Resolution have been met and money sufficient to pay the principal of and premium, if any, and interest on the Notes to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption may, at the option of the District, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the District will not redeem such Notes, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that such Notes have not been redeemed. ANY NOTICE OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF

WHETHER RECEIVED BY THE NOTEHOLDER, AND, SUBJECT TO PROVISION FOR PAYMENT OF THE REDEMPTION PRICE HAVING BEEN MADE, AND ANY PRECONDITIONS STATED IN THE NOTICE OF REDEMPTION HAVING BEEN SATISFIED INTEREST ON THE REDEEMED NOTES SHALL CEASE TO ACCRUE FROM AND AFTER SUCH REDEMPTION DATE NOTWITHSTANDING THAT A NOTE HAS NOT BEEN PRESENTED FOR PAYMENT.

The Paying Agent/Registrar and the District, so long as a Book-Entry-Only System is used for the Notes, will send any notice of redemption, notice of proposed amendment to the Resolution or other notices with respect to the Notes only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Notes called for redemption or any other action premised on any such notice. Redemption of portions of the Notes by the District will reduce the outstanding principal amount of such Notes held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Notes held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Notes from the beneficial owners. Any such selection of Notes to be redeemed will not be governed by the Resolution and will not be conducted by the District or the Paying Agent/Registrar. Neither the District nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Notes or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Notes for redemption. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Security

The Notes are direct obligations of the District and are payable as to both principal and interest from and secured by the proceeds of a continuing, direct annual ad valorem tax levied for maintenance purposes by the District against all taxable property located within the District, within the limit prescribed by law, as provided in the Resolution. (See “TAX RATE LIMITATIONS” herein for a discussion of applicable tax limitations pertaining to the maintenance tax. See also “AD VALOREM TAX PROCEDURES” and "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS” herein).

Legality

The Notes are offered when, as and if issued, subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel. (See “LEGAL MATTERS” and “Appendix C - Form of Legal Opinion of Bond Counsel”).

Payment Record

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

Amendments

In the Resolution, the District has reserved the right to amend the Resolution without the consent of any holder for the purpose of amending or supplementing the Resolution to (i) cure any ambiguity, defect or omission therein that does not materially adversely affect the interests of the holders, (ii) grant additional rights or security for the benefit of the holders, (iii) add events of default as shall not be inconsistent with the provisions of the Resolution that do not materially adversely affect the interests of the holders, (iv) qualify the Resolution under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect or (v) make such other provisions in regard to matters or questions arising under the Resolution that are not inconsistent with the provisions thereof and which, in the opinion of Bond Counsel for the District, do not materially adversely affect the interests of the holders.

The Resolution further provides that the majority of owners of the Notes shall have the right from time to time to approve any amendment not described above to the Resolution if it is deemed necessary or desirable by the District; provided, however, that without the consent of 100% of the holders in principal amount of the then outstanding Notes so affected, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Notes; (ii) reducing the rate of interest borne by any of the outstanding Notes; (iii) reducing the amount of the principal of or redemption premium, if any, payable on any outstanding Notes; (iv) modifying the terms of payment of principal or interest on outstanding Notes or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Notes necessary for consent to such amendment. Reference is made to the Resolution for further provisions relating to the amendment thereof.

Defeasance

The Resolution provides for the defeasance of the Notes when payment of the principal amount of the Notes plus interest accrued on the Notes to their due date (whether such due date be by reason of stated maturity, redemption or otherwise), is provided by irrevocably depositing with a paying agent, or other authorized escrow agent, in trust (1) money in an amount sufficient to make such payment and/or (2) Defeasance Securities, that will 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 Notes, and thereafter the District will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased notes, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The District has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the District moneys in excess of the amount required for such defeasance. The Resolution provides that “Defeasance Securities” means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Notes. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the 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, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that on the date the governing body of the District adopts or approves the proceedings authorizing 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 current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Notes. Because the Resolution does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used for defeasance purposes or that for any other Defeasance Security will be maintained at any particular rating category.

Upon such deposit as described above, such Notes shall no longer be regarded to be outstanding or unpaid. Provided, however, the District has reserved the option, to be exercised at the time of the defeasance of the Notes, to call for redemption at an earlier date those Notes which have been defeased to their maturity date, if the District (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Notes for redemption, (ii) gives notice of the reservation of that right to the owners of the Notes 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.

REGISTERED OWNERS' REMEDIES

The Resolution does not specify specific events of default with respect to the Notes. If the District defaults in the payment of principal or interest on the Notes when due, or if it fails to make payments into any fund or funds created in the Resolution, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Resolution, the registered owners may seek a writ of mandamus to compel District officials to carry out their legally imposed duties with respect to the Notes, if there is no other available remedy at law to compel performance of the Notes or the Resolution covenants and the District's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Notes in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Resolution 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 Resolution, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court has ruled in Tooke v. City of Mexia, 197 S.W.3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the District's sovereign immunity from a suit for money damages, bondholders may not be able to bring such a suit against the District for breach of the Notes or Resolution 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 Notes. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Resolution and the Notes are qualified with respect to the customary rights of debtors relative to their creditors by general principles of equity which permit the exercise of judicial discretion and by governmental immunity.

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

To facilitate subsequent transfers, all Notes 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 Notes 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 Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes 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 Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as, redemption, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Notes 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 Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

The information in this section concerning DTC and DTC's Book-Entry-Only System has been obtained from sources that the District believes to be reliable, but none of the District, the Financial Advisor, nor the Purchaser take any responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Notes 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 Direct or Indirect Participant acquires an interest in the Notes, 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 Resolution will be given only to DTC.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar for the Notes is BOKF, NA, Dallas, Texas. In the Resolution, the District covenants to maintain and provide a Paying Agent/Registrar until the Notes are duly paid.

Successor Paying Agent/Registrar

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

Initial Registration

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

Future Registration

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

Record Date For Interest Payment

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

Limitation on Transfer of Notes

The Paying Agent/Registrar shall not be required to make any such transfer, conversion or exchange (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date or (ii) with respect to any Note or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

Replacement Notes

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

AD VALOREM TAX PROCEDURES

Property Tax Code and County Wide Appraisal District

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

Property Subject to Taxation by the District

Except for certain exemptions provided by State law, all real and certain tangible personal property with a tax situs in the District is subject to taxation by the District. Principal categories of exempt property (including certain exemptions which are subject to local option by the District) include property owned by the State or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain improvements to real property and certain tangible personal property located in designated reinvestment zones on which the District has agreed to abate ad valorem taxes, certain household goods, family supplies and personal effects; farm products owned by the producers; certain property of a nonprofit corporation used in scientific research and educational activities benefiting a college or university; and designated historic sites. Other principal categories of exempt property include tangible personal property not held or used for production of income; solar and windpowered energy devices; most individually owned automobiles; $10,000 State mandated exemption to residential homesteads of persons ages 65 or over or disabled; a State mandated exemption up to a maximum of $12,000 for real or personal property of disabled veterans or the surviving spouse or children of an individual who died while on active duty in the armed forces; a State mandated $25,000 in market value exemption for all residential homesteads (see "Residential Homestead Exemptions" below); and certain classes of intangible property. The Tax Code provides that a disabled veteran who receives from the United States Department of Veterans Affairs or its successor 100% disability compensation due to a service-connected disability and a rating of 100% disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead. Furthermore, following the approval by the voters at a November 8, 2011 statewide election, effective January 1, 2012, the surviving spouse of a deceased veteran who had received a disability rating of 100% is entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries. In addition, except for increases attributable to certain improvements, the District is prohibited by State law from increasing the total ad valorem tax on the residence homestead of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for an exemption based on the age or disability of the owner. The freeze on ad valorem taxes on the homesteads of persons 65 years of age or older and the disabled is also transferable to a different residence homestead. Also, a surviving spouse of a taxpayer who qualifies for the freeze on ad valorem taxes is entitled to the same exemption so long as (i) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (ii) the surviving spouse was 55 or older when the deceased spouse died and (iii) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse. Pursuant to a constitutional amendment approved by the voters on May 12, 2007, legislation was enacted to reduce the school property tax limitation imposed by the freeze on taxes paid on residence homesteads of persons 65 years of age or over or of disabled persons to correspond to reductions in local school district tax rates from the 2005 tax year to the 2006 tax year and from the 2006 tax year to the 2007 tax year (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - Overview" herein). The school property tax limitation provided by the constitutional amendment and enabling legislation apply to the 2007 and subsequent tax years. Owners of agricultural and open space land, under certain circumstances, may request valuation of such land on the basis of productive capacity rather than market value. Article VIII, Section 1-j of the Texas Constitution provides for an exemption from ad valorem taxation for "freeport property," which is defined as goods detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Taxing units that took action prior to April 1, 1990 may continue to tax freeport property and decisions to continue to tax freeport property may be reversed in the future. However, decisions to exempt freeport property are not subject to reversal. Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of “goods-in-transit.” “Goods-in-transit”, defined by the Tax Code as personal property acquired or imported into Texas and transported to another location in the State or outside of the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory. The Tax Code provision permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax goods-in-transit during the following tax year. A taxpayer may receive only one of the freeport or goods-in-transit exemptions for tangible personal property. Senate Bill 1, passed by the 82nd Texas Legislature, 1st Called Session, requires again that the governmental entities take affirmative action prior to January 1 of the first tax years in which the governing body proposes to tax good-in-transit to continue its taxation of good-in-transit in the 2012 tax year and beyond. See “THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT” and “APPENDIX A – FINANCIAL INFORMATION OF THE DISTRICT - ASSESSED VALUATION” for a schedule of the amount of exemptions granted by the District.

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

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

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. In determining the market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Tax Code are based on one hundred percent (100%) of market value, except as described below, and no assessment ratio can be applied.

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

Article VII of the Texas Constitution and the Tax Code permit land designated for agricultural use, open space or timberland to be appraised at its value based on the land’s capacity to produce agricultural or timber products rather than at its fair market value. Landowners wishing to avail themselves of the agricultural use designation must apply for the designation, and the appraiser is required by the Tax Code to act on each claimant's right to the designation individually. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes for previous years based on the new value, including three years for agricultural use and five years for agricultural open-space land and timberland prior to the loss of the designation.

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

Residential Homestead Exemptions

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

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

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

Following the approval by the voters at a November 7, 2017 statewide election (with an effective date of January 1, 2018), 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.

Section 11.131 of the Texas Tax Code states that a disabled veteran who receives from the United States Department of Veterans Affairs or its successor 100% disability compensation due to a service-connected disability and a rating of 100% disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead. Furthermore, following the approval by the voters at a November 8, 2011 statewide election, effective January 1, 2012, the surviving spouse of a deceased veteran who had received a disability rating of 100% is entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until the surviving spouse remarries.

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

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

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) during the period ending December 31, 2019.

District and Taxpayer Remedies

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

Levy and Collection of Taxes

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

Public Hearing and Voter-Approval Tax Rate

During the 2019 legislative session, the 86th State Legislature made numerous changes to the requirements for the levy and collection of ad valorem taxes and the calculation of defined tax rates, including particularly those contained in HB3 and Senate Bill 2 ("SB2"). In some instances, the provisions of HB3 and SB2 require further interpretation in connection with their implementation in order to resolve ambiguities contained in the bills. The District is still in the process of (a) analyzing the provisions of HB3 and SB2, and (b) monitoring the on-going guidance provided by TEA. The information contained under the captions and subcaptions "AD VALOREM TAX PROCEDURES – Public Hearing and Voter-Approval Tax Rate", "CURRENT PUBLIC SCHOOL FINANCE SYSTEM", and "TAX RATE LIMITATIONS" is subject to change, and only reflects the District's understanding of HB3 and SB2 based on information available to the District as of the date of this Official Statement. Reference is made to HB3, SB2 and the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the defined tax rates.

A school district's tax rate consists of two levies: (1) the levy of a maintenance and operations ("M&O") rate for the funding of current expenses, and (2) the levy of an interest and sinking ("I&S") rate to pay debt service on school district bonds. Generally, the highest rate at which a school district may levy taxes for any given year without holding an election to approve the tax rate, is the "Voter-Approval Tax Rate." Beginning with the 2020 tax year, the governing body of a school district generally cannot adopt a tax rate exceeding the school district's Voter-Approval Tax Rate without approval by a majority of the voters approving the higher rate at an election to be held on the next uniform election date. Further, subject to certain exceptions for areas declared disaster areas, state law requires the board of trustees of a school district to conduct an efficiency audit before seeking voter approval to adopt a tax rate exceeding the Voter-Approval Tax Rate and sets certain parameters for conducting and disclosing the results of an efficiency audit. An election is not required for a tax increase to address increased expenditures resulting from certain natural disasters in the year following a year in which such disaster occurs; however, the amount by which the increased tax rate exceeds the school district's Voter-Approval Tax Rate for such year may not be considered by the school district in the calculation of its subsequent Voter-Approval Tax Rate.

For the 2019 tax year, the Voter-Approval Tax Rate for a school district is the sum of (i) the State Compression Percentage, multiplied by $1.00; (ii) the greater of (a) the school district's M&O tax rate for the 2018 tax year, less the sum of (1) $1.00, and (2) any amount by which the school district is required to reduce its enrichment tax rate for the 2019 tax year, or (b) $0.04; and (iii) the school district's current debt rate. For the 2020 tax year, the Voter-Approval Tax Rate for a school district is the sum of (i) the school district's MCR; (ii) the greater of (a) the school district's Enrichment Tax Rate for the preceding year, less any amount by which the school district is required to reduce its current year Enrichment Tax Rate pursuant to Section 48.202(f), Education Code, as amended, or (b) the rate of $0.05 per $100 of taxable value; and (iii) the school district's current debt rate. However, for the 2020 tax year, if the governing body of the school district does not adopt by unanimous vote for that tax year a M&O tax rate at least equal to the sum of the school district's MCR plus $0.05, then $0.04 is substituted for $0.05 in the calculation for such school district's Voter-Approval Tax Rate for the 2020 tax year. For the 2019 tax year, a school district's M&O tax rate may not exceed the rate equal to the sum of (i) $0.17 and (ii) the product of (a) the State Compression Percentage multiplied by $1.00. For the 2020 tax year, and subsequent years, a school district's M&O tax rate may not exceed the rate equal to the sum of (i) $0.17 and (ii) the school district's MCR. For the 2019 tax year, school districts with a Voter-Approval Tax Rate equal to or greater than $0.97 (excluding the school district's current I&S tax rate) may not adopt an M&O tax rate for the 2019 tax year that exceeds the school district's Voter-Approval Tax Rate. For such school districts, the maximum tax rate for the 2019 tax year that each such school district can levy will be set by TEA. For the 2019 tax year, the District is not eligible to adopt a tax rate that exceeds its Voter-Approval Tax Rate. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" herein, for more information regarding the State Compression Percentage, MCR, and the Enrichment Tax Rate.

For the 2019 tax year, Section 26.05 of the Texas 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 sixtieth (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 maintenance and operations tax rate" calculated for that tax year or the tax rate adopted by the taxing unit for the 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 school 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 school 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.

Beginning with the 2020 tax year, Section 26.05 of the Texas 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 sixtieth (60th) day after the date the certified appraisal roll is received by the taxing unit, except that a tax rate that exceeds the Voter-Approval Tax Rate must be adopted not later than the seventy-first (71st) day before the next occurring November uniform election date. A school district's failure to adopt a tax rate equal to or less than the Voter-Approval Tax Rate by September thirtieth (30th) or the sixtieth (60th) day after receipt of the certified appraisal roll, will result in the tax rate for such school district for the tax year to be the lower of the "no-new-revenue tax rate" calculated for that tax year or the tax rate adopted by the District for the preceding tax year. A school district's failure to adopt a tax rate in excess of the Voter-Approval Tax Rate on or prior to the seventy-first (71st) day before the next occurring November uniform election date, will result in the school district adopting a tax rate equal to or less than its Voter-Approval Tax Rate by the later of September 30th or the sixtieth (60th) day after receipt of the certified appraisal roll. "No-new-revenue tax rate" means the rate that will produce the prior year's total tax levy (adjusted) from the current year's total taxable values (adjusted).

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 the school district's 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 school district if the school 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), (c-1), (c-2), 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 school district delivers substantially all of its tax bills. A school district that elects to adopt a tax rate before the adoption of a budget for the fiscal year that begins in the current tax year may adopt a tax rate for the current tax year before receipt of the certified appraisal roll, so long as the chief appraiser of the appraisal district in which the school district participates has certified to the assessor for the school district an estimate of the taxable value of property in the school district. If a school district adopts its tax rate prior to the adoption of its budget, both the no-new-revenue tax rate and the Voter-Approval Tax Rate of the school district shall be calculated based on the school district's certified estimate of taxable value. A school 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.

Beginning with the 2020 tax year (fiscal year ending in 2021), the District must annually calculate and prominently post on its internet website, and submit to the county tax assessor-collector for each county in which all or part of the District is located its Voter-Approval Tax Rate in accordance with forms prescribed by the State Comptroller.

Issuer and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, may appeal the determinations of the Appraisal District by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units such as the District may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda that could result in the repeal of certain tax increases (see "AD VALOREM TAX PROCEDURES – Public Hearing and Voter-Approval Tax Rate"). The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

District's Rights in the Event of Tax Delinquencies

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

Except with respect to taxpayers who are 65 years of age or older, at any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights, or by bankruptcy proceedings which restrict the collection of taxpayer debts.

THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT

The Appraisal District has the responsibility for appraising property in the District as well as other taxing units in Ellis County. The Appraisal District is governed by a board of directors appointed by members of the governing bodies of various political subdivisions within Ellis County.

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

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

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

The District's taxes are collected by the Ellis County Tax Office.

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

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

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

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

The District is not currently a participant in any tax abatement agreements and the District does not participate in a tax increment financing zone; however, pursuant to the Texas Economic Development Act (Chapter 313, Texas Tax Code) and pursuant to its agreement with Triumph Aerostructures, LLC, the District granted limitations on the appraised value (and providing ad valorem tax credits) of the manufacturing plant constructed by Triumph Aerostructures, LLC within the District for the period commencing with the 2014 tax year through the 2021 tax year. The District agreed to limit the appraised property value for purposes of the District's ad valorem tax levy for maintenance and operations to an amount not to exceed $80,000,000 for such property in return for construction of the plant. The plant's value is not limited for purposes of the District's debt service (or interest and sinking fund) tax levy.

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

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

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

STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS

Litigation Relating to the Texas Public School Finance System

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

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

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

Possible Effects of Changes in Law on District Notes

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 Notes, 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 Notes, specifically, the District's obligation to levy an unlimited debt service tax and any Permanent School Fund guarantee of the Notes 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 current public school 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 43 through 49 of the Texas Education Code, as amended.

Local funding is derived from collections of ad valorem taxes levied on property located within each school district's boundaries. School districts are authorized to levy two types of property taxes: an M&O tax to pay current expenses and an I&S tax to pay debt service on bonds. School districts may not levy surplus M&O taxes for the purpose of paying debt service on bonds. Under former law, a school district was authorized to seek voter approval to levy their M&O tax at a constitutionally-mandated and voter-approved rate, generally up to $1.50 per $100 of taxable in the school district, although in recent years, including in the 86th State Legislature, legislation has been enacted that has compressed the voter-approved M&O tax rate, as described below. Current law also requires school districts to demonstrate their ability to pay debt service on outstanding indebtedness through the levy of an I&S tax at a rate not to exceed $0.50 per $100 of taxable value at the time bonds are issued. Once bonds are issued, however, school districts may levy a tax to pay debt service on such bonds unlimited as to rate or amount (unless a school district has never elected to levy an unlimited I&S tax rate to secure debt service payments on bonds and elects to cap its maximum I&S tax rate securing the payment of debt service on bonds). Because property values vary widely among school districts, the amount of local funding generated by school districts with the same I&S tax rate and M&O tax rate is also subject to wide variation, although legislation has been enacted in recent years, including during the 86th State Legislature, that uses various funding formulas designed to generally equalize local funding generated by a school district's M&O tax rate.

Prior to the 2019 Legislative Session, a school district's maximum M&O tax rate for a given tax year was determined by multiplying that school district's 2005 M&O tax rate levy by an amount equal to the "State Compression Percentage", a value set by legislative appropriation or, in the absence of legislative appropriation, by the Commissioner of Education. The State Compression Percentage was historically 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 since most districts in the State had a voted maximum M&O tax rate of $1.50 per $100 of taxable value. School districts were permitted, however, to generate additional local funds by raising their M&O tax rate up to $0.04 above the compressed tax rate or, with voter-approval at a valid election in the school district, up to $1.17 per $100 of taxable value (for most school districts, between $1.04 and $1.17 per $100 of taxable value). School districts received additional State funds in proportion to such taxing effort.

Local Funding for School Districts

Legislation was enacted in the 86th State Legislature that made several significant changes to the funding methodology for school districts (the "2019 Legislation"). The 2019 Legislation orders a school district's M&O tax rate into two distinct parts: the Tier One Tax Rate, which is the local tax rate required for a school district to receive its basic level of State funding (referred to herein as "Tier One") under the Foundation School Program, as further described below, and the Enrichment Tax Rate, being an additional amount of local M&O funding in excess of its Tier One funding. The 2019 Legislation amended formulas for the State Compression Percentage and Maximum Compressed Rate (each as described below) to compress M&O tax rates in response to year-over-year increases in property values across the State and within a school district, respectively.. The discussion in this subcaption "Local Funding For School Districts" is generally intended to describe funding provisions for all school districts; however, there are distinctions in funding that pertain to school districts that generate local M&O revenues in excess of such school districts' respective funding entitlements, as further discussed under the subcaption "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Revenue In Excess of Entitlement," below.

State Compression Percentage

As amended by the 86th State Legislature in 2019, the State Compression Percentage for the State fiscal year ending in 2020 is a percentage of the rate of $1.00 per $100 at which a school district must levy an M&O tax to receive the full amount of the tier one allotment to which a school district is entitled. For the State fiscal year ending in 2020, the State Compression Percentage is set at 93% per $100 of taxable value. Beginning in the State fiscal year ending in 2021, the State Compression Percentage is the rate of $1.00 per $100 valuation of taxable property that is used to determine a school district's Maximum Compressed Tax Rate (the "MCR"), and is inversely proportional to the change in total property value in the State. For any year, the maximum State Compression Percentage is ninety-three percent (93%).

Maximum Compressed Tax Rate

As added by the 86th State Legislature, beginning with the State fiscal year ending in 2021 (the 2020 tax year) the MCR is the tax rate for a tax year per $100 of valuation of taxable property at which a school district must levy an M&O tax to receive the full amount of the Tier One allotment to which the school district is entitled. The MCR is calculated as the lesser of three alternative calculations: (1) the school district's prior year MCR; (2) by formula if the school district experienced a year-over-year increase in property value of at least 2.5%; or (3) the State Compression Percentage for the current year. However, each year the TEA shall evaluate the MCR for each school district in the State, and for any given year, if a school district's MCR is calculated to be less than ninety percent (90%) of any other school district's MCR for the current year, then the school district's MCR is instead equal to the school district's prior year MCR, until TEA determines that the difference between the school district's MCR and any other school district's MCR is not more than ten percent (10%). These provisions are intended to more closely equalize local generation of Tier One funding among districts with disparate tax bases and generally reduce school districts' Tier One Tax Rates as property values increase.

Tier One Tax Rate

For the 2019-2020 school year, the Tier One Tax Rate is defined as the State Compression Percentage multiplied by (i) $1.00, or (ii) for a school district that levied an M&O tax rate for the 2018-2019 school year that was less than $1.00 per $100 of taxable value, the total number of cents levied by the school district for the 2018-2019 school year for M&O purposes; effectively setting the Tier One Tax Rate for the State fiscal year ending in 2020 for most school districts at ninety-three cents ($0.93). For school districts that levied an M&O tax rate above $[__], the Tier One Tax Rate for the State fiscal year ending in 2020 is $[__]. For school districts that levied an M&O tax rate below $[__], the Tier One Tax Rate for the State fiscal year ending in 2020 is $[__]. Beginning in the 2020-2021 school year, a school district's Tier One Tax Rate is defined as a school district's tax rate that is the number of cents levied by the school district for M&O that does not exceed the school district's MCR.

Enrichment Tax Rate

The Enrichment Tax Rate is defined as (i) any cents of additional M&O tax effort, not to exceed eight cents ($0.08) over the Tier One Tax Rate ("Golden Pennies"), and (ii) any cents of additional M&O tax effort that exceeds the sum of Tier One Tax Rate plus Golden Pennies ("Copper Pennies"). The maximum Enrichment Tax Rate is limited to seventeen cents ($0.17), consisting of eight (8) Golden Pennies and nine (9) Copper Pennies.

School districts are entitled to a guaranteed yield (i.e., the guaranteed level of local tax revenue and State aid generated) for each Golden Penny or Copper Penny levied in addition to the Tier One Tax Rate. However, for a school year in which a school district's guaranteed yield for its Copper Pennies per student in WADA exceeds the guaranteed yield per student in WADA for the preceding school year, a school district is required to reduce its Copper Pennies levied so as to generate no more revenue per student in WADA than was available to the school district for the preceding year. Accordingly, the increase in the guaranteed yield from $31.95 per cent per student in WADA in school year 2019-2020 to $49.28 per cent per student in WADA requires school districts to compress their levy of Copper Pennies by a factor of 0.64834. As such, school districts which levied the maximum M&O tax rate of $1.17 in school year 2019-2020 must reduce their total M&O tax rate to approximately $1.068 per $100 taxable value.

State Funding or School Districts

State funding for school districts is provided through the Foundation School Program, which provides each school district with a State-appropriated baseline level of funding (the "Basic Allotment") for each student in "Average Daily Attendance" (being generally calculated as the sum of student attendance for each State-mandated day of instruction divided by the number of State-mandated days of instruction, referred to herein as "ADA"). The Basic Allotment per student is revised downward if a school district's Tier One Tax Rate is less than the State-determined threshold (for the 2019-2020 school year, $0.93 per $100 of taxable value, and equal to a school district's MCR for the 2020-2021 and subsequent school years). This Basic Allotment is supplemented by additional State funds, allotted based upon the unique school district characteristics and demographics of students in ADA, to make up most of a school district's Tier One funding under the Foundation School Program.

Tier One funding may then be "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 a school district's Enrichment Tax Rate, allowing a school district increase or decrease its Enrichment Tax Rate to supplement Tier One funding at a level of the school district's own choice. While Tier One funding may be used for the payment of debt service, and in some instances is required to be used for that purpose (see "TAX RATE LIMITATIONS"), Tier Two funding may not be used for the payment of debt service or capital outlay.

The Foundation School Program 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 2019, the 86th State Legislature appropriated funds in the amount of $[_____] for the 2020-2021 State fiscal biennium for the EDA, IFA, and NIFA.

Tier One and Tier Two allotments represent the State's share of the cost of M&O expenses of school districts, with local M&O taxes representing the school 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, provided that a school district qualifies for such funding and that the State Legislature makes sufficient appropriations to fund the allotments for a State fiscal biennium. Tier One and Tier Two allotments and existing EDA and IFA allotments are generally required to be funded each year by the State Legislature. Since future-year IFA awards were not funded by the State Legislature for the 2020-21 State fiscal biennium and debt service assistance on school district bonds that are not yet eligible for EDA is not available, debt service payments during the 2020-21 State fiscal biennium on new bonds issued by school districts in the 2020-21 State fiscal biennium to construct, acquire and improve facilities must be funded solely from local I&S taxes.

As described above, Tier One funding is based on an allotment per student known as the "Basic Allotment". For the State fiscal year ending in 2020, the Basic Allotment for school districts with a Tier One Tax Rate equal to the product of the State Compression Percentage multiplied by $1.00, is $6,160 for each student in ADA and is revised downward for school districts with a Tier One Tax Rate lower than the product of the State Compression Percentage multiplied by $1.00. For the State fiscal year ending in 2021 and subsequent State fiscal years, the Basic Allotment for a school district with a Tier One Tax Rate equal to the school district's MCR, is $6,160 (or a greater amount as may be provided by appropriation) for each student in ADA and is revised downward for a school district with a Tier One Tax Rate lower than the school district's MCR. The Basic Allotment is then supplemented for all school districts by various weights to account for differences among school districts and their student populations. Such additional allotments include, but are not limited to, increased funds for students in ADA who: (i) attend a qualified special education program, (ii) are diagnosed with dyslexia or a related disorder, (iii) are economically disadvantaged, or (iv) have limited English language proficiency. Additional allotments to mitigate differences among school districts include, but are not limited to: (i) a transportation allotment for each student in ADA residing two miles or more from their home campus, (ii) a fast growth allotment (for school districts in the top 25% of enrollment growth relative to other school districts), and (iii) a staffing allotment to retain employees in rural school districts. The sum of a school district's Basic Allotment and all statutory adjustments, divided by $6,160, is that school district's measure of students in "Weighted Average Daily Attendance" ("WADA"), which serves to calculate Tier Two funding.

As described above, Tier Two supplements the basic funding of Tier One and provides two levels of enrichment with different guaranteed yields (i.e., Golden Pennies and Copper Pennies) depending on the school district's Enrichment Tax Rate. Golden Pennies generate a guaranteed yield equal to the greater of (i) the local revenue per student in WADA per cent of tax effort available to a school district at the ninety-sixth (96th) percentile of wealth per student in WADA, or (ii) 1.6% of the Basic Allotment (or a greater amount as may be provided by appropriation). For the 2019-2020 State fiscal biennium, school districts are guaranteed a yield of at least $98.56 per WADA for each Golden Penny levied. Copper Pennies generate a guaranteed yield per cent per WADA of 0.8% of a school district's Basic Allotment (or a greater amount as may be provided by appropriation). For the 2019-2020 State fiscal biennium, school districts are guaranteed a yield of at least $49.28 per WADA for each Copper Penny levied.

As discussed above, the Foundation School Program also includes facilities funding components consisting of the IFA and the EDA, subject to legislative appropriation each State fiscal biennium. To the extent funded for a biennium, these programs assist school districts in funding facilities by, generally, equalizing a school 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 new IFA awards are available, a school district must apply to the Commissioner in accordance with rules adopted by the TEA before issuing the bonds to be paid with IFA State assistance. The total amount of debt service assistance over a biennium for which a school district may be awarded is limited to the lesser of (1) the actual debt service payments made by the school 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 school 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 86th State Legislature did not appropriate any funds for new IFA awards for the 2020-2021 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") is the lesser of (i) $40 per student in ADA 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 school districts would have been entitled to if the EDA Yield were $35. The yield for the 2019-2020 fiscal year is approximately $[__] per student in ADA. The portion of a school district's local debt service rate that qualifies for EDA assistance is limited to the first twenty-nine cents ($0.29) of debt service tax (or a greater amount for any year provided by appropriation by the State Legislature). In general, a school district's bonds are eligible for EDA assistance if (i) the school district made payments on the bonds during the final fiscal year of the preceding State fiscal biennium, or (ii) the school 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 school district may not receive EDA funding for the principal and interest on a series of otherwise eligible bonds for which the school district receives IFA funding.

A school district may also qualify for a NIFA allotment, which provides assistance to school districts for operational expenses associated with opening new instructional facilities. The 86th State Legislature appropriated funds in the amount of $100,000,000 for each of the 2019-20 and 2020-21 State fiscal years for NIFA allotments.

Local Revenue Level in Excess of Entitlement

In 2019, the 86th State Legislature adopted substantial changes to the local revenue reduction provisions (formerly the wealth transfer provisions) of the Texas Education Code. Whereas the recapture process had previously been based on the proportion of a school district's assessed property value per student in WADA, recapture is now measured by the "local revenue level" (being the M&O tax revenues generated in a school district) in excess of the entitlements appropriated by the State Legislature each fiscal biennium. Therefore, school districts are now guaranteed that recapture will not reduce revenue below their statutory entitlement. The changes to the wealth transfer provisions are expected to reduce the cumulative amount of recapture payments paid by school districts by approximately $3.6 billion during the 2020-2021 State fiscal biennium.

Some school districts in Texas have sufficient property wealth per student in WADA to generate their statutory level of funding through collections of local property taxes alone. Local revenues generated on a school district's Tier One Tax Rate and Copper Pennies in excess of the school district's respective funding entitlements, are subject to the local revenue reduction provisions contained in Chapter 49 of Texas Education Code, as amended ("Chapter 49"). Additionally, local revenues generated on a school district's Golden Pennies – in years in which the amount of State funds appropriated specifically excludes the amount necessary to provide the guaranteed yield for Golden Pennies – in excess of the school district's respective funding entitlement, are subject to the local revenue reduction provisions of Chapter 49. For most school districts subject to Chapter 49, local revenue reduction entails a process known as "recapture", which is paying the portion of the school district's respective local M&O tax revenues collected in excess of the respective guaranteed yields to the State (for redistribution to other school districts) or otherwise expending the respective M&O tax revenues for the benefit of students in school districts that are not subject to Chapter 49 by exercising certain options, described in the subcaption "Wealth Transfer Provisions". Chapter 49 school districts receive their allocable share of funds distributed from the constitutionally-prescribed Available School Fund, but are generally not eligible to receive State aid under the Foundation School Program, although they may continue to receive State funds for certain competitive grants and certain programs that remain outside the Foundation School Program.

Tax Rate and Funding Equity

The Texas Commissioner of Education (the "Commissioner") may adjust a school district's funding entitlement if the funding formulas used to determine the school district's entitlement result in an unanticipated loss or gain for a school district. Any such adjustment requires preliminary approval from the Legislative Budget Board and the office of the Governor, and such adjustments may only be made through the 2020-2021 school year.

Additionally, the Commissioner may proportionally reduce the amount of funding a school district receives under the Foundation School Program and the ADA calculation if the school district operates on a calendar that provides less than the State-mandated minimum instruction time in a school year. The Commissioner may also adjust a school district's ADA as it relates to State funding where disaster, flood, extreme weather or other calamity has a significant effect on a school district's attendance.

Furthermore, "property-poor" school districts which received additional State funds under the State funding regime prior to legislation enacted in the 86th State Legislature are entitled to an equalized wealth transition grant on an annual basis through the 2023-2024 school year in an amount equal to the amount of additional revenue such school district would have received under former Texas Education Code Sections 41.002(e) through (g), as those sections existed on January 1, 2019. This grant is phased out through the 2023-2024 school year as follows: (1) 20% reduction for the 2020-2021 school year, (2) 40% reduction for the 2021-2022 school year, (3) 60% reduction for the 2022-2023 school year, and (4) 80% reduction for the 2023-2024 school year.

Wealth Transfer Options

Under Chapter 49, a school district has six options to reduce its local revenue level so that it does not exceed the equalized wealth level: (1) a school district may consolidate by agreement with one or more school districts to form a consolidated district; all property and debt of the consolidating school districts vest in the consolidated district; (2) a school district may detach property from its territory for annexation by a property-poor school district; (3) a school district may purchase attendance credits from the State; (4) a school district may contract to educate nonresident students from a property-poor school district by sending money directly to one or more property-poor school districts; (5) a school district may execute an agreement to provide students of one or more other school districts with career and technology education through a program designated as an area program for career and technology education; or (6) a school district may consolidate by agreement with one or more school 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 49 school district may also exercise any combination of these remedies. Options (3), (4) and (5) require prior approval by the Chapter 49 school district's voters.

Furthermore, a school district may not adopt a tax rate until its effective local revenue level is at or below the level that would produce its guaranteed entitlement under the Foundation School Program. If a school district fails to exercise a permitted option, the Commissioner must reduce the school district's local revenue level to the level that would produce the school district's guaranteed entitlement, by detaching certain types of property from the school district and annexing the property to a property-poor district or, if necessary, consolidate the school 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 school district's existing debt.

Possible Effects of Wealth Transfer Provisions on the District's Financial Condition

The District's wealth per student for the 2018-19 school year is less than the equalized wealth value. Accordingly, the District has not been required to exercise one of the permitted wealth equalization options. As a district with wealth per student less than the equalized wealth value, the District may benefit in the future by agreeing to accept taxable property or funding assistance from or agreeing to consolidate with a property-rich district to enable such district to reduce its wealth per student to the permitted level.

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

BOND INSURANCE

The District has made an application for an insurance policy insuring the timely payment of the principal of and interest on the Notes with a municipal bond insurance company. If the District obtains a commitment from a bond insurance company (the "Insurer") to provide a municipal bond insurance policy relating to the Notes (the "Policy"), the final Official Statement shall disclose relevant information relating to the Insurer and the Policy.

BOND INSURANCE GENERAL RISKS

General

The District has yet to determine whether any insurance will be purchased with respect to the Notes. If an insurance policy is purchased, the following are risk factors relating to bond insurance.

In the event of default of the payment of principal or interest with respect to the Notes when all or some becomes due, any owner of the Notes shall have a claim under the applicable Policy for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy will not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Notes by the District which is recovered by the District from the note owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the Insurer at such time and in such amounts as would have been due absent such prepayment by the District unless the Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Insurer without appropriate consent. The Insurer may reserve the right to direct and to consent to any remedies available to the holders of the Notes and the Insurer's consent may be required in connection with amendments to the Resolution.

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Notes are payable solely from the moneys received by the Paying Agent/Registrar pursuant to the Resolution. In the event the Insurer becomes obligated to make payments with respect to the Notes, no assurance is given that such event will not adversely affect the market price of the Notes or the marketability (liquidity) for the Notes.

The long-term ratings on the Notes are dependent in part on the financial strength of the Insurer and its claim paying ability. The Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Insurer and of the ratings on the Notes insured by the Insurer will not be subject to downgrade and such event could adversely affect the market price of the Notes or the marketability (liquidity) for the Notes. See "BOND INSURANCE" herein.

The obligations of the Insurer are general obligations of the Insurer and in an event of default by the Insurer, the remedies available to the Paying Agent/Registrar may be limited by applicable bankruptcy law or other similar laws related to insolvency.

Neither the District nor the Purchasers have made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay the principal of and interest on the Notes and the claims paying ability of the Insurer, particularly over the life of the investment. See "BOND INSURANCE" herein for further information provided by the Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Insurer.

Claims-Paying Ability and Financial Strength of Municipal Bond Insurers

Moody's Investor Services, S&P (defined herein) and Fitch Ratings, Inc. (collectively, the "Rating Agencies") have, since 2008, downgraded the claims-paying ability and financial strength of providers of municipal bond insurance on multiple occasions. Additional downgrades or negative change in the rating outlook for these bond insurers is possible. In addition, recent events in the credit markets have had substantial negative effect on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims paying ability of such bond insurers, including the Insurer of the Notes. Thus, when making an investment decision, potential investors should carefully consider the ability of the Insurer to pay principal and interest on the Notes and the claims paying ability of the Insurer, particularly over the life of the investment.

TAX RATE LIMITATIONS

A school district is authorized to levy 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 school district cannot exceed the voted maximum rate or the maximum rate established by law. 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 March 6, 1971 under Chapter 20, Texas Education Code (now codified at Section 45.003, Texas Education Code).

HB3 established the following maximum M&O tax rate per $100 of taxable value that may be adopted by independent school districts, such as the District, for the 2019 and subsequent tax years:

> For the 2019 tax year, the maximum M&O tax rate per $100 of taxable value that may be adopted by a school district is the sum of $0.17 and the product of the State Compression Percentage multiplied by $1.00. For the 2019 tax year, the state compression percentage has been set at 93%.
>
> For the 2020 and subsequent tax years, the maximum maintenance tax rate per $100 of taxable value that may be adopted by an independent school district is the sum of $0.17 and the school district's MCR. The District's MCR is, generally, inversely proportional to the change in taxable property values both within the District and the State, and is subject to recalculation annually. For any year, highest possible MCR for an independent school district is $0.93.

Furthermore, a school district cannot annually increase its tax rate in excess of the school district's Voter-Approval Tax Rate without submitting such tax rate to an election and a majority of the voters voting at such election approving the adopted rate. See "AD VALOREM TAX PROCEDURES – Public Hearing and Voter-Approval Tax Rate" herein.

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

Section 45.0031, as amended, Texas Education Code ("Section 45.0031"), requires a school 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 school district may take into account EDA and IFA allotments to the school district, which effectively reduces the school district's local share of debt service, and may also take into account Tier One funds allotted to the school district. If a school district exercises this option, it may not adopt an I&S tax until it has credited to the school district's I&S fund an amount equal to all State allotments provided solely for payment of debt service and any Tier One funds needed to demonstrate compliance with the threshold tax rate test and which is received or to be received in that year. Additionally, a school 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 school 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 school 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 school 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. Once the prospective ability to pay such tax has been shown and the bonds are issued, a school 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 that are subject to the tax rate test. The Notes are payable from the District's M&O tax rate, and, therefore, are not subject to the $0.50 threshold tax rate test and taxes levied to pay debt service on the Notes are not included in the calculation of the $0.50 tax rate test for subsequent bond issues that are subject to the tax rate test.

DEBT LIMITATIONS

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

EMPLOYEE BENEFIT PLANS AND OTHER POST-EMPLOYMENT 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. Aside from the District's contribution to TRS, the District has no pension fund expenditures or liabilities. For fiscal year ended June 30, 2018, the District made a contribution to TRS on a portion of their employee's salaries that exceeded the statutory minimum. For a discussion of the TRS retirement plan, see "Note 10 – Defined Benefit Pension Plan" to the audited financial statements of the District that are attached hereto as Appendix D (the "Financial Statements").

In addition to its participation in the TRS, the District contributes to the Texas Public School Retired Employees Group Insurance Program (the "TRS-Care Retired Plan"), a cost-sharing multiple-employer defined benefit post-employment health care plan. The TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the TRS. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. For more detailed information concerning the District's funding policy and contributions in connection with the TRS-Care Retired Plan, see "Note 11 – Defined Other Post-Employment Benefit Plans" to the Financial Statements.

As a result of its participation in the Plan and the TRS-Care Retired Plan and having no other post-retirement benefit plans, the District has no obligations for other post-employment benefits within the meaning of Governmental Accounting Standards Board Statement 45.

During the year ended June 30, 2018, employees of the District were covered by a fully-insured health insurance plan (the "Health Care Plan"). The District contributed between $250 and $265 per month per employee to the Health Care Plan. Employees, at their option, authorize payroll withholdings to pay premiums for dependents. See "Note 14 – Health Care" of the Financial Statements.

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

RATING

In connection with the sale of the Notes, the District has made application to Moody's Investors Service, Inc. ("Moody's") for a municipal bond rating. The District's current unenhanced, underlying rating is "A1" by Moody's. In addition, the District has made an application for an insurance policy insuring the timely payment of the principal of and interest on the Notes. The purchase of such insurance, if available and the payment of all associated costs will be at the option and expense of the initial Purchaser.

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

The above rating is not a recommendation to buy, sell or hold the Notes, and such rating may be subject to revision or withdrawal at any time by Moody's. Any downward revision or withdrawal of the rating may have an adverse effect on the market price of the Notes.

LEGAL MATTERS

The delivery of the Notes is subject to the approval of the Attorney General of Texas, who will deliver its opinion, to the effect that the Notes are valid and legally binding obligations of the District payable from the proceeds of a limited annual ad valorem tax levied, upon all taxable property in the District, within the limits prescribed by law, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, which will deliver its opinion to the effect that the Notes are valid and legally binding obligations of the District and, subject to the qualifications set forth herein under "TAX MATTERS," the interest on the Notes is excludable from the gross income of the owners thereof for federal income tax purposes under existing statutes, published rulings, regulations, and court decisions. The form of Bond Counsel's opinion is attached hereto as Appendix C. The legal fee to be paid to Bond Counsel is contingent upon the sale and delivery of the Notes.

Bond Counsel represents the Financial Advisor and purchasers of school district Notes from time to time in matters unrelated to the issuance of the Notes, but Bond Counsel has been engaged by and only represents the District in connection with the issuance of Bond Counsel was not requested to participate, and 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 reviewed the information describing the Notes in the Official Statement to verify that such description conforms to the provisions of the Resolution. The legal opinion will be printed on, or will accompany the definitive Notes. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Notes, or which would affect the provisions made for their payment or security, or in any manner questioning the validity of said Notes will also be furnished.

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

TAX MATTERS

Opinion

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

In rendering its opinion, Bond Counsel to the District will rely upon (a) the District's federal tax certificate, and (b) covenants of the District with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Notes and certain other matters. Failure of the District to comply with these representations or covenants could cause the interest on the Notes to become includable in gross income retroactively to the date of issuance of the Notes.

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

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

A ruling was not sought from the Internal Revenue Service by the District with respect to the Notes or the property financed or refinanced with proceeds of the Notes. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Notes, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

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

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

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

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

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

Collateral Federal Income Tax Consequences

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

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

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE NOTES.

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

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

Future and Proposed Legislation

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

State, Local and Foreign Taxes

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

Qualified Tax-Exempt Obligations

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer<s taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on-behalf of" and "subordinate" issuers) who issues no more than $10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" described in section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by section 265(b) of the Code, section 291 of the Code provides that the allowable deduction to a "bank," as defined in section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty-percent (20%) as a "financial institution preference item."

The District expects that the Notes will be designated as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the District will covenant to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Notes as "qualified tax-exempt obligations." **Potential purchasers should be aware that if the issue price to the public exceeds $10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of $10,000,000 is disregarded; however the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the $10,000,000 limitation and the Notes would not be "qualified tax-exempt obligations."**

INVESTMENT POLICIES

Investments

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

Legal Investments

Available District funds are invested as authorized by State law and in accordance with investment policies approved by the Board of Trustees. Both State law and the District's investment policies are subject to change. Under State law, the District is authorized to invest in: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the “FDIC”) or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund (the “NCUSIF”) or their respective successors; (8) interest-bearing banking deposits, other than those described in clause (7), that (i) are invested through a broker or institution with a main office or branch office in this state and selected by the District in compliance with the PFIA, (ii) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the District's account, (iii) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States, and (iv) the District appoints as its custodian of the banking deposits, in compliance with the PFIA, the institution in clause (8)(i) above, a bank, or a broker-dealer; (9) certificates of deposit and share certificates meeting the requirements of the PFIA (i) that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8), above, or secured in accordance with Chapter 2257, Texas Government Code, or in any other manner and amount provided by law for District deposits, or (ii) where (a) the funds are invested by the District through a broker or institution that has a main office or branch office in the State and selected by the District in compliance with the PFIA, (b) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the account of the District, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (d) the District appoints, in compliance with the PFIA, the institution in clause (9)(ii)(a) above, a bank, or broker-dealer as custodian for the District with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described by clause (1) which are pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party selected and approved by the District, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with a stated maturity of 270 days or less, if the short-term obligations of the accepting bank, or of the holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or an equivalent by either (i) two nationally recognized credit rating agencies, or (ii) one nationally recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission and complies with Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are registered and regulated by the Securities and Exchange Commission that have a weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations approved in this paragraph, or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset backed securities; (15) guaranteed investment contracts that have a defined termination date and are secured by obligations described in clause (1), excluding obligations which the District is explicitly prohibited from investing in, and in an amount at least equal to the amount of bond proceeds invested under such contract; and (16) securities lending programs if (i) the securities loaned under the program are 100% collateralized, including accrued income, (ii) a loan made under the program allows for termination at any time, (iii) a loan made under the program is either secured by (a) obligations described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent, or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (12) through (14) above, or an authorized investment pool, (iv) the terms of a loan made under the program require that the securities being held as collateral be pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party designated by the District, (v) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State, and (vi) the agreement to lend securities has a term of one year or less.

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

The District is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Under State law, the District may 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 of 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 has not contracted with, and has no present intention of contracting with, any such investment management firm or the State Securities Board to provide such services.

Investment Policies

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

State law also requires that 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.

Additional Provisions

Under State 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; (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.

Current Investments

As of May 31, 2019 , the District had approximately $9,570 (unaudited) invested in TexStar, $3,818 (unaudited) invested in TexPool, and $19,373,390 (unaudited) invested in First Public (all of which are government investment pools that generally have the characteristics of a money-market mutual fund). The market value of such investments (as determined by the District by reference to published quotations, dealer bids, and comparable information) is approximately 100% of the book value. No funds of the District are invested in derivative securities; i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

REGISTRATION AND QUALIFICATION OF NOTES FOR SALE

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

FINANCIAL ADVISOR

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

The Financial Advisor has provided the following sentence for inclusion in this 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.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Securities Procedures Act (Chapter 1201, Texas Government Code) provides that the Notes are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Notes by municipalities or other political subdivisions or public agencies of the State, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Notes be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "RATING" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Notes are legal investments for state banks, savings banks, trust companies with at least $1 million of capital, and savings and loan associations. The Notes 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 Notes for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Notes for such purposes. The District has made no review of laws in other states to determine whether the Notes are legal investments for various institutions in those states.

CONTINUING DISCLOSURE OF INFORMATION

In the Resolution, the District has made the following agreement for the benefit of the holders and Beneficial Owners of the Notes. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Notes. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board ("MSRB"). The information provided to the MSRB will be available to the public free of charge via the MSRB's Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

Annual Reports

The District will provide certain updated financial information and operating data annually to the MSRB. The information to be updated includes financial information and operating data with respect to the District of the general type included in this Official Statement in Appendix A (such information being the "Annual Operating Report"). The District will additionally provide financial statements of the District (the "Financial Statements"), that will be (i) prepared in accordance with the accounting principles described in Appendix D or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation and shall be in substantially the form included in Appendix D and (ii) audited, if the District commissions an audit of such Financial Statements and the audit is completed within the period during which they must be provided. The District will update and provide the Annual Operating Report within six months after the end of each fiscal year and the Financial Statements within 12 months of the end of each fiscal year, in each case beginning with the fiscal year ending in and after 2019. The District may provide the Financial Statements earlier, including at the time it provides its Annual Operating Report, but if the audit of such Financial Statements is not complete within 12 months after any such fiscal year end, then the District shall file unaudited Financial Statements within such 12-month period and audited Financial Statements for the applicable fiscal year, when and if the audit report on such Financial Statements becomes available.

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

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

Notice of Certain Events

The District will also provide notice of any of the following events with respect to the Notes to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes; (7) modifications to rights of holders of the Notes, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Notes, 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 trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties. In addition, the District will provide timely notice of any failure by the District to provide annual financial information in accordance with their agreement described above under "Annual Reports". Neither the Notes nor the Resolution make any provision for a bond trustee, debt service reserves, credit enhancement (except for the Permanent School Fund guarantee), or liquidity enhancement. The District will provide each notice described in this paragraph to the MSRB.

For these purposes, any event described in clause (12) of in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District. For the purposes of the above described event notices (15) and (16), the term "financial obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) a guarantee of (i) or (ii); provided however, that a "financial obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

Limitations and Amendments

The District has agreed to update information and to provide notices of certain events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that has been provided except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Notes 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 Notes may seek a writ of mandamus to compel the District to comply with its agreement.

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

Compliance with Prior Undertakings

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

LITIGATION

In the opinion of District officials, except as may be described in this Official Statement, the District is not a party to any litigation or other proceeding pending or to their knowledge threatened, in any court, agency or other administrative body (either state or federal) which, if decided adversely to the District, would have a material adverse effect on the financial condition of the District. See "NO LITIGATION AND OFFICIAL STATEMENT CERTIFICATION".

FORWARD-LOOKING STATEMENTS

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

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among 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 would prove to be accurate.

WINNING BIDDER

On July 22, 2019, the Notes were awarded to an investment bank or group of investment banks managed by __________________ (the "Purchaser"). The initial reoffering yields for the Notes were supplied to the District by the Purchaser. The initial reoffering yields shown on page ii hereof will produce compensation to the Purchaser of approximately $_________.

NO LITIGATION AND OFFICIAL STATEMENT CERTIFICATION

At the time of payment for and delivery of the Initial Notes, the Purchaser will be furnished a certificate, executed by proper officials of the District, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the District contained in its Official Statement, and any addenda, supplement or amendment thereto, for the Notes, on the date of such Official Statement, on the date of sale of said Notes and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the District and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements including financial data, of or pertaining to entities, other than the District, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the District believes to be reliable and the District has no reason to believe that they are untrue in any material respect; (d) except as may be otherwise described in the Official Statement, there has been no material adverse change in the financial condition of the District, since June 30, 2018, the date of the last financial statements of the District appearing in the Official Statement; and (e) no litigation of any nature has been filed or is pending, as of the date hereof, to restrain or enjoin the issuance or delivery of the Notes or which would affect the provisions made for their payment or security or in any manner question the validity of the Notes.

CONCLUDING STATEMENT

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

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

The Resolution will approve the form and content of this Official Statement and any addenda, supplement or amendment thereto and will authorize its further use in the re-offering of the Notes by the Purchaser.

/s/

President, Board of Trustees

ATTEST:

/s/

Secretary, Board of Trustees

APPENDIX A

FINANCIAL INFORMATION OF THE DISTRICT

RED OAK INDEPENDENT SCHOOL DISTRICT

Financial Information

ASSESSED VALUATION [(1)]

2018/19 Total Valuation……		$ 2,415,820,444
Less Exemptions & Deductions [(2)]:		
State Homestead Exemption	$ 164,211,210	
State Over-65 Exemption	21,714,372	
Disabled Homestead Exemption Loss	28,661,105	
Veterans Exemption Loss	2,528,780	
Surviving Spouse 100% Disabled	267,941	
Freeport Exemption	119,851,647	
Solar/Wind Exemption	120,013	
Disabled Veteran Donated Residence Homestead Exemption	230,952	
Productivity Loss	100,547,056	
Homestead Cap Loss	56,543,561	
	$ 494,676,637	
2018/19 Net Taxable Valuation ……		$ 1,921,143,807
2019/20 Preliminary Net Taxable Valuation [(3)] ……		$ 2,231,732,214

(1) Source: Comptroller of Public Accounts - Property Tax Division. The passage of a Texas constitutional amendment on November 3, 2015 increased the homestead exemption from $15,000 to $25,000. The tax roll figures used represent the tax roll on which the District levies to fund the interest and sinking fund of the District for the payment of debt service on its unlimited tax-supported bonds (the "I&S" tax).
(2) Excludes the values on which property taxes are frozen for persons 65 years of age or older and disabled taxpayers, which totaled $84,982,143 in 2018/19.
(3) Preliminary values from the Ellis Appraisal District as of April 2019. Appraisal districts are required by Texas law to deliver certified tax rolls to taxing entities by July 25th of each year.

OUTSTANDING OBLIGATIONS

Voted Unlimited Tax Bonds Outstanding [(1)]		$ 98,712,624
Non-Voted Outstanding Limited Maintenance Tax Notes Outstanding		-
Plus: The Notes [(2)]		5,650,000
Total Obligations [(1) (2)]		$ 104,362,624
Less: Interest & Sinking Fund Balance (As of June 30, 2018) [(3)]		(5,038,274)
Net Obligations		$ 99,324,350
Ratio of Net G.O. Debt to Net Taxable Valuation [(4)]	5.17%	
2019 Population Estimate	29,474	
Per Capita Net Taxable Valuation	$65,181	
Per Capita Net G.O. Debt	$3,370	

(1) Excludes interest accreted on outstanding capital appreciation bonds.
(2) Preliminary, subject to change.
(3) Source: Red Oak ISD Audited Financial Statement.
(4) The ratio of Net G.O. Debt to Net Taxable Valuation above does not include Maintenance Tax Notes which are payable solely from the limited maintenance and operations tax or other lawfully available funds of the District and does not include the portion of the District's outstanding debt service that is payable from any debt subsidies that may be provided by the State of Texas. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in the Official Statement and "DEBT SERVICE REQUIREMENTS" in this appendix and see "Audited Financial Report Fiscal Year Ended June 30, 2018" in Appendix D for more information relative to the District's outstanding obligations.

PROPERTY TAX RATES AND COLLECTIONS

Fiscal Year	Net Taxable Valuation	Tax Rate	% Collections [(4)] Current [(5)]	Total [(5)]
2006/07	$ 1,015,444,906 [(1)]	$ 1.5100 [(6)]	96.84%	100.15%
2007/08	1,152,484,174 [(1)]	1.3000 [(6)]	95.83%	101.21%
2008/09	1,235,184,108 [(1)]	1.5000	96.48%	100.34%
2009/10	1,215,488,951 [(1)]	1.5400	96.57%	100.20%
2010/11	1,197,724,325 [(1)]	1.5400	97.32%	100.75%
2011/12	1,185,469,843 [(1)]	1.5400	97.83%	100.98%
2012/13	1,191,457,639 [(1)]	1.5400	98.00%	100.10%
2013/14	1,234,419,659 [(1)]	1.5400	98.01%	100.05%
2014/15	1,411,626,025 [(1)]	1.5400	98.57%	100.09%
2015/16	1,463,857,754 [(1) (3)]	1.5400	98.64%	99.83%
2016/17	1,595,173,938 [(1) (3)]	1.5400	98.50%	99.48%
2017/18	1,747,735,129 [(1) (3)]	1.5400	98.58%	100.30%
2018/19	1,921,143,807 [(1) (3)]	1.5400	(In Process of Collection)	
2019/20	2,231,732,214 [(2) (3)]			

(1) Source: Comptroller of Public Accounts - Property Tax Division.
(2) Preliminary Values from the Ellis Appraisal District as of April 2019. Appraisal districts are required by Texas law to deliver certified tax rolls to taxing entities by July 25th of each year.
(3) The passage of a Texas Constitutional Amendment on November 3, 2015 increased the homestead exemption from $15,000 to $25,000.
(4) Source: Red Oak ISD Audited Financial Statements.
(5) Excludes penalties and interest.
(6) The declines in the District's Maintenance & Operation Tax for the 2006/07 and 2007/08 fiscal years are a function of House Bill 1 adopted by the Texas Legislature in May 2006. See "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in the Official Statement.

TAX RATE DISTRIBUTION [(1)]

	2014/15	2015/16	2016/17	2017/18	2018/19
Maintenance & Operations	$1.1700	$1.1700	$1.1700	$1.1700	$1.1700
Debt Service	$0.3700	$0.3700	$0.3700	$0.3700	$0.3700
Total Tax Rate	$1.5400	$1.5400	$1.5400	$1.5400	$1.5400

(1) On October 11, 2008, the District successfully held a tax ratification election at which the voters of the District approved a maintenance and operations tax not to exceed $1.17.

VALUATION AND VOTED GENERAL OBLIGATION DEBT HISTORY

Fiscal Year	Net Taxable Valuation [(1)]	Voted Unlimited Tax Bond Debt Outstanding [(2)]	Ratio Debt to A.V. [(3)]
2006/07	$ 1,015,444,906	$ 56,277,143	5.54%
2007/08	1,152,484,174	99,832,143	8.66%
2008/09	1,235,184,108	117,996,617	9.55%
2009/10	1,215,488,951	116,432,143	9.58%
2010/11	1,197,724,325	114,497,143	9.56%
2011/12	1,185,469,843	112,132,143	9.46%
2012/13	1,191,457,639	109,977,143	9.23%
2013/14	1,234,419,659	107,667,143	8.72%
2014/15	1,411,626,025	105,771,987	7.49%
2015/16	1,463,857,754	103,447,585	7.07%
2016/17	1,595,173,938	101,126,490	6.34%
2017/18	1,747,735,129	99,502,624	5.69%
2018/19	1,921,143,807	96,710,000	5.03%
2019/20	2,231,732,214 [(4)]	93,725,000	4.20%

(1) Red Oak ISD has a bifurcated tax roll. The figures shown in the table are the tax roll values used for the levy of the District's I&S tax.
(2) The Bonds are illustrated on the State of Texas fiscal year end of August 31st, although the District's fiscal year ends June 30th. Excludes interest accreted on outstanding capital appreciation bonds.
(3) See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in the Official Statement, "DEBT SERVICE REQUIREMENTS" in this Appendix and see the "Audited Financial Report Fiscal Year Ended June 30, 2018" in Appendix D for more information.
(4) Preliminary values from the Ellis Appraisal District as of April 2019. Appraisal districts are required by Texas law to deliver certified tax rolls to taxing entities by July 25th of each year.

ESTIMATED OVERLAPPING DEBT STATEMENT

Taxing Body	Amount	Percent Overlapping	Amount Overlapping
Ellis County	$ 35,325,000	12.93%	$ 4,567,523
Glenn Heights, City of	15,160,000	29.67%	4,497,972
Ovilla, City of	3,753,279	50.20%	1,884,146
Red Oak, City of	13,558,268	100.00%	13,558,268
Total Overlapping Debt [(1)]			$ 24,507,909
Red Oak Independent School District [(2)]			99,324,350
Total Direct & Overlapping Debt			$ 123,832,259

Ratio of Net Direct & Overlapping Debt to Net Taxable Valuation	6.45%
Per Capita Direct & Overlapping Debt	$4,201

(1) Equals gross debt less self-supporting debt.
(2) Excludes interest accreted on capital appreciation bonds. Includes the Notes. Preliminary, subject to change.

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

PRINCIPAL TAXPAYERS [1] [2]

2018/19 Top Ten Taxpayers

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
Triumph Aerostructures LLC Voight	Aircraft Manufacturing	$ 112,509,813	5.86%
Red Oak Town Village LP	Commercial	29,250,000	1.52%
Oncor Electric Delivery Co.	Electric Utility	11,988,770	0.62%
Wal Mart Real Estate	Real Estate	11,376,850	0.59%
First Texas Homes Inc.	Home Builder	6,477,570	0.34%
Red Oak Depot 1 Ltd	Commercial	6,304,660	0.33%
Wal Mart Real Estate	Real Estate	5,704,710	0.30%
Fardis Investments	Hotels & Motels	5,651,490	0.29%
Rose Sierra Grande LP	Commercial	5,597,830	0.29%
Red Oak 72 LLC	Commercial Land	4,716,900	0.25%
		$ 199,578,593	10.39%

2017/18 Top Ten Taxpayers

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
Triumph Aerostructures LLC Voight	Aircraft Manufacturing	$ 123,524,577	7.07%
Red Oak Town Village LP	Commercial	29,250,000	1.67%
Wal Mart Real Estate	Real Estate	11,563,480	0.66%
Oncor Electric Delivery Co.	Electric Utility	10,207,770	0.58%
Wal Mart Stores Texas LP	Retail	7,011,630	0.40%
Red Oak Depot 1 Ltd	Commercial	6,304,660	0.36%
Fardis Investments	Hotels & Motels	5,435,440	0.31%
Rose Sierra Grande LP	Commercial	5,380,240	0.31%
Rose-Living Oaks LP	Real Estate	4,385,680	0.25%
Blackstone Developers LLC	Commercial Leasing Services	3,864,300	0.22%
		$ 206,927,777	11.84%

2016/17 Top Ten Taxpayers

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
Triumph Aerostructures LLC Voight	Aircraft Manufacturing	$ 117,840,000	7.39%
Red Oak Town Village LP	Commercial	28,139,220	1.76%
Wal Mart Real Estate	Real Estate	12,635,740	0.79%
Oncor Electric Delivery Co.	Electric Utility	9,740,350	0.61%
Wal Mart Stores Texas LP	Retail	7,412,490	0.46%
Red Oak Depot 1 Ltd	Commercial	6,304,660	0.40%
Fardis Investments	Hotels & Motels	5,282,670	0.33%
Rose Sierra Grande LP	Commercial	5,250,000	0.33%
Rose-Living Oaks LP	Real Estate	4,230,000	0.27%
Blackstone Developers LLC	Commercial Leasing Services	3,864,300	0.24%
		$ 200,699,430	12.58%

(1) As shown in the table above, the top ten taxpayers in the District account for in excess of 10% of the District's tax base. Adverse developments in economic conditions, especially in a particular industry in which any one of these large taxpayers participates, could adversely impact these businesses and, consequently, the tax values in the District, resulting in less local tax revenue. If any major taxpayer, or a combination of top taxpayers, were to default in the payment of taxes, the ability of the District to make timely payment of debt service on the Notes may be dependent on its ability to enforce and liquidate its tax lien, which is a time consuming process that may only occur annually. See "REGISTERED OWNERS' REMEDIES" and "AD VALOREM TAX PROCEDURES- District's Rights in the Event of Tax Delinquencies" in this Official Statement. In addition, the District's taxable value attributable to Triumph Aerostructures, LLC is limited pursuant to an agreement entered into by the District under Chapter 313, as amended, Texas Tax Code (see "THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT" in this Official Statement). Pursuant to the agreement, the District's taxable value includes only up to $80 million for Maintenance and Operations tax purposes through the 2021 tax year, after which there is no limitation on tax value for this purpose. This limitation applies only to the Maintenance and Operations taxable property value, and the taxable value for purposes of the District's debt service tax levy remains as shown above.
(2) Source: Comptroller of Public Accounts - Property Tax Division.

CLASSIFICATION OF ASSESSED VALUATION BY USE CATEGORY [(1)]

Category	2018/19	% of Total	2017/18	% of Total	2016/17	% of Total
Real, Residential, Single-Family	$ 1,666,726,408	68.99%	$ 1,461,385,073	69.12%	$ 1,299,041,598	67.28%
Real, Residential, Multi-Family	60,430,760	2.50%	58,403,891	2.76%	53,875,600	2.79%
Real, Vacant Lots/Tracts	23,406,596	0.97%	25,059,045	1.19%	25,647,175	1.33%
Real, Acreage	104,022,052	4.31%	83,843,814	3.97%	80,131,749	4.15%
Real, Farm & Ranch Improvements	58,647,758	2.43%	48,363,451	2.29%	42,602,325	2.21%
Real, Commercial & Industrial	271,242,728	11.23%	271,097,034	12.82%	275,035,123	14.25%
Oil & Gas	-	0.00%	-	0.00%	-	0.00%
Utilities	27,086,810	1.12%	23,156,170	1.10%	21,252,480	1.10%
Tangible Personal, Commercial	38,133,136	1.58%	37,775,801	1.79%	37,598,375	1.95%
Tangible Personal, Industrial	132,812,020	5.50%	84,095,150	3.98%	70,980,420	3.68%
Tangible Personal, Mobile Homes & Other	5,681,170	0.24%	6,068,190	0.29%	5,987,560	0.31%
Tangible Personal, Residential Inventory	27,472,376	1.14%	14,935,298	0.71%	18,371,690	0.95%
Tangible Personal, Special Inventory	158,630	0.01%	97,450	0.00%	190,590	0.01%
Total Appraised Value	$ 2,415,820,444	100.00%	$ 2,114,280,367	100.00%	$ 1,930,714,685	100.00%
Less:						
Homestead Cap Adjustment	$ 56,543,561		$ 20,062,104		$ 10,448,893	
Productivity Loss	100,547,056		80,545,853		76,736,315	
Exemptions	337,586,020 [(2)]		265,937,281 [(2)]		248,355,539 [(2)]	
Total Exemptions/Deductions [(3)]	$ 494,676,637		$ 366,545,238		$ 335,540,747	
Net Taxable Assessed Valuation	$ 1,921,143,807		$ 1,747,735,129		$ 1,595,173,938	

Category	2015/16	% of Total	2014/15	% of Total	2013/14	% of Total
Real, Residential, Single-Family	$ 1,169,101,944	66.05%	$ 1,100,807,340	68.15%	$ 1,050,449,384	73.43%
Real, Residential, Multi-Family	52,145,730	2.95%	45,160,420	2.80%	43,763,150	3.06%
Real, Vacant Lots/Tracts	25,917,542	1.46%	27,469,692	1.70%	28,302,280	1.98%
Real, Acreage	77,522,710	4.38%	77,263,632	4.78%	75,651,122	5.29%
Real, Farm & Ranch Improvements	40,598,010	2.29%	37,135,377	2.30%	32,245,154	2.25%
Real, Commercial & Industrial	258,974,414	14.63%	237,700,595	14.72%	123,165,443	8.61%
Oil & Gas	-	0.00%	-	0.00%	-	0.00%
Utilities	21,193,240	1.20%	20,619,060	1.28%	19,804,220	1.38%
Tangible Personal, Commercial	37,651,302	2.13%	39,553,934	2.45%	35,629,233	2.49%
Tangible Personal, Industrial	67,675,790	3.82%	9,978,240	0.62%	3,332,250	0.23%
Tangible Personal, Mobile Homes & Other	6,152,200	0.35%	6,486,910	0.40%	6,468,450	0.45%
Tangible Personal, Residential Inventory	13,014,270	0.74%	12,849,500	0.80%	11,483,894	0.80%
Tangible Personal, Special Inventory	188,990	0.01%	146,390	0.01%	186,960	0.01%
Total Appraised Value	$ 1,770,136,142	100.00%	$ 1,615,171,090	100.00%	$ 1,430,481,540	100.00%
Less:						
Homestead Cap Adjustment	$ 1,595,653		$ 2,623,988		$ 592,557	
Productivity Loss	74,118,740		74,046,051		73,295,130	
Exemptions	230,563,995 [(2)]		126,875,026		122,174,194	
Total Exemptions/Deductions [(3)]	$ 306,278,388		$ 203,545,065		$ 196,061,881	
Net Taxable Assessed Valuation	$ 1,463,857,754		$ 1,411,626,025		$ 1,234,419,659	

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

MAINTENANCE TAX NOTE PRINCIPAL REPAYMENT SCHEDULE [1]

Fiscal Year Ending 8/31	Outstanding Maintenance Tax Obligations	Plus: The Notes [2]	Total [2]	Principal Unpaid At Year End	Percent of Principal Retired
2019	$ -	$ -	$ -	$ 5,650,000.00	0.00%
2020		385,000.00	385,000.00	5,265,000.00	6.81%
2021		310,000.00	310,000.00	4,955,000.00	12.30%
2022		320,000.00	320,000.00	4,635,000.00	17.96%
2023		325,000.00	325,000.00	4,310,000.00	23.72%
2024		335,000.00	335,000.00	3,975,000.00	29.65%
2025		345,000.00	345,000.00	3,630,000.00	35.75%
2026		355,000.00	355,000.00	3,275,000.00	42.04%
2027		370,000.00	370,000.00	2,905,000.00	48.58%
2028		380,000.00	380,000.00	2,525,000.00	55.31%
2029		390,000.00	390,000.00	2,135,000.00	62.21%
2030		400,000.00	400,000.00	1,735,000.00	69.29%
2031		415,000.00	415,000.00	1,320,000.00	76.64%
2032		425,000.00	425,000.00	895,000.00	84.16%
2033		440,000.00	440,000.00	455,000.00	91.95%
2034		455,000.00	455,000.00	-	100.00%
Total	$ -	$ 5,650,000.00	$ 5,650,000.00		

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

(2) Preliminary, subject to change.

MAINTENANCE TAX NOTE DEBT SERVICE REQUIREMENTS [1]

Fiscal Year Ending 8/31	Outstanding Maintenance Tax Debt Service	The Notes [2] [3]			Combined Total [2] [3]
		Principal	Interest	Total	
2019	$ -	$ -	$ -	$ -	$ -
2020		385,000.00	82,395.83	467,395.83	467,395.83
2021		310,000.00	157,950.00	467,950.00	467,950.00
2022		320,000.00	148,650.00	468,650.00	468,650.00
2023		325,000.00	139,050.00	464,050.00	464,050.00
2024		335,000.00	129,300.00	464,300.00	464,300.00
2025		345,000.00	119,250.00	464,250.00	464,250.00
2026		355,000.00	108,900.00	463,900.00	463,900.00
2027		370,000.00	98,250.00	468,250.00	468,250.00
2028		380,000.00	87,150.00	467,150.00	467,150.00
2029		390,000.00	75,750.00	465,750.00	465,750.00
2030		400,000.00	64,050.00	464,050.00	464,050.00
2031		415,000.00	52,050.00	467,050.00	467,050.00
2032		425,000.00	39,600.00	464,600.00	464,600.00
2033		440,000.00	26,850.00	466,850.00	466,850.00
2034		455,000.00	13,650.00	468,650.00	468,650.00
	$ -	$ 5,650,000.00	$ 1,342,845.83	$ 6,992,845.83	$ 6,992,845.83

(1) The Notes are illustrated on the State of Texas fiscal year end of August 31st, although the District's fiscal year ends June 30th.
(2) Maintenance Tax Notes are payable solely from the limited maintenance and operations tax or other lawfully available funds of the District.
(3) Preliminary, subject to change.

VOTED UNLIMITED TAX BOND PRINCIPAL REPAYMENT & DEBT SERVICE REQUIREMENTS [1]

Fiscal Year Ending 8/31	Outstanding Voted Unlimited Tax Bonds [2] [3] [4] Principal	Interest	Total	Voted Unlimited Tax Bonds Unpaid At Year End	Percent of Principal Retired
2019	$ 2,002,624.00	$ 5,403,438.52	$ 7,406,062.52	$ 96,710,000.00	2.03%
2020	2,985,000.00	4,156,128.76	7,141,128.76	93,725,000.00	5.05%
2021	3,550,000.00	3,568,253.76	7,118,253.76	90,175,000.00	8.65%
2022	3,685,000.00	3,435,278.76	7,120,278.76	86,490,000.00	12.38%
2023	3,830,000.00	3,287,128.76	7,117,128.76	82,660,000.00	16.26%
2024	3,985,000.00	3,135,353.76	7,120,353.76	78,675,000.00	20.30%
2025	4,130,000.00	2,986,572.50	7,116,572.50	74,545,000.00	24.48%
2026	4,285,000.00	2,833,797.50	7,118,797.50	70,260,000.00	28.82%
2027	4,445,000.00	2,674,487.50	7,119,487.50	65,815,000.00	33.33%
2028	4,630,000.00	2,488,762.50	7,118,762.50	61,185,000.00	38.02%
2029	4,825,000.00	2,293,487.50	7,118,487.50	56,360,000.00	42.90%
2030	5,045,000.00	2,075,162.50	7,120,162.50	51,315,000.00	48.02%
2031	5,265,000.00	1,852,150.00	7,117,150.00	46,050,000.00	53.35%
2032	5,500,000.00	1,619,100.00	7,119,100.00	40,550,000.00	58.92%
2033	5,740,000.00	1,375,262.50	7,115,262.50	34,810,000.00	64.74%
2034	5,940,000.00	1,178,612.50	7,118,612.50	28,870,000.00	70.75%
2035	6,140,000.00	975,275.00	7,115,275.00	22,730,000.00	76.97%
2036	6,355,000.00	764,725.00	7,119,725.00	16,375,000.00	83.41%
2037	6,580,000.00	537,275.00	7,117,275.00	9,795,000.00	90.08%
2038	6,845,000.00	272,225.00	7,117,225.00	2,950,000.00	97.01%
2039	2,950,000.00	44,250.00	2,994,250.00	-	100.00%
	$ 98,712,624.00	$ 46,956,727.32	$ 145,669,351.32		

(1) Debt service for the outstanding unlimited tax bonds is illustrated on the State of Texas fiscal year end of August 31st, although the District's fiscal year ends on June 30th.
(2) Includes the accreted value of outstanding capital appreciation bonds. Excludes the Notes, which are not voted unlimited tax bonds.
(3) Includes accrued interest in the amount of $17,733.33 for the Series 2019A Bonds.
(4) Based on its wealth per student, the District expects to receive $1,350,000 of state financial assistance for the payment of debt service for the fiscal year 2019/20. The amount of state financial assistance for debt service, if any, may differ substantially each year depending on a variety of factors, including the amount, if any, appropriated for that purpose by the state legislature and a school district's wealth per student. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in the Official Statement.

TAX ADEQUACY WITH RESPECT TO THE DISTRICT'S VOTED UNLIMITED TAX BONDS

Projected Maximum Debt Service Requirement [1]	$ 7,406,062.52
Projected State Financial Assistance for Hold Harmless of Increased Homestead Exemption [2]	1,350,000.00
Projected Net Debt Service Requirement	$ 6,056,062.52
$0.27690 Tax Rate @ 98% Collections Produces	$ 6,056,062.52
2019/20 Preliminary Net Taxable Valuation [3]	$ 2,231,732,214

(1) Excludes outstanding maintenance tax obligations and the Notes, which are not voted unlimited tax bonds.
(2) The amount of state financial assistance for debt service, if any, may differ substantially each year depending on a variety of factors, including the amount, if any, appropriated for that purpose by the state legislature and a school district's wealth per student. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in the Official Statement.
(3) Preliminary values from the Ellis Appraisal District as of April 2019. Appraisal districts are required by Texas law to deliver certified tax rolls to taxing entities by July 25th of each year.

AUTHORIZED BUT UNISSUED BONDS

The District does not have authorized but unissued unlimited ad valorem tax bonds from any bond election, however, the District may incur other financial obligations payable from its collection of taxes and other sources of revenue, including maintenance tax notes payable from its collection of maintenance taxes, public property finance contractual obligations, delinquent tax notes, and leases for various purposes payable from State appropriations and surplus maintenance taxes.

COMPARATIVE STATEMENT OF GENERAL FUND REVENUES AND EXPENDITURES

	Fiscal Year Ended June 30				
	2014	**2015**	**2016**	**2017**	**2018**
Beginning Fund Balance	**$ 9,351,234**	**$ 9,158,644**	**$ 10,732,215**	**$ 10,149,294**	**$ 10,460,413**
Revenues:					
Local and Intermediate Sources	$ 15,418,411	$ 17,547,841	$ 18,301,662	$ 19,966,880	$ 20,794,599
State Sources	30,136,276	31,494,722	31,187,929	30,651,152	31,612,233
Federal Sources & Other	565,772	1,314,250	951,299	1,047,908	911,746
Total Revenues	**$ 46,120,459**	**$ 50,356,813**	**$ 50,440,890**	**$ 51,665,940**	**$ 53,318,578**
Expenditures:					
Instruction	$ 22,780,709	$ 24,302,467	$ 24,606,118	$ 24,668,642	$ 25,201,062
Instructional Resources & Media Services	632,114	642,702	738,102	673,497	629,792
Curriculum & Instructional Staff Development	468,830	492,188	596,448	561,162	601,213
Instructional Leadership	1,158,277	1,261,079	1,302,416	1,319,917	1,382,373
School Leadership	2,676,908	2,777,448	2,887,101	3,075,153	3,145,374
Guidance, Counseling & Evaluation Services	1,771,779	2,001,965	2,030,626	2,141,449	2,057,800
Social Work Services	-	84,727	89,802	91,887	94,009
Health Services	438,554	488,577	569,391	630,227	619,192
Student (Pupil) Transportation	1,812,246	2,118,118	2,035,800	2,034,638	2,226,847
Cocurricular/Extracurricular Activities	1,150,228	1,294,781	1,406,694	1,513,132	1,637,055
General Administration	2,026,344	2,335,323	2,654,254	2,827,586	2,730,074
Plant Maintenance and Operations	5,838,697	5,914,232	6,592,889	7,098,976	6,232,754
Security and Monitoring Services	1,064,164	1,016,818	1,123,494	1,097,800	1,306,458
Data Processing Services	1,267,269	1,334,322	1,983,941	2,450,601	1,380,408
Community Services	977,450	1,148,413	1,312,391	1,484,674	1,418,177
Debt Service - Principal on Long Term Debt	675,278	2,190,494	703,723	1,567,485	403,167
Debt Service - Interest on Long Term Debt	140,592	114,485	89,382	61,409	43,982
Facilities Acquisition and Construction	1,278,365	591,321	8,750,627	242,762	13,020
Other Intergovernmental Charges	155,245	174,297	177,794	229,358	154,974
Total Expenditures	**$ 46,313,049**	**$ 50,283,757**	**$ 59,650,993**	**$ 53,770,355**	**$ 51,277,731**
Excess (Deficiency) of Revenues over Expenditures	$ (192,590)	$ 73,056	$ (9,210,103)	$ (2,104,415)	$ 2,040,847
Other Resources and (Uses):					
Non-Current Loans	$ -	$ 1,500,515	$ -	$ 1,000,185	$ -
Sale of Real and Personal Property	-	-	-	-	119,288
Operating Transfers In	-	-	-	-	-
Operating Transfers Out	-	-	(36,000)	(83,000)	-
Special Item - Resource	-	-	730,995	-	-
Extraordinary Item - (Use)	-	-	-	(3,528,500)	-
Extraordinary Item - Resource	-	-	7,932,187	5,026,849	-
Total Other Resources (Uses)	**$ -**	**$ 1,500,515**	**$ 8,627,182**	**$ 2,415,534**	**$ 119,288**
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	$ (192,590)	$ 1,573,571	$ (582,921)	$ 311,119	$ 2,160,135
Ending Fund Balance	**$ 9,158,644**	**$ 10,732,215**	**$ 10,149,294**	**$ 10,460,413**	**$ 12,620,548**

(1) See "MANAGEMENT'S DISCUSSION AND ANALYSIS - Economic Factors and Next Year's Budgets and Rates" in Appendix D hereto for a discussion of the 2018/19 budget and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - Possible Effects of Wealth Transfer Provisions on the District's Financial Condition" in the Official Statement.

CHANGE IN NET ASSETS (1) (2)

	Fiscal Year Ended June 30				
	2014	2015	2016	2017	2018
Revenues:					
Program Revenues:					
Charges for Services	$ 2,366,002	$ 2,108,416	$ 1,859,636	$ 2,099,271	$ 2,065,912
Operating Grants and Contributions	9,207,461	9,972,978	11,371,381	9,506,487	234,305
General Revenues:					
Property Taxes Levied for General Purposes	14,196,506	16,230,666	16,835,034	17,580,835	19,219,887
Property Taxes Levied for Debt Service	4,486,365	5,130,773	5,322,005	5,557,150	6,077,735
State Aid - Formula Grants	27,846,157	28,779,041	28,348,901	27,866,420	28,629,738
Grants and Contributions Not Restricted	-	-	120,035	-	78,912
Investment Earnings	13,747	14,616	42,221	64,735	181,923
Miscellaneous	924,955	1,046,088	1,117,544	2,327,123	1,393,452
Special Item	-	-	730,995	-	-
Extraordinary Item - Source	-	-	-	5,026,849	-
Extraordinary Item - (Use)	-	-	(1,438,218)	(793,275)	-
Total Revenue	$ 59,041,193	$ 63,282,578	$ 64,309,534	$ 69,235,595	$ 57,881,864
Expenses:					
Instruction	$ 27,185,099	$ 28,397,327	$ 29,825,702	$ 29,739,195	$ 21,656,360
Instruction Resources & Media Services	711,510	718,669	859,050	774,030	520,593
Curriculum & Staff Development	554,648	542,045	657,878	634,169	572,549
Instructional Leadership	1,237,397	1,329,897	1,461,987	1,439,473	1,005,115
School Leadership	3,028,824	3,125,219	3,425,043	3,569,902	2,516,146
Guidance, Counseling & Evaluation Services	2,060,338	2,280,731	2,444,150	2,525,444	1,791,834
Social Work Services	-	84,069	96,718	93,905	71,225
Health Services	471,649	517,262	616,719	682,419	445,983
Student Transportation	1,888,310	2,075,365	2,219,821	2,137,846	1,698,271
Food Service	2,959,077	2,887,527	3,149,884	2,944,250	2,507,894
Cocurricular/Extracurricular Activities	1,481,889	1,676,419	1,834,668	1,902,280	1,733,036
General Administration	2,089,068	2,393,511	2,813,236	2,960,412	2,040,643
Plant Maintenance & Operations	6,245,334	6,256,125	6,551,485	7,575,018	5,448,652
Security and Monitoring Services	1,332,141	1,435,540	1,542,584	1,553,835	1,292,636
Data Processing Services	1,466,835	1,436,685	1,755,697	2,630,144	1,113,781
Community Services	981,898	1,142,883	1,375,236	1,550,599	870,195
Interest on Long-term Debt	5,449,002	4,955,624	4,830,205	5,393,256	4,634,123
Bond Issuance Costs and Fees	2,925	331,076	166,299	815,366	5,000
Capital Outlay	-	-	292,526	242,762	13,020
Enterprise Fund - Out-of-District Food Services	227,860	197,999	-	-	-
Other Intergovernmental Charges	155,245	174,297	177,794	229,358	154,974
Total Expenditures	$ 59,529,049	$ 61,958,270	$ 66,096,682	$ 69,393,663	$ 50,092,030
Change in Net Assets	$ (487,856)	$ 1,324,308	$ (1,787,148)	$ (158,068)	$ 7,789,834
Beginning Net Assets	$ 20,040,799	$ 19,552,943	$ 15,025,341	$ 13,238,193	$ 13,080,125
Prior Period Adjustment	$ -	$ (5,851,910) (2)	$ -	$ -	$ (32,205,286) (3)
Ending Net Assets	$ 19,552,943	$ 15,025,341	$ 13,238,193	$ 13,080,125	$ (11,335,327)

(1) The foregoing information represents government-wide financial information provided in accordance with GASB 34.
(2) The Prior Period Adjustment is the result of a change in the accounting for the District's pension plan from the implementation of GASB 68.
(3) The Prior Period Adjustment has been made to the prior period as a result of implementing GASB Statement 75.

APPENDIX B

GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY

RED OAK INDEPENDENT SCHOOL DISTRICT
General and Economic Information

Red Oak Independent School, located in an agricultural area that includes the City of Red Oak, which is located 20 miles south of Dallas on Interstate 35E and U.S. Highway 77 in Ellis County. Lake Waxahachie provides recreational and boating facilities.

Ellis County was created in 1849 from Navarro County. The county seat is Waxahachie.

Source: Texas Municipal Report for Red Oak ISD.

Enrollment Statistics

Year Ending 6/30	Enrollment
2006	5,042
2007	5,132
2008	5,150
2009	5,296
2010	5,353
2011	5,469
2012	5,469
2013	5,578
2014	5,573
2015	5,629
2016	5,837
2017	5,749
2018	5,810
2019	5,908

District Staff

Teachers	392
Teachers' Aides & Secretaries	134
Auxiliary Personnel	279
Administrators	81
Other	58
Total	944

Facilities

Campus	Grades	Current Enrollment	Capacity	Year Built	Year of Addition/ Renovation
DT Shields Elementary	EE-5	574	600	2009	N/A
Eastridge Elementary	EE-5	448	625	1993	N/A
HA Wooden Elementary	EE-5	585	625	1999	N/A
Red Oak Elementary	EE-5	620	515	2005	N/A
RP Schupmann Elementary	PK-5	391	1,000	2001	N/A
Red Oak Jr High	6-8	1,432	1,075	1976	1986,1993,1996,1997,2002
Red Oak High School	9-12	1,858	1,750	2010	N/A

Principal Employers within the District

Name of Company	Type of Business	Number of Employees
Red Oak ISD	Public Education	944
Triumph Aerostructures	Industrial	600
Walmart	General Retail/Grocery	310
Red Oak Health & Rehab	Healthcare	150
Brookshire's	Grocery Store	120
City of Red Oak	Local Government	98
Life Academy – Oaks Church	Private Education	75

Unemployment Rates

	April 2017	April 2018	April 2019
Ellis County	3.3%	3.1%	2.6%
State of Texas	4.1%	3.7%	3.0%

Source: Texas Workforce Commission.

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

Proposed Form of Opinion of Bond Counsel

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

RED OAK INDEPENDENT SCHOOL DISTRICT
MAINTENANCE TAX NOTES, SERIES 2019
DATED AUGUST 1, 2019,
IN THE AGGREGATE PRINCIPAL AMOUNT OF $_______

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

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, and a transcript of certified proceedings of the Issuer, and other pertinent instruments authorizing and relating to the issuance of the Notes, including one of the executed Notes (Note Number T-1).

BASED ON SAID EXAMINATION, IT IS OUR OPINION that said Notes have been authorized, issued and duly delivered in accordance with law; and that except as may be limited by laws applicable to the Issuer relating to bankruptcy, reorganization and other similar matters affecting creditors' rights generally, by general principles of equity which permit the exercise of judicial discretion and by governmental immunity, the Notes constitute valid and legally binding obligations of the Issuer; and that a continuing ad valorem maintenance tax of the Issuer sufficient to provide for the payment of the interest on and principal of the Notes has been levied and pledged for such purpose, within the limits prescribed by law, as provided in the resolution authorizing the issuance of the Notes.

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

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

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

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

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of a result and are not binding on the Internal Revenue Service (the "Service"). Rather, our opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Notes. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, might result in the treatment of interest on the Notes as includable in gross income for federal income tax purposes.

Respectfully,

APPENDIX D

AUDITED FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2018

RED OAK INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT FOR THE

YEAR ENDED JUNE 30, 2018

RED OAK INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018

TABLE OF CONTENTS

CERTIFICATE OF BOARD

Red Oak Independent School District	Ellis	070-911
Name of School District	County	Co. - Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) ✓ approved _____ disapproved for the year ended June 30, 2018, at a meeting of the Board of Trustees of such school district on the 15th day of October, 2018.

Melanie Petersen
Signature of Board Secretary

John Hawkins
Signature of Board President

Members:
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
TEXAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

HANKINS, EASTUP, DEATON, TONN & SEAY
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

902 NORTH LOCUST
P.O. BOX 977
DENTON, TX 76202-0977
TEL. (940) 387-8563
FAX (940) 383-4746

Independent Auditors' Report

To the Board of Trustees
Red Oak Independent School District
Red Oak, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Red Oak Independent School District (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standard* 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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Red Oak Independent School District as of June 30, 2018, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 11 and 21 to the financial statements, in the current fiscal year, the District adopted new accounting guidance prescribed by GASB Statement No. 75 for its other post-employment benefit (OPEB) plan – a multiple-employer, cost-sharing, defined benefit OPEB plan that has a special funding situation. Because GASB Statement No. 75 implements new measurement criteria and reporting provisions, significant information has been added to the Government-Wide Statements. Exhibit A-1 discloses the District's Net OPEB Liability and deferred resource outflows and deferred resource inflows related to the District's OPEB plan. Exhibit B-1 discloses the adjustment to the District's Beginning Net Positions. Our opinion is not modified with respect to the matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* on pages 5 through 11 and the schedules of Teacher Retirement System pension and OPEB information on pages 54 through 58 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 Red Oak Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements and the required TEA schedules 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 is presented for purposes of additional analysis as required by the Uniform Guidance, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, the required TEA schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the required TEA schedules, and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated October 8, 2018 on our consideration of Red Oak Independent School District's internal control over financial reporting and on our test 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 Red Oak Independent School District's internal control over financial reporting and compliance.

Hankins, Eastup, Deaton, Tonn & Seay

Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas

October 8, 2018

RED OAK INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018
(UNAUDITED)

This section of Red Oak Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2018. Please read it in conjunction with the District's financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- The liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by ($11,335,327) (*deficit net position*).

- The District's total net position increased by $7,789,834 during the current fiscal year from the result of current year operations. However, beginning net position decreased by $32,205,286 due to new standards that required recording of the District's proportionate share of the Teacher Retirement System's net OPEB liability.

- The General Fund reported an ending fund balance of $12,620,548, an increase of $2,160,135 from the prior year.

- The unassigned fund balance in the General Fund as of June 30, 2018 was $12,515,191, which is 24.4% of the total general fund expenditures for the fiscal year.

- The District reported total ending Governmental Funds fund balances of $18,019,313, an increase of $2,959,404. The amount available for spending at the government's discretion is $12,515,191 (69.5%).

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of six parts – *management's discussion and analysis* (this section), the *basic financial statements, required supplementary information,* an optional section that presents *combining statements* for nonmajor governmental funds, a section containing required TEA schedules, and information regarding federal awards.

The basic financial statements include two kinds of statements that present different views of the District. The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's *overall* financial status. 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.* The District had no proprietary funds in the fiscal year ended June 30, 2018.

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 financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data.

Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-1 Required Components of the District's Annual Financial Report

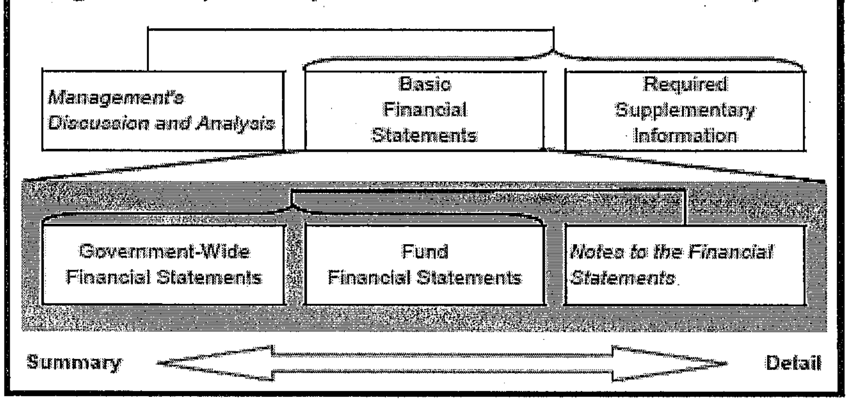

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2 Major Features of the District's Government-wide and Fund Financial Statements

Type of Statements	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District's government (Except fiduciary funds)	The activities of the District that are not propietary or fiduciary	Activities the District operates similar to private businesses: self insurance	Instances in which the District is the trustee or agent for someone else's resources
Required financial statements	*Statement of net position	*Balance Sheet	*Statement of net position	*Statement of fiduciary assets and liabilities
	*Statement of activities	*Statement of revenues, expenditures & changes in fund balances	*Statement of revenues, expenses and changes in fund net position	
			*Statement of cash flows	
Accounting basis and measurement focus	Accrual accounting and economic resource focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilites, both financial and capital and short-term and long-term	All assets and liabilities, both short term and long-term; the District's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the government's assets, deferred inflows of resources, liabilities, and deferred outflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The two government-wide statements report the District's *net position* and how it has changed. Net position, the difference between the District's assets and deferred inflows of resources and the District's liabilities and deferred outflows of resources, is one way to measure the District's financial health or *position.*

Over time, increases or decreases in the District's net position is an indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's tax base. The government-wide financial statements of the District are divided into three categories:

Governmental activities – Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services, and general administration. Property taxes and grants finance most of these activities.

Business-type activities – Account for funds where the District charges fees to customers to help it cover the costs of certain services it provides. The District has no business-type activities.

Component units – These funds would include other entities related to the District. Although legally separate, these – component units would be classified as important because of material relationships with the District. The District has no *component units* for which it is financially accountable.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds* - not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law and by bond covenants. The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants. The District has two kinds of funds:

Governmental funds - Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the relationship (or differences) between them.

Fiduciary funds - The District is the trustee, or *fiduciary,* for certain funds raised by student activities. All of the District's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

Net position of the Districts' governmental activities decreased from $13,080,125 to ($11,335,327). Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was ($21,684,076) at June 30, 2018. The decrease in net position includes a prior period adjustment that decreased net position by $32.2 million. This prior period adjustment was the result of adopting a new GASB standard related to the District's participation in the state-wide retiree health insurance plan. See Table I and Table II for more detail.

Table I

NET POSITION

	Governmental Activities	
	June 30, 2018	June 30, 2017
Current and other assets	$ 23,932,446	$ 21,050,096
Capital assets, net	113,379,994	117,735,599
Total assets	137,312,440	138,785,695
Deferred outflows of resources	11,151,604	10,675,350
Total assets and deferred outflows of resources	148,464,044	149,461,045
Long-term liabilities	141,352,955	126,832,743
Other liabilities	6,727,852	6,666,058
Total liabilities	148,080,807	133,498,801
Deferred inflows of resources	11,718,564	2,882,119
Total liabilities and deferred inflows of resources	159,799,371	136,380,920
Net Position:		
Net investments in capital assets	6,622,498	8,272,154
Restricted	3,726,251	2,932,593
Unrestricted	(21,684,076)	1,875,378
Total Net Position	$ (11,335,327)	$ 13,080,125

Table II

CHANGES IN NET POSITION

	Governmental Activities Year Ended June 30, 2018	Governmental Activities Year Ended June 30, 2017
Revenues:		
Program Revenues:		
Charges for services	$ 2,065,912	$ 2,099,271
Operating grants and contributions	234,305	9,506,487
General Revenues:		
Maintenance and operations taxes	19,219,887	17,580,835
Debt service taxes	6,077,735	5,557,150
State aid - formula grants	28,629,738	27,866,420
Grants and contributions not restricted	78,912	-
Investment earnings	181,923	64,735
Miscellaneous	1,393,452	2,327,123
Total Revenue	57,881,864	65,002,021
Expenses:		
Instruction, curriculum and media services	22,749,502	31,147,394
Instructional and school leadership	3,521,261	5,009,375
Student support services	4,007,313	5,439,614
Food services	2,507,894	2,944,250
Extracurricular activities	1,733,036	1,902,280
General administration	2,040,643	2,960,412
Plant maintenance, security and data processing	7,855,069	11,758,997
Community services	870,195	1,550,599
Debt service	4,639,123	6,208,622
Facilities acquisition, construction	13,020	242,762
Other intergovernmental charges	154,974	229,358
Total Expenses	50,092,030	69,393,663
Extraordinary item - resource (use)	-	4,233,574
Increase (decrease) in net position	7,789,834	(158,068)
Net position at beginning of year	13,080,125	13,238,193
Prior period adjustment	(32,205,286)	-
Net position at end of year	$ (11,335,327)	$ 13,080,125

At the end of the current fiscal year, the District reports a deficit balance in unrestricted net position, while reporting a positive balance in restricted net position and net investment in capital assets. The District's net position decreased by $24,415,452 during the current fiscal year.

The District's total ending net position is $25.8 million lower due to new accounting standards adopted regarding the accounting for OPEB (TRS-Care retiree health insurance program) promulgated by the Governmental Accounting Standards Board.

Changes in Net Position

Some of the factors affecting the change in the District's net position can be identified as follows:

- State funding for the 2017-18 fiscal year increased approximately 2.7% due to an increase in average daily attendance.
- Attendance numbers increased 0.5% from the prior year.
- General Fund expenditures decreased 4.6% primarily due to decreased debt service expenditures and a decrease in technology expenditures. The decrease in debt service expenditures was related to the renewal of a bank loan in fiscal year 2017.
- Local property tax values increased 10.4%. Therefore, tax collections increased accordingly.

The total cost of all governmental activities for the current fiscal year was $50,092,030. Of this, $28,629,738 was provided by the state funding formula. Other governments and organizations contributed $234,305. The amount financed by taxpayers was $25,297,622. The balance of $3,720,199 relates to charges for services, investment earnings and miscellaneous revenues.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Fund Balance

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

The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements.

In particular, *unassigned fund balance* may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of $18.0 million.

Approximately $12.5 million of this total amount constitutes the unassigned fund balance. The remainder of fund balance is *nonspendable* (inventories - $21,319), *restricted* grant restrictions and retirement of long term debt - $5,077,786), *committed* (miscellaneous purposes - $320,979), or *assigned* ($84,038).

General Fund Budgetary Highlights

Over the course of the year, the District recommended and the Board approved several revisions to the budgeted revenues and appropriations. The amendments fall into the following categories:

- Amendments throughout the year for unexpected occurrences.
- Amendments to revise estimates for local tax collections.

After revenues and appropriations were amended as described above, the actual revenues in the General Fund were $0.4 million less than budgeted revenues. Expenditures for the General Fund were $2.4 million less than budgeted amounts. This was primarily due to cost savings achieved across all functions during the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the District had $113,379,994 (net of accumulated depreciation) invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. The amount represents a net decrease of $4,355,605(3.7%) from last year.

Changes to capital assets for the current year included new transportation and other equipment. More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

Debt Administration

The District had $113,085,913 in bonds and loans outstanding (including accreted interest on bonds) as of June 30, 2018. This was a decrease of $3,664,143 over last year. The District's 2009 Bond Series was rated AA+ by Fitch as a result of the purchase of a municipal bond insurance policy. The District's other outstanding bonds are rated AAA by Fitch based upon the guarantee of the Texas Permanent School Fund. Additional information on the District's long-term liabilities can be found in Note 5 to the financial statements.

ECONOMIC FACTORS, NEXT YEAR'S BUDGETS, AND TAX RATES

- The District's certified property values for 2018 increased approximately 11.8%.

- The District's Maintenance and Operations tax rate will remain at $1.17 per $100 valuation. The Debt Service tax rate will remain at $0.37 per $100 valuation.

- Although student enrollment is expected to be higher in 2018-2019, the District anticipates a decrease in state funding because the State reduces financial support as property tax collections increase.

- The adopted 2018-2019 budget has budgeted revenues $792 more than budgeted expenditures.

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 money it receives. If you have questions about this report or need additional financial information, contact the Chief Financial Officer of the District at Red Oak Independent School District, 109 W. Red Oak Road, Red Oak, TX 75154, 972-617-2941.

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BASIC FINANCIAL STATEMENTS

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EXHIBIT A-1

RED OAK INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

Data Control Codes		Primary Government Governmental Activities
	ASSETS	
1110	Cash and Cash Equivalents	$ 13,249,376
1220	Property Taxes Receivable (Delinquent)	736,826
1230	Allowance for Uncollectible Taxes	(36,841)
1240	Due from Other Governments	9,961,766
1300	Inventories	21,319
	Capital Assets:	
1510	Land	4,652,758
1520	Buildings, Net	106,367,641
1530	Furniture and Equipment, Net	2,359,595
1000	Total Assets	137,312,440
	DEFERRED OUTFLOWS OF RESOURCES	
1701	Deferred Charge on Bond Refundings	4,551,282
1703	Deferred Resource Outflows Related to TRS OPEB	251,239
1705	Deferred Resource Outflows Related to TRS Pension	6,349,083
1700	Total Deferred Outflows of Resources	11,151,604
	LIABILITIES	
2110	Accounts Payable	327,824
2140	Accrued Interest Payable	1,514,704
2160	Accrued Wages Payable	4,279,915
2180	Due to Other Governments	210,494
2200	Accrued Expenses	349,809
2300	Unearned Revenue	45,106
	Noncurrent Liabilities	
2501	Due Within One Year	3,635,003
2502	Due in More Than One Year	109,450,910
2540	Net Pension Liability (District's Share)	9,924,734
2545	Net OPEB Liability (District's Share)	18,342,308
2000	Total Liabilities	148,080,807
	DEFERRED INFLOWS OF RESOURCES	
2603	Deferred Resource Inflows Related to TRS OPEB	7,672,622
2605	Deferred Resource Inflows Related to TRS Pension	4,045,942
2600	Total Deferred Inflows of Resources	11,718,564
	NET POSITION	
3200	Net Investment in Capital Assets	6,622,498
3820	Restricted for Federal and State Programs	39,512
3850	Restricted for Debt Service	3,686,739
3900	Unrestricted	(21,684,076)
3000	Total Net Position	$ (11,335,327)

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

RED OAK INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes		1 Expenses	Program Revenues 3 Charges for Services	Program Revenues 4 Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position 6 Primary Gov. Governmental Activities
	Primary Government:				
	GOVERNMENTAL ACTIVITIES:				
11	Instruction	$ 21,656,360	$ 261,844	$ (836,807)	$ (22,231,323)
12	Instructional Resources and Media Services	520,593	44,524	(85,739)	(561,808)
13	Curriculum and Staff Development	572,549	-	26,398	(546,151)
21	Instructional Leadership	1,005,115	-	(196,096)	(1,201,211)
23	School Leadership	2,516,146	137,512	(450,952)	(2,829,586)
31	Guidance, Counseling and Evaluation Services	1,791,834	51,172	(157,420)	(1,898,082)
32	Social Work Services	71,225	-	(10,404)	(81,629)
33	Health Services	445,983	-	(94,172)	(540,155)
34	Student (Pupil) Transportation	1,698,271	823	197,183	(1,500,265)
35	Food Services	2,507,894	1,367,142	1,181,585	40,833
36	Extracurricular Activities	1,733,036	162,123	(143,513)	(1,714,426)
41	General Administration	2,040,643	9,644	(272,174)	(2,303,173)
51	Facilities Maintenance and Operations	5,448,652	19,809	(544,964)	(5,973,807)
52	Security and Monitoring Services	1,292,636	4,363	(199,180)	(1,487,453)
53	Data Processing Services	1,113,781	-	(154,730)	(1,268,511)
61	Community Services	870,195	6,956	(263,388)	(1,126,627)
72	Debt Service - Interest on Long Term Debt	4,634,123	-	2,238,678	(2,395,445)
73	Debt Service - Bond Issuance Cost and Fees	5,000	-	-	(5,000)
81	Capital Outlay	13,020	-	-	(13,020)
99	Other Intergovernmental Charges	154,974	-	-	(154,974)
[TP]	TOTAL PRIMARY GOVERNMENT:	$ 50,092,030	$ 2,065,912	$ 234,305	(47,791,813)

Data Control Codes		
	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	19,219,887
DT	Property Taxes, Levied for Debt Service	6,077,735
SF	State Aid - Formula Grants	28,629,738
GC	Grants and Contributions not Restricted	78,912
IE	Investment Earnings	181,923
MI	Miscellaneous Local and Intermediate Revenue	1,393,452
TR	Total General Revenues	55,581,647
CN	Change in Net Position	7,789,834
NB	Net Position - Beginning	13,080,125
PA	Prior Period Adjustment	(32,205,286)
NE	Net Position--Ending	$ (11,335,327)

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

RED OAK INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

Data Control Codes		10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
	ASSETS				
1110	Cash and Cash Equivalents	$ 9,226,513	$ 4,082,350	$ (59,487)	$ 13,249,376
1220	Property Taxes - Delinquent	565,069	171,757	-	736,826
1230	Allowance for Uncollectible Taxes (Credit)	(28,253)	(8,588)	-	(36,841)
1240	Receivables from Other Governments	8,028,018	1,166,418	767,330	9,961,766
1260	Due from Other Funds	7,734	-	17,805	25,539
1300	Inventories	21,319	-	-	21,319
1000	Total Assets	$ 17,820,400	$ 5,411,937	$ 725,648	$ 23,957,985
	LIABILITIES				
2110	Accounts Payable	$ 319,109	$ -	$ 8,715	$ 327,824
2160	Accrued Wages Payable	3,976,313	-	303,602	4,279,915
2170	Due to Other Funds	17,805	-	7,734	25,539
2180	Due to Other Governments	-	210,494	-	210,494
2200	Accrued Expenditures	349,809	-	-	349,809
2300	Unearned Revenues	-	-	45,106	45,106
2000	Total Liabilities	4,663,036	210,494	365,157	5,238,687
	DEFERRED INFLOWS OF RESOURCES				
2601	Unavailable Revenue - Property Taxes	536,816	163,169	-	699,985
2600	Total Deferred Inflows of Resources	536,816	163,169	-	699,985
	FUND BALANCES				
	Nonspendable Fund Balance:				
3410	Inventories	21,319	-	-	21,319
	Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	-	39,512	39,512
3480	Retirement of Long-Term Debt	-	5,038,274	-	5,038,274
	Committed Fund Balance:				
3545	Other Committed Fund Balance	-	-	320,979	320,979
	Assigned Fund Balance:				
3590	Other Assigned Fund Balance	84,038	-	-	84,038
3600	Unassigned Fund Balance	12,515,191	-	-	12,515,191
3000	Total Fund Balances	12,620,548	5,038,274	360,491	18,019,313
4000	Total Liabilities, Deferred Inflows & Fund Balances	$ 17,820,400	$ 5,411,937	$ 725,648	$ 23,957,985

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

RED OAK INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

	Total Fund Balances - Governmental Funds	$	18,019,313
1	Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements.		167,332,292
2	Accumulated depreciation is not reported in the fund financial statements.		(53,952,298)
3	Bonds payable and loans payable are not reported in the fund financial statements.		(101,876,675)
4	Accreted interest on capital appreciation bonds has not been included in the fund financial statements.		(1,777,135)
5	Property tax revenue reported as unavailable revenue in the fund financial statements is recognized as revenue in the government-wide financial statements.		699,985
6	Interest on outstanding debt is accrued in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.		(1,514,704)
7	Bond premiums are not recognized in the fund financial statements.		(9,432,103)
8	The deferred charge on bond refundings is not recognized in the fund financial statements.		4,551,282
9	Included in the items related to government-wide long-term debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of $9,954,734, Deferred Inflows of Resources related to TRS in the amount of $4,045,942, and Deferred Outflows of Resources related to TRS in the amount of $6,349,083. This results in a decrease in Net Position in the amount of $7,621,593.		(7,621,593)
10	Included in the items related to government-wide long-term debt is the recognition of the District's proportionate share of the net Other Post-Employment Benefit (OPEB) liability required by GASB 75 in the amount of $18,342,308, a Deferred Resource Inflow related to TRS OPEB in the amount of $7,672,622, and a Deferred Resource Outflow related to TRS OPEB in the amount of $251,239. This amounted to a net decrease in Net Position in the amount of $25,763,691.		(25,763,691)
19	**Net Assets of Governmental Activities**	$	(11,335,327)

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

RED OAK INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes		10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 20,794,599	$ 6,133,149	$ 1,979,263	$ 28,907,011
5800	State Program Revenues	31,612,233	2,238,678	873,579	34,724,490
5900	Federal Program Revenues	911,746	-	3,060,559	3,972,305
5020	Total Revenues	53,318,578	8,371,827	5,913,401	67,603,806
	EXPENDITURES:				
	Current:				
0011	Instruction	25,201,062	-	2,520,280	27,721,342
0012	Instructional Resources and Media Services	629,792	-	44,524	674,316
0013	Curriculum and Instructional Staff Development	601,213	-	100,522	701,735
0021	Instructional Leadership	1,382,373	-	13,043	1,395,416
0023	School Leadership	3,145,374	-	147,256	3,292,630
0031	Guidance, Counseling and Evaluation Services	2,057,800	-	166,742	2,224,542
0032	Social Work Services	94,009	-	-	94,009
0033	Health Services	619,192	-	-	619,192
0034	Student (Pupil) Transportation	2,226,847	-	3,197	2,230,044
0035	Food Services	-	-	2,737,169	2,737,169
0036	Extracurricular Activities	1,637,055	-	144,095	1,781,150
0041	General Administration	2,730,074	-	29,019	2,759,093
0051	Facilities Maintenance and Operations	6,232,754	-	-	6,232,754
0052	Security and Monitoring Services	1,306,458	-	4,363	1,310,821
0053	Data Processing Services	1,380,408	-	-	1,380,408
0061	Community Services	1,418,177	-	6,956	1,425,133
	Debt Service:				
0071	Principal on Long Term Debt	403,167	1,796,095	-	2,199,262
0072	Interest on Long Term Debt	43,982	5,767,698	-	5,811,680
0073	Bond Issuance Cost and Fees	-	5,000	-	5,000
	Capital Outlay:				
0081	Facilities Acquisition and Construction	13,020	-	-	13,020
	Intergovernmental:				
0099	Other Intergovernmental Charges	154,974	-	-	154,974
6030	Total Expenditures	51,277,731	7,568,793	5,917,166	64,763,690
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	2,040,847	803,034	(3,765)	2,840,116
	OTHER FINANCING SOURCES (USES):				
7912	Sale of Real and Personal Property	119,288	-	-	119,288
1200	Net Change in Fund Balances	2,160,135	803,034	(3,765)	2,959,404
0100	Fund Balance - July 1 (Beginning)	10,460,413	4,235,240	424,256	15,119,909
3000	Fund Balance - June 30 (Ending)	$ 12,620,548	$ 5,038,274	$ 420,491	$ 18,079,313

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

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Total Net Change in Fund Balances - Governmental Funds	$ 2,959,404
Current year capital asset additions are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The net effect of reclassifying the current year asset additions is to increase net position.	444,659
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position in the government-wide financial statements.	(4,767,418)
Current year long-term debt principal payments on notes payable and bonds payable and payment of accreted interest on capital appreciation bonds are expenditures in the fund financial statements, but are shown as reductions in long-term debt in the government-wide financial statements.	3,046,604
Current year interest accretion on capital appreciation bonds is not recognized in the fund financial statements, but is shown as an increase in long-term debt in the government-wide financial statements.	(170,014)
Interest on outstanding debt is accrued in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due. The current year increase in accrued interest payable increases net assets in the government-wide financial statements.	(6,458)
Revenues from property taxes are shown as unavailable in the fund financial statements until they are considered available to finance current expenditures, but such revenues are recognized when assessed net of an allowance for uncollectible accounts in the government-wide financial statements.	(72,390)
Bond premiums are not amortized in the fund financial statements, but are reported net of amortization in the government-wide financial statements.	787,553
Current year amortization of the deferred charge on bond refundings is not reported in the fund financial statements, but is shown as a reduction of the deferred charge in the government-wide financial statements.	(280,866)
The net book value of capital assets disposed of is not recorded in the fund financial statements.	(32,846)
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. TRS contributions made after the measurement date of 8/31/2017 caused the change in the ending net position to increase $21,784. These contributions were replaced with the District's pension expense for the year of $521,773, which caused a decrease in the change in net position. The net effect of all of these is to decrease the change in net position by $499,989.	(499,989)

The inplementation of GASB 75 required that certain expenditures be de-expended and recorded as deferred resource outflows. TRS OPEB contributions made after the measurement date of 8/31/2017 but during the current fiscal year caused the ending net position to increase in the amount of $71,236. These contributions were replaced with the District's OPEB expense for the year, which was a $6,310,359 benefit and also caused an increase in net position. The impact of both of these is to increase the change in net position by $6,381,595.		6,381,595
Change in Net Assets of Governmental Activities	$	7,789,834

RED OAK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 21,084,616	$ 21,096,118	$ 20,794,599	$ (301,519)
5800	State Program Revenues	31,909,199	31,909,199	31,612,233	(296,966)
5900	Federal Program Revenues	700,000	700,000	911,746	211,746
5020	Total Revenues	53,693,815	53,705,317	53,318,578	(386,739)
	EXPENDITURES:				
	Current:				
0011	Instruction	26,026,357	25,637,049	25,201,062	435,987
0012	Instructional Resources and Media Services	651,097	651,137	629,792	21,345
0013	Curriculum and Instructional Staff Development	593,453	624,946	601,213	23,733
0021	Instructional Leadership	1,356,368	1,391,713	1,382,373	9,340
0023	School Leadership	3,339,803	3,339,620	3,145,374	194,246
0031	Guidance, Counseling and Evaluation Services	2,214,950	2,214,130	2,057,800	156,330
0032	Social Work Services	75,282	95,282	94,009	1,273
0033	Health Services	662,350	662,350	619,192	43,158
0034	Student (Pupil) Transportation	2,301,917	2,339,647	2,226,847	112,800
0036	Extracurricular Activities	1,556,495	1,629,350	1,637,055	(7,705)
0041	General Administration	2,714,767	2,760,712	2,730,074	30,638
0051	Facilities Maintenance and Operations	7,044,976	7,046,936	6,232,754	814,182
0052	Security and Monitoring Services	1,303,589	1,303,819	1,306,458	(2,639)
0053	Data Processing Services	1,408,748	1,427,848	1,380,408	47,440
0061	Community Services	1,601,808	1,601,923	1,418,177	183,746
	Debt Service:				
0071	Principal on Long Term Debt	310,460	405,460	403,167	2,293
0072	Interest on Long Term Debt	44,110	44,110	43,982	128
	Capital Outlay:				
0081	Facilities Acquisition and Construction	300,000	320,000	13,020	306,980
	Intergovernmental:				
0099	Other Intergovernmental Charges	185,000	207,000	154,974	52,026
6030	Total Expenditures	53,691,530	53,703,032	51,277,731	2,425,301
1100	Excess of Revenues Over Expenditures	2,285	2,285	2,040,847	2,038,562
	OTHER FINANCING SOURCES (USES):				
7912	Sale of Real and Personal Property	-	-	119,288	119,288
1200	Net Change in Fund Balances	2,285	2,285	2,160,135	2,157,850
0100	Fund Balance - July 1 (Beginning)	10,460,413	10,460,413	10,460,413	-
3000	Fund Balance - June 30 (Ending)	$ 10,462,698	$ 10,462,698	$ 12,620,548	$ 2,157,850

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

RED OAK INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2018

	Agency Funds
ASSETS	
Cash and Cash Equivalents	$ 114,289
Total Assets	$ 114,289
LIABILITIES	
Due to Student Groups	$ 114,289
Total Liabilities	$ 114,289

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

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

The Board of Trustees, a seven member group, has fiscal accountability over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board of Trustees is elected by the public. The Trustees as a body corporate have the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (Agency) or to the State Board of Education are reserved for the trustees, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the trustees. The District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards.

The District's basic financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District

Based on the aforementioned criteria, Red Oak Independent School District has no component units.

B. BASIS OF PRESENTATION

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements:

The District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The District has presented the following major governmental funds:

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

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

Additionally, the District reports the following fund types:

1. **Special Revenue Funds** - These funds are established to account for federally financed or expenditures legally restricted for specified purposes. In many special revenue funds, any unused balances are returned to the grantor at the close of specified project periods. For funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds.

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

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

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

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and deferred outflows of resources; and liabilities (whether current or non-current) and deferred inflows of resources are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

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

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.

The revenues susceptible to accrual are property taxes, charges for services, interest income and intergovernmental revenues. All other Governmental Fund Type revenues are recognized when received.

Revenues from state and federal grants are recognized as earned when the related program expenditures are incurred. Funds received but unearned are reflected as unearned revenues, and funds expended but not yet received are shown as receivables.

Revenue from investments, including governmental external investment pool, is based upon fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Most investments are reported at amortized cost when the investments have remaining maturities of one year of less at time of purchase. External investment pools are permitted to report short-term debt investments at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer, or other factors. For that purpose, a pool's short-term investments are those with remaining maturities of up to ninety days.

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

D. BUDGETARY CONTROL

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

The official school budget was prepared for adoption for required Governmental Fund Types prior to June 20 of the preceding fiscal year for the subsequent fiscal period beginning July 1. The budget is formally adopted by the Board of Trustees at a public meeting held at least ten days after public notice has been given. The budget is prepared by fund, function, object, and organization. The budget is controlled at the organizational level by the appropriate department head or campus principal within Board allocations. Therefore, organizations may transfer appropriations as necessary without the approval of the board unless the intent is to cross fund, function or increase the overall budget allocations. Control of appropriations by the Board of Trustees is maintained within Fund Groups at the function code level and revenue object code level.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, the Debt Service Fund and the Food Service Fund. The other special revenue funds adopt project-length budgets. Each annual budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles. The budget is amended throughout the year by the Board of Trustees. Such amendments are reflected in the official minutes of the Board.

A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

	June 30, 2018 Fund Balance
Appropriated Budget Funds – Food Service Special Revenue Fund	$ 4,039
Nonappropriated Budget Funds	356,452
All Special Revenue Funds	$360,491

E. ENCUMBRANCE ACCOUNTING

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

F. INVENTORIES

The consumption method is used to account for inventories of paper. Under this method, paper is carried in an inventory account of the respective fund at average cost and is subsequently charged to expenditures when consumed. Other supplies are recorded as expenditures when purchased. In the governmental funds, a nonspendable category of fund balance indicates that inventories are unavailable as current expendable financial resources.

G. INTERFUND RECEIVABLES AND PAYABLES

Short-term amounts owed between funds are classified as "Due to/from other funds". Interfund loans are classified as "Advances to/from other funds" and are offset by a fund balance reserve account.

H. CAPITAL ASSETS

Capital assets, which includes property, plant, equipment, and infrastructure assets, are reported in the governmental activities columns in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

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

Buildings	25-40 Years
Furniture and Equipment	10-24 Years

I. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows and inflows of resources are reported in the statement of financial position as described below:

A *deferred outflow of resources* is a consumption of a government's net assets (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period. The District has three items that quality for reporting in this category:

Deferred outflows of resources for refunding - Reported in the government-wide statement of net position, the deferred charge on bond refundings results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The amount of deferred outflows reported in the governmental activities for the deferred charge on bond refundings at June 30, 2018 was $4,551,282.

Deferred outflows of resources for pension - Reported in the government-wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of differences between expected and actual actuarial experiences. The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The other pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan which is currently approximately 6.7 years.

A deferred outflow for pension expense also results from payments made to the TRS pension plan by the District after the plan's measurement date. The total amount of deferred outflows reported in the governmental activities for deferred pension expenses at June 30, 2018 was $6,349,083.

Deferred outflows of resources for OPEB- Reported in the government-wide financial statement of net position, this deferred outflow results from OPEB plan contributions made after the measurement date of the net OPEB liability and the results of differences between expected and actual investment earnings and changes in proportionate share. The deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the next fiscal year. The other OPEB related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with OPEB through the OPEB plan which is currently approximately 8.6 years.

A *deferred inflow of resources* is an acquisition of a government's net assets (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period. The District has three items that qualify for reporting in this category:

Deferred inflows of resources for unavailable revenues - Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District reported property taxes that are unavailable as deferred inflows of resources in the fund financial statements. The amount of deferred inflows of resources reported in the governmental funds at June 30, 2018 was $699,985.

Deferred inflows of resources for pension - Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between projected and actual earnings on pension plan investments. These amounts will be amortized over a closed five year period. In fiscal year 2018, the District reported deferred inflows of resources for pensions in the governmental activities in the amount of $4,045,942.

Deferred inflows of resources for OPEB - Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between expected and actual experience and from changes in assumptions. These amounts will be amortized over the average expected remaining service life (AERSL) of all members (8.6 years for the 2017 measurement year). In fiscal year 2018, the District reported deferred inflows of resources for OPEB in the governmental activities in the amount of $7,672,622.

J. COMPENSATED ABSENCES

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

K. NET POSITION

Net position represents the difference between assets and deferred outflows of resources; and liabilities and deferred inflows of resources in the government-wide statement of net position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation's adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

L. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities 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. Bond issuance costs are expensed when incurred.

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

M. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2018, the district purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

N. ESTIMATES

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

O. IMPLEMENTATION OF NEW STANDARD

In the current fiscal year the District implemented the following new standard:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions* ("GASB 75") establishes accounting and financial reporting standards for other post-employment benefits (OPEB) that are provided to the employees of state and local governmental employers through plans that are administered through trusts or similar arrangements that meet certain criteria. The Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expenses/expenditures. Implementation is reflected in the financial statements, notes to the financial statements and required supplementary information.

NOTE 2. FUND BALANCES

The District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent.

Fund Balance Classification: The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District has classified inventories as being nonspendable as these items are not expected to be converted to cash.

- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the District's bonded debt and are restricted through debt covenants. Food Service and other federal and state grant resources are restricted because their use is restricted pursuant to the mandates of the National School Lunch and Breakfast Program or other grant requirements.

- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District's Board of Trustees. The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This can also be done through adoption and amendment of the budget. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Board of Trustees have committed resources as of June 30, 2018 for campus activities and local grants.

- Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Trustees or through the Board of Trustees delegating this responsibility to other individuals in the District. Under the District's adopted policy, the Board of Trustees or the Superintendent may assign amounts for specific purposes. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The General Fund has assigned fund balance for certain special education costs.

- Unassigned: This classification includes all amounts not included in other spendable classifications, including the residual fund balance of the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Trustees has provided otherwise in its commitment or assignment actions.

General Fund

The General Fund has unassigned fund balance of $12,515,191 at June 30, 2018. Inventories of $21,319 are considered nonspendable fund balance. Fund balance of $84,038 is assigned for certain special education costs.

Other Major Funds

The Debt Service Fund has restricted funds of $5,038,274 at June 30, 2018 consisting primarily of property tax collections that are restricted for debt service payments on bonded debt.

Other Funds

The fund balance of $304,948 of the Campus Activity Fund, $15,882 of the Education Foundation Grants Fund, and $149 of other local grant funds (all special revenue funds) are shown as committed due to Board policy committing those funds to campus activities and grant activities. The following special revenue funds fund balances are restricted by federal or state grant restrictions:

National Breakfast & Lunch Program	$ 4,039
Summer Feeding Program	17,651
Advanced Placement Incentives	11,948
State Textbook Fund	5,466
Other State Programs	408
Total	$ 39,512

NOTE 3. DEPOSITS AND INVESTMENTS

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

1. Cash Deposits:

   At June 30, 2018, the carrying amount of the District's deposits (checking accounts and interest-bearing demand accounts) was $435,704 and the bank balance was $2,150,555. The District's cash deposits at June 30, 2018 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

   The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

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

a. Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2018, the District's cash deposits totaled $2,150,555. This entire amount was either collateralized with securities held by the District's agent or covered by FDIC insurance. Thus, the District's deposits are not exposed to custodial credit risk.

b. Custodial Credit Risk - Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2018, the District held investments in three public funds investment pools. Investments in external investment pools are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

c. Credit Risk: This is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The credit quality rating for Lone Star Investment Pool, TexPool Investment Pool, and TexSTAR Investment Pool at year-end was AAAm (Standard & Poor's).

d. Interest Rate Risk: This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for the District's investments in external investment pools is less than 90 days.

e. Foreign Currency Risk: This is the risk that exchange rates will adversely affect the fair value of an investment. At June 30, 2018, the District was not exposed to foreign currency risk.

f. Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of the District's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. Investment pools are excluded from the 5 percent disclosure requirement.

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

The District's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

The District's investments at June 30, 2018, are shown below:

Name	Carrying Amount	Market Value
Lone Star Investment Pool	$12,905,157	$12,905,157
TexPool Investment Pool	3,742	3,742
TexSTAR Investment Pool	9,377	9,377
	$12,918,276	$12,918,276

Fair Value Measurements

The District categorizes its fair value measurements with 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; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgement and considers factors specific to each asset or liability.

The District's investments in public funds investment pools are not required to be measured at fair value but are measured at amortized cost.

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions/ Completions	Retirement/ Adjustments	Balance June 30, 2018
Governmental Activities:				
Capital assets not being depreciated				
Land	$ 4,652,758	$ -	$ -	$ 4,652,758
Total Capital assets not being depreciated	4,652,758	-	-	4,652,758
Capital assets, being depreciated				
Buildings	155,490,959	-	-	155,490,959
Furniture and Equipment	6,897,340	444,659	(153,424)	7,188,575
Total capital assets being depreciated	162,388,299	444,659	(153,424)	162,679,534
Less accumulated depreciation for:				
Buildings	(44,859,413)	(4,263,905)	-	(49,123,318)
Furniture and Equipment	(4,446,045)	(503,513)	120,578	(4,828,980)
Total accumulated depreciation	(49,305,458)	(4,767,418)	120,578	(53,952,298)
Total capital assets, being deprecated, net	113,082,841	(4,322,759)	(32,846)	108,727,236
Governmental activities capital assets, net	$117,735,599	$(4,322,759)	$ (32,846)	$113,379,994

Depreciation expense was charged as direct expense to programs of the District as follows:

Governmental activities:	
Instruction	$2,478,707
Instructional Resources & Media Services	34,044
Curriculum & Staff Development	33,143
Instructional Leadership	67,707
School Leadership	232,430
Guidance, Counseling & Evaluation Services	165,134
Health Services	33,025
Transportation	344,955
Food Services	84,034
Cocurricular/Extracurricular Activities	293,396
General Administration	42,208
Plant Maintenance and Operations	446,519
Security & Monitoring Services	418,014
Data Processing Services	72,226
Community Services	21,876
Total depreciation expense-Governmental activities	$4,767,418

NOTE 5. LONG-TERM DEBT

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

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas (SID), which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

The following is a summary of the changes in the District's Long-term Debt for the year ended June 30, 2018:

Description	Interest Rate Payable	Amounts Outstanding 7/1/17	Additions	Retired	Amounts Outstanding 6/30/18	Due Within One Year
Bonded Indebtedness:						
1999 School Bldg. & Ref.	4.38%	$ 417,585	$ -	$ 151,095	$ 266,490	$ 138,866
2007 School Bldg.	3.7-4.83%	300,000	-	300,000	-	-
2008 School Bldg.	2.3-5.12%	10,000	-	5,000	5,000	5,000
2009 School Bldg. & Ref.	.85-5.12%	17,970,000	-	20,000	17,950,000	15,000
2012 School Refunding	1.50-3.00%	6,565,000	-	820,000	5,745,000	630,000
2013 School Refunding	1.50-4.00%	6,130,000	-	345,000	5,785,000	360,000
2014 School Refunding	2.00-4.00%	8,355,000	-	85,000	8,270,000	145,000
2015 School Refunding	1.30-3.75%	8,670,000	-	45,000	8,625,000	305,000
2016 School Refunding	2.00-4.00%	8,730,000	-	25,000	8,705,000	25,000
2017 School Refunding	3.25-5.00%	45,775,000	-	-	45,775,000	-
Total Bonded Indebtedness		102,922,585	-	1,796,095	101,126,490	1,623,866
Accreted Interest-						
Capital appreciation bonds		2,454,463	170,014	847,342	1,777,135	911,963
Loan Payable		153,167	-	153,167	-	-
Premiums on Bonds		10,219,656	-	787,553	9,432,103	849,174
Loan Payable		1,000,185	-	250,000	750,185	250,000
Total Obligations of District		$116,750,056	$170,014	$3,834,157	$113,085,913	$3,635,003

The 1999, 2009 and 2014 bond series include outstanding capital appreciation bonds. The bonds mature variously beginning in 2018 through 2020. Interest accrues on these bonds each February 15 and August 15, even though the interest is not paid until maturity.

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

There are a number of limitations and restrictions contained in the various general obligation bond indentures. Management has indicated the District is in compliance with all significant limitations and restrictions at June 30, 2018.

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

Year Ended June 30,	Principal	Interest	Total Requirements
2019	$ 1,623,866	$ 5,783,772	$ 7,407,638
2020	2,002,624	5,376,614	7,379,238
2021	2,985,000	4,368,763	7,353,763
2022	3,560,000	3,779,888	7,339,888
2023	3,690,000	3,641,913	7,331,913
2024-2028	20,690,000	15,945,991	36,635,991
2029-2033	25,320,000	11,130,332	36,450,332
2034-2038	31,170,000	5,276,328	36,446,328
2039-2043	10,085,000	379,163	10,464,163
	$101,126,490	$55,682,764	$156,809,254

NOTE 6. DEBT REFUNDINGS AND DEFEASED DEBT

As of June 30, 2018, $44,640,000 of defeased bonds remain outstanding from the fiscal years 2015, 2016 and 2018 refundings.

The District's deferred charge on bond refundings is as follows:

Balance – June 30, 2017	$4,832,148
Current year deferred charge on bond refunding	-
Current year amortization	(280,866)
Balance – June 30, 2018	$4,551,282

NOTE 7. LOANS PAYABLE

The District has executed a loan agreement with the State of Texas State Energy Conservation Office to provide funds for the District to make specified energy-saving and energy management improvements to facilities throughout the District. The loan agreement, dated December 15, 2008, provides for borrowings up to $2,499,420 to fund the approved improvements. The improvements funded by the loan were completed during the year ended June 30, 2010. The loan was paid in full in the year ended June 30, 2018.

The District executed a loan agreement with a local bank to provide funds for renovations to District property. The loan agreement, dated June 24, 2011, provided $2,500,000 in funds for renovations. The loan called for seven quarterly principal payments of $62,500 each plus interest. The loan was renewed a third time June 26, 2018 for an additional two years with seven quarterly payments of $62,500 each plus interest and a final payment of $562,685 plus interest on June 26, 2019. Interest accrues at 4.5% per year.

Presented below is a summary of the expected loan payment requirements to maturity:

Year Ended June 30,	Principal	Interest	Total
2019	$750,185	$ 29,540	$779,725
Thereafter	-	-	-
Total	$750,185	$ 29,540	$779,725

NOTE 8. PROPERTY TAXES

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District levies its taxes on October 1 on the assessed (appraised) value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll upon which the levy for the 2017-18 fiscal period was based on was $1,707,397,720. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to both penalty and interest charges plus 15 % delinquent collection fees for attorney costs.

The tax rates assessed for the year ended June 30, 2018, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were $1.17 and $0.37 per $100 valuation, respectively, for a total of $1.54 per $ 100 valuation.

Current tax collections for the year ended June 30, 2018 were 98.6% of the June 30, 2018 adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of June 30, 2018, property taxes receivable, net of estimated uncollectible taxes, totaled $536,816 and $163,169 for the General and Debt Service Funds, respectively.

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

NOTE 9. PROPERTY TAX ABATEMENT AGREEMENT

The District entered into an agreement with Triumph Aerostructures, LLC ("the Company") on August 30, 2013. The agreement was for the Company to invest capital of at least $100 million on a long-term basis for a taxable value limitation of $80 million. For fiscal year 2017-2018, which is year four of the agreement, taxable value subject to the agreement was $120.3 million. Based on the taxable value limit of $80 million and a maintenance & operations tax rate of $1.17 per $100 of taxable value, the District collected $593,106. less in tax revenues than would have been collected if the value limit was not in place. The tax revenue loss will be offset by an increase in State funding through the foundation funding formula. In addition, the Company made a payment under the contract to the District during the 2017-2018 fiscal-year of $28,969 as a payment in lieu of taxes. The taxable value limitation will be in effect through the 2023-2024 fiscal year.

NOTE 10. DEFINED BENEFIT PENSION PLAN

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

Contributions. Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

Contribution Rates

	2017	2018
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%

Red Oak ISD FY2018 Employer Contributions	$1,039,028
Red Oak ISD FY2018 Member Contributions	$2,859,807
Red Oak ISD 2018 NECE On-Behalf Contributions	$1,957,186

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 the 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, 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 the fiscal year reduced by the amounts described below which are paid by the employers. Employers including public 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 source or a privately sponsored source, from non-educational and general, or local funds.

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

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

- When a school district does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

Actuarial Assumptions. The total pension liability in the August 31, 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	2.50%
Salary Increases Including Inflation	3.50% to 9.50%
Payroll Growth Rate	2.50%
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:

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	0%		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%)
Red Oak ISD's proportionate share of the net pension liability:	$16,731,133	$9,924,734	$4,257,293

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2018, Red Oak Independent School District reported a liability of $9,924,734 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Red Oak Independent School District. The amount recognized by Red Oak Independent School 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 Red Oak Independent School District were as follows:

District's Proportionate share of the collective net pension liability	$ 9,924,734
State's proportionate share that is associated with the District	18,692,496
Total	$28,617,230

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 employer's proportion of the collective net pension liability was 0.0310394%, a decrease of 0.0043575 % from its proportionate share of 0.0266819% at 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 June 30, 2018, Red Oak Independent School District recognized pension expense of $1,911,972 and revenue of $1,911,972 for support provided by the State.

At June 30, 2018, Red Oak Independent School 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	$ 145,203	$ 535,228
Changes in actuarial assumptions	452,087	258,809
Difference between projected and actual investment earnings	1,526,309	2,249,602
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	3,353,023	1,002,303
Contributions paid to TRS subsequent to the measurement date	872,461	-
Total	$6,349,083	$4,045,942

$872,461 reported as deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Pension Expense Amount
2019	$ 218,081
2020	851,603
2021	169,406
2022	(32,231)
2023	64,142
Thereafter	159,769

NOTE 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.

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

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

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.

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*	$ 0	$ 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%**

Red Oak ISD FY18 Employer Contributions	**$284,109**
Red Oak ISD FY18 Member Contributions	**$241,258**
Red Oak ISD 2018 NECE On-behalf Contributions	**$431,100**

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 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. House Bill 21 was passed in special session and provided a supplemental appropriation in the amount of $212 million in fiscal year 2018.

The District's proportionate of share of the $212,000,000 received during the District's 2018 fiscal year is reported in the fund level financial statements as an on-behalf contribution as required by GASB 85 and GASB 24.

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 Board in 2015 and are based on the 2014 actuarial experience study of TRS.

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

The total OPEB liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions. 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 specific plan experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claim 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

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 currentplan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. *The source of the municipal bond rate was Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of August 31, 2017.*

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.42%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.42%)	Current Single Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
District's proportionate share of the Net OPEB Liability:	$21,648,475	$18,342,308	$15,684,897

Healthcare Cost Trend Rates Sensitivity Analysis - The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the OPEB liability would be if it were calculated using a trend rate that is one-percentage lower or one-percentage point higher than the assumed healthcare cost trend rate:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the Net OPEB Liability:	$15,271,806	$18,342,308	$22,371,197

OPEB Liabilities, OPEB Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At June 30, 2018, the District reported a liability of $18,342,308 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District.

The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's Proportionate share of the collective Net OPEB Liability	$18,342,308
State's proportionate share that is associated with the District	$28,878,835
Total	$47,221,143

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

At August 31, 2017 the employer's proportion of the collective Net OPEB Liability was 0.0421796% which was the same proportion measured as of August 31, 2016.

Changes Since the Prior Actuarial Valuation – The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability since the prior measurement period:

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

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

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

In this valuation the impact of the Cadillac Tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of $850/$2,292 were indexed annually by 2.50 percent.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit than those permissible for non-Medicare retirees over 55.

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

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

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

For the year ended June 30, 2018, the District recognized OPEB expense of ($9,663,626) and revenue of ($9,663,626) for support provided by the State.

At June 30, 2018, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 382,910
Changes in actuarial assumptions	-	7,289,712
Difference between projected and actual investment earnings	2,786	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	85	-
Contributions paid to TRS subsequent to the measurement date	248,368	-
Total	$ 251,239	$ 7,672,622

The net amounts of the employer's balance of deferred outflows and inflows of resources (not including the deferred contribution paid subsequent to the measurement date) related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	OPEB Expense Amount
2019	$ (1,012,032)
2020	(1,012,032)
2021	(1,012,032)
2022	(1,012,032)
2023	(1,012,728)
Thereafter	(2,608,895)

NOTE 12. SCHOOL DISTRICT RETIREE HEALTH PLAN

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

Funding Policy. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2017 and 2016. For fiscal year 2018, contribution rates were 1.25% for the State of Texas, 0.65% for active employees, and 0.75% for school districts. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended June 30, 2018, 2017 and 2016, the state's contributions to TRS-Care were $431,100, $346,917, and $336,770, respectively, the active member contributions were $241,258, $234,345, and $228,776, respectively, and the school district's contributions were $284,109, $212,339, and $208,770, respectively, which equaled the required contributions each year.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments are recognized as equal revenues and expenditures/expenses by the District. For the year ended June 30, 2018, the contribution made on behalf of the District was $107,082.

NOTE 13. INTERFUND PAYABLES AND RECEIVABLES

Interfund receivables and payables at June 30, 2018 represented short-term advances between funds. These amounts are expected to be repaid in less than one year from June 30, 2018.

Fund	Due from Other Funds	Due to Other Funds
Major Governmental Funds:		
General Fund:		
Special Revenue Funds	$ 7,734	$ 17,805
Total Major Governmental Funds	7,734	17,805
Nonmajor Governmental Funds:		
Special Revenue Funds:		
General Fund	17,805	7,734
Total Nonmajor Governmental Funds	17,805	7,734
Total	$ 25,539	$ 25,539

NOTE 14. HEALTH CARE

During the year ended June 30, 2018, employees of Red Oak Independent School District were covered by a health insurance plan (the Plan). The District contributed between $250 and $265 per month per employee to the Plan and employees, at their option, authorized payroll withholdings to pay any additional contribution and contributions for dependents. All contributions were paid to a fully insured plan.

NOTE 15. WORKERS COMPENSATION

The District participates in the Texas Educational Insurance Association Workers Compensation Self-Insurance Joint Fund. The District is partially self-funded to a loss fund maximum of $359,689 for the 17-18 fiscal year. Additionally, the District incurred fixed costs of $51,987 for their share of claims administration, loss control, record keeping, and cost of excess insurance.

Claims Administrative Services, Inc provides claims administration. Reinsurance is provided for aggregate claim losses exceeding $500,000. The fixed cost charge is based on total payroll paid by the District. Increases or decreases in the fixed costs will adjust subsequent year charges.

The accrued liability for workers compensation self-insurance of $346,666 includes incurred but not reported claims. This liability is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," which require that a liability for claims be reported if information indicates that it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. The liability recorded is an undiscounted actuarial calculation.

Changes in the workers compensation claims liability amount for fiscal years 2017 and 2018 are shown below:

Fiscal Period	Beginning Claims Liability	Claims and Changes in Estimates	Claims Payments	Ending Claims Liability
2018	$218,961	$226,331	$ 98,626	$346,666
2017	196,137	179,116	156,292	218,961

NOTE 16. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the state through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of June 30, 2018, are summarized below. All federal grants shown below are passed through the TEA and are reported on the financial statements as Due from Other Governments.

Fund	State Grants	Federal Grants	Local Governments	Total
General Fund	$7,960,998	$ 52,516	$ 14,504	$8,028,018
Special Revenue Funds	-	767,330	-	767,330
Debt Service Fund	1,162,220	-	4,198	1,166,418
Total	$9,123,218	$ 819,846	$ 18,702	$9,961,766

NOTE 17. LITIGATION AND CONTINGENCIES

The District participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at June 30, 2018 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

NOTE 18. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

During the year ended June 30, 2018, revenues from local and intermediate sources in the fund financial statements consisted of the following:

	General Fund	Special Revenue Funds	Debt Service Fund	Total
Property Taxes	$19,146,097	$ -	$6,053,693	$25,199,790
Food sales	-	1,367,082	-	1,367,082
Investment Income	137,174	5,542	39,207	181,923
Penalties, interest and other tax related income	129,975	-	40,249	170,224
Co-curricular student activities	85,485	503,481	-	588,966
Other	1,295,868	103,158	-	1,399,026
Total	$20,794,599	$1,979,263	$6,133,149	$28,907,011

NOTE 19. UNEARNED REVENUE

Unearned revenue at June 30, 2018 consisted of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Total
Child nutrition program	$ -	$45,106	$ -	$45,106
	$ -	$45,106	$ -	$45,106

NOTE 20. EXCESS OF EXPENDITURES OVER APPROPRIATIONS BY FUNCTION

The Texas Education Agency requires the budgets for certain Governmental fund types to be filed with the Texas Education Agency. The budget should not be exceeded in any functional category under TEA requirements. Expenditures exceeded appropriations in two functional categories in the General Fund for the year ended June 30, 2018.

NOTE 21. PRIOR PERIOD ADJUSTMENT

In fiscal year 2018, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions (OPEB).* As such, a prior period adjustment was necessary to record the beginning OPEB liability of the District. The following illustrates the effect of the prior period adjustment:

Beginning Net Position – As Originally Presented	$ 13,080,125
Restatement due to:	
Net OPEB liability (measurement date as of August 31, 2016)	(32,382,418)
Deferred Outflows:	
District contributions made to TRS after August 31, 2016	177,132
Beginning Net Position – As Restated	$(19,125,161)

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REQUIRED SUPPLEMENTARY INFORMATION

RED OAK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED JUNE 30, 2018

	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
District's Proportion of the Net Pension Liability (Asset)	0.0310394%	0.0266819%	0.0326901%	0.0190656%
District's Proportionate Share of Net Pension Liability (Asset)	$ 9,924,734	$ 10,082,687	$ 11,555,515	$ 5,092,685
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	18,692,496	24,696,717	22,028,279	18,492,251
Total	$ 28,617,230	$ 34,779,404	$ 33,583,794	$ 23,584,936
District's Covered Payroll	$ 36,130,933	$ 35,316,762	$ 34,890,278	$ 32,591,686
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	27.47%	28.55%	33.12%	15.63%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.17%	78.00%	78.43%	83.25%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2017 for year 2018, August 31, 2016 for Year 2017, August 31, 2015 for Year 2016 and August 31, 2014 for 2015.

Note: In accordance with GASB 68, Paragraph 138, only four years of data are presented this reporting period. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

RED OAK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2018

	2018	2017	2016	2015
Contractually Required Contribution	$ 1,039,028	$ 991,363	$ 971,446	$ 888,902
Contribution in Relation to the Contractually Required Contribution	1,039,028	(991,363)	(971,446)	(888,902)
Contribution Deficiency (Excess)	$ -0-	$ -0-	$ -0-	$ -0-
District's Covered Payroll	$ 37,140,348	$ 36,081,222	$ 35,196,159	$ 34,491,916
Contributions as a Percentage of Covered Payroll	2.80%	2.75%	2.76%	2.58%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

Note: In accordance with GASB 68, Paragraph 138, only four years of data are presented this reporting period. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

RED OAK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED JUNE 30, 2018

		FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Post Employment Benefits		0.0421796%
District's Proportionate Share of Net Post Employment Benefit Liability (Asset)	$	18,342,308
State's Proportionate Share of the Net Post Employment Benefit Liability (Asset) associated with the District		28,878,835
Total	$	47,221,143
District's Covered Payroll	$	36,130,933
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll		50.77%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability		0.91%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore the amounts reported for FY 2018 are based on the August 31, 2017 measurement date.

This schedule shows only the year for which this information is available. Additional information will be added until 10 years of data are available and reported.

RED OAK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS FOR OTHER POST EMPLOYMENT BENEFITS (OPEB)
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED JUNE 30, 2018

		2018
Contractually Required Contribution	$	284,109
Contribution in Relation to the Contractually Required Contribution		284,109
Contribution Deficiency (Excess)	$	-0-
District's Covered Payroll	$	37,140,348
Contributions as a Percentage of Covered Payroll		0.76%

Note: GASB Codification, Vol. 2, P50.238 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year..

Information in this schedule should be provided only for the years where data is available. Eventually 10 years of data should be presented.

RED OAK INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

PENSION LIABILITY:

Changes of benefit terms:

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

Changes of assumptions:

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

OPEB LIABILITY:

Changes of benefit terms:

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

Changes of assumptions:

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

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

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

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

COMBINING SCHEDULES

RED OAK INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

Data Control Codes		211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program
	ASSETS				
1110	Cash and Cash Equivalents	$ (155,489)	$ (356,331)	$ (8,452)	$ 145,062
1240	Receivables from Other Governments	194,102	491,348	11,675	1,302
1260	Due from Other Funds	-	-	-	17,805
1000	Total Assets	$ 38,613	$ 135,017	$ 3,223	$ 164,169
	LIABILITIES				
2110	Accounts Payable	$ 52	$ -	$ -	$ 91
2160	Accrued Wages Payable	37,030	129,721	3,078	114,933
2170	Due to Other Funds	1,531	5,296	145	-
2300	Unearned Revenues	-	-	-	45,106
2000	Total Liabilities	38,613	135,017	3,223	160,130
	FUND BALANCES				
	Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	-	-	4,039
	Committed Fund Balance:				
3545	Other Committed Fund Balance	-	-	-	-
3000	Total Fund Balances	-	-	-	4,039
4000	Total Liabilities and Fund Balances	$ 38,613	$ 135,017	$ 3,223	$ 164,169

242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Other Federal Programs	397 Advanced Placement Incentives	410 State Textbook Fund	429 Other State Programs
$ 6,469	$ (6,265)	$ (11,453)	$ (9,574)	$ (11,994)	$ 11,948	$ 5,711	$ 408
19,471	6,365	21,499	9,574	11,994	-	-	-
-	-	-	-	-	-	-	-
$ 25,940	$ 100	$ 10,046	$ -	$ -	$ 11,948	$ 5,711	$ 408
$ 910	$ -	$ -	$ -	$ -	$ -	$ 245	$ -
7,379	-	9,661	-	-	-	-	-
-	100	385	-	-	-	-	-
-	-	-	-	-	-	-	-
8,289	100	10,046	-	-	-	245	-
17,651	-	-	-	-	11,948	5,466	408
-	-	-	-	-	-	-	-
17,651	-	-	-	-	11,948	5,466	408
$ 25,940	$ 100	$ 10,046	$ -	$ -	$ 11,948	$ 5,711	$ 408

RED OAK INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

Data Control Codes		461 Campus Activity Funds	481 Education Foundation Grants	483 Project Lead the Way	484 STEM Lab Grant
	ASSETS				
1110	Cash and Cash Equivalents	$ 310,443	$ 19,881	$ 43	$ 106
1240	Receivables from Other Governments	-	-	-	-
1260	Due from Other Funds	-	-	-	-
1000	Total Assets	$ 310,443	$ 19,881	$ 43	$ 106
	LIABILITIES				
2110	Accounts Payable	$ 3,418	$ 3,999	$ -	$ -
2160	Accrued Wages Payable	1,800	-	-	-
2170	Due to Other Funds	277	-	-	-
2300	Unearned Revenues	-	-	-	-
2000	Total Liabilities	5,495	3,999	-	-
	FUND BALANCES				
	Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	-	-	-
	Committed Fund Balance:				
3545	Other Committed Fund Balance	304,948	15,882	43	106
3000	Total Fund Balances	304,948	15,882	43	106
4000	Total Liabilities and Fund Balances	$ 310,443	$ 19,881	$ 43	$ 106

485 JET Grant	Total Nonmajor Governmental Funds
$ -	$ (59,487)
-	767,330
-	17,805
$ -	$ 725,648
$ -	$ 8,715
-	303,602
-	7,734
-	45,106
-	365,157
-	39,512
-	320,979
-	360,491
$ -	$ 725,648

RED OAK INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes		211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program
	REVENUES:				
5700	Total Local and Intermediate Sources	$ -	$ -	$ -	$ 1,372,684
5800	State Program Revenues	-	-	-	59,169
5900	Federal Program Revenues	534,673	1,007,267	22,924	1,294,283
5020	Total Revenues	534,673	1,007,267	22,924	2,726,136
	EXPENDITURES:				
	Current:				
0011	Instruction	452,321	880,609	22,924	-
0012	Instructional Resources and Media Services	-	-	-	-
0013	Curriculum and Instructional Staff Development	53,233	11,088	-	-
0021	Instructional Leadership	-	-	-	-
0023	School Leadership	9,744	-	-	-
0031	Guidance, Counseling and Evaluation Services	-	115,570	-	-
0034	Student (Pupil) Transportation	-	-	-	-
0035	Food Services	-	-	-	2,722,816
0036	Extracurricular Activities	-	-	-	-
0041	General Administration	19,375	-	-	-
0052	Security and Monitoring Services	-	-	-	-
0061	Community Services	-	-	-	-
6030	Total Expenditures	534,673	1,007,267	22,924	2,722,816
1200	Net Change in Fund Balance	-	-	-	3,320
0100	Fund Balance - July 1 (Beginning)	-	-	-	719
3000	Fund Balance - June 30 (Ending)	$ -	$ -	$ -	$ 4,039

242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Other Federal Programs	397 Advanced Placement Incentives	410 State Textbook Fund	429 Other State Programs
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	2,955	550,814	408
19,471	36,339	78,040	53,194	14,368	-	-	-
19,471	36,339	78,040	53,194	14,368	2,955	550,814	408
-	20,964	65,040	43,569	750	-	549,327	-
-	-	-	-	-	-	-	-
-	2,332	13,000	9,625	11,244	-	-	-
-	13,043	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	2,374	-	-	-
14,353	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
14,353	36,339	78,040	53,194	14,368	-	549,327	-
5,118	-	-	-	-	2,955	1,487	408
12,533	-	-	-	-	8,993	3,979	-
$ 17,651	$ -	$ -	$ -	$ -	$ 11,948	$ 5,466	$ 408

RED OAK INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes		461 Campus Activity Funds	481 Education Foundation Grants	483 Project Lead the Way	484 STEM Lab Grant
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 510,759	$ 80,820	$ -	$ 15,000
5800	State Program Revenues	456	-	-	-
5900	Federal Program Revenues	-	-	-	-
5020	Total Revenues	511,215	80,820	-	15,000
	EXPENDITURES:				
	Current:				
0011	Instruction	160,376	99,571	10,158	14,894
0012	Instructional Resources and Media Services	44,524	-	-	-
0013	Curriculum and Instructional Staff Development	-	-	-	-
0021	Instructional Leadership	-	-	-	-
0023	School Leadership	137,512	-	-	-
0031	Guidance, Counseling and Evaluation Services	51,172	-	-	-
0034	Student (Pupil) Transportation	823	-	-	-
0035	Food Services	-	-	-	-
0036	Extracurricular Activities	144,095	-	-	-
0041	General Administration	9,644	-	-	-
0052	Security and Monitoring Services	4,363	-	-	-
0061	Community Services	6,706	250	-	-
6030	Total Expenditures	559,215	99,821	10,158	14,894
1200	Net Change in Fund Balance	(48,000)	(19,001)	(10,158)	106
0100	Fund Balance - July 1 (Beginning)	352,948	34,883	10,201	-
3000	Fund Balance - June 30 (Ending)	$ 304,948	$ 15,882	$ 43	$ 106

485 JET Grant	Total Nonmajor Governmental Funds
$ -	$ 1,979,263
259,777	873,579
-	3,060,559
259,777	5,913,401
259,777	2,580,280
-	44,524
-	100,522
-	13,043
-	147,256
-	166,742
-	3,197
-	2,737,169
-	144,095
-	29,019
-	4,363
-	6,956
259,777	5,977,166
-	(63,765)
-	424,256
$ -	$ 360,491

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REQUIRED T.E.A. SCHEDULES

RED OAK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED JUNE 30, 2018

Last 10 Years	(1) Tax Rates Maintenance	(2) Tax Rates Debt Service	(3) Assessed/Appraised Value for School Tax Purposes
2009 and prior years	Various	Various	$ 1,235,219,108
2010	1.170000	0.370000	1,215,488,951
2011	1.170000	0.370000	1,197,724,325
2012	1.170000	0.370000	1,185,469,843
2013	1.170000	0.370000	1,191,457,638
2014	1.170000	0.370000	1,234,419,659
2015	1.170000	0.370000	1,411,626,025
2016	1.170000	0.037000	1,463,857,755
2017	1.170000	0.370000	1,546,057,395
2018 (School year under audit)	1.170000	0.370000	1,707,397,720
1000 TOTALS			

(10) Beginning Balance 7/1/2017	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2018
$ 72,167	$ -	$ 11,366	$ 2,632	$ (5,323)	$ 52,846
23,502	-	3,695	1,169	(7,489)	11,149
24,057	-	4,360	1,379	(5,168)	13,150
37,022	-	8,288	2,621	(6,890)	19,223
51,482	-	42,502	13,441	31,451	26,990
57,420	-	42,830	13,545	29,097	30,142
84,479	-	45,962	14,535	32,178	56,160
118,271	-	64,513	20,402	34,146	67,502
344,626	-	160,853	50,867	(27,782)	105,124
-	25,421,958	18,761,450	5,933,102	(372,866)	354,540
$ 813,026	$ 25,421,958	$ 19,145,819	$ 6,053,693	$ (298,646)	$ 736,826

RED OAK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 1,631,077	$ 1,631,077	$ 1,372,684	$ (258,393)
5800	State Program Revenues	47,000	47,000	59,169	12,169
5900	Federal Program Revenues	1,135,973	1,135,973	1,294,283	158,310
5020	Total Revenues	2,814,050	2,814,050	2,726,136	(87,914)
	EXPENDITURES:				
0035	Food Services	2,814,050	2,814,050	2,722,816	91,234
6030	Total Expenditures	2,814,050	2,814,050	2,722,816	91,234
1200	Net Change in Fund Balances	-	-	3,320	3,320
0100	Fund Balance - July 1 (Beginning)	719	719	719	-
3000	Fund Balance - June 30 (Ending)	$ 719	$ 719	$ 4,039	$ 3,320

RED OAK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 6,194,508	$ 6,194,508	$ 6,133,149	$ (61,359)
5800	State Program Revenues	1,642,800	1,642,800	2,238,678	595,878
5020	Total Revenues	7,837,308	7,837,308	8,371,827	534,519
	EXPENDITURES:				
	Debt Service:				
0071	Principal on Long Term Debt	1,796,095	1,796,095	1,796,095	-
0072	Interest on Long Term Debt	5,767,702	5,767,702	5,767,698	4
0073	Bond Issuance Cost and Fees	270,000	270,000	5,000	265,000
6030	Total Expenditures	7,833,797	7,833,797	7,568,793	265,004
1200	Net Change in Fund Balances	3,511	3,511	803,034	799,523
0100	Fund Balance - July 1 (Beginning)	4,235,240	4,235,240	4,235,240	-
3000	Fund Balance - June 30 (Ending)	$ 4,238,751	$ 4,238,751	$ 5,038,274	$ 799,523

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FEDERAL AWARDS SECTION

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees
Red Oak Independent School District
Red Oak, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Red Oak Independent School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Red Oak Independent School District's basic financial statements, and have issued our report dated October 8, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Hankins, Eastup, Deaton, Tonn & Seay

Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas

October 8, 2018

Members:
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Trustees
Red Oak Independent School District
Red Oak, Texas

Report on Compliance for Each Major Federal Program

We have audited Red Oak Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Red Oak Independent School District's major federal programs for the year ended June 30, 2018. Red Oak Independent School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of finding and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Red Oak Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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

Hankins, Eastup, Deaton, Tonn & Seay

Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas

October 8, 2018

RED OAK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

I. Summary of Auditor's Results

1. Type of auditor's report issued on the financial statements: Unmodified

2. Internal control over financial reporting:
   Material weakness(es) identified: None
   Significant deficiency(ies) identified that are not considered to be material weaknesses: None reported

3. Noncompliance which is material to the financial statements: None

4. Internal controls over major federal programs:
   Material weakness(es) identified: None
   Significant deficiency(ies) identified that are not considered to be material weaknesses: None reported

5. Type of auditor's report on compliance for major federal programs: Unmodified

6. Did the audit disclose findings which are required to be reported in accordance with 2 CFR 200.516(a)?: No

7. Major programs include:

   Special Education Cluster:
   CFDA 84.027 IDEA-Part B, Formula
   CFDA 84.173 IDEA-Part B, Preschool

8. Dollar threshold used to distinguish between Type A and Type B programs: $750,000.

9. Low risk auditee: Yes

II. Findings Related to the Financial Statements

None

III. Other Findings

None

RED OAK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATUS OF PRIOR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

FINDING/NONCOMPLIANCE

No Prior Year Findings

CORRECTIVE ACTION PLAN

N/A

RED OAK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through Texas Department of Public Safety			
Public Assistance Grant, Severe Storms	97.036	PA-06-TX-4255-PW-315	$ 78,912
Total Passed Through Texas Department of Public Safety			78,912
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			78,912
U.S. DEPARTMENT OF EDUCATION			
Passed Through Region 10 Service Center			
Title III, Part A - English Language Acquisition	84.365A	18671001057950	53,194
ESEA, Title II, Part A, Supporting Effective Instr	84.367A	18694501057950	78,040
Total Passed Through Region 10 Service Center			131,234
Passed Through State Department of Education			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	17610101070911	105,671
ESEA, Title I, Part A - Improving Basic Programs	84.010A	18610101070911	446,971
Total CFDA Number 84.010A			552,642
*IDEA - Part B, Formula	84.027	186600010709116600	1,044,354
*IDEA - Part B, Preschool	84.173	186610010709116610	23,656
Total Special Education Cluster (IDEA)			1,068,010
Career and Technical - Basic Grant	84.048	18420006070911	36,339
Summer School LEP	84.369A	69551702	2,374
ESEA, Title IV, Part A - Student Support	84.424A	18680101070911	11,994
Total Passed Through State Department of Education			1,671,359
TOTAL U.S. DEPARTMENT OF EDUCATION			1,802,593
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through the State Department of Agriculture			
*School Breakfast Program	10.553	71401801	227,748
*National School Lunch Program - Cash Assistance	10.555	71301801	846,006
*National School Lunch Prog. - Non-Cash Assistance	10.555	71301801	220,529
Total CFDA Number 10.555			1,066,535
*Summer Feeding Program - Cash Assistance	10.559	CE0300	19,471
Total Child Nutrition Cluster			1,313,754
Total Passed Through the State Department of Agriculture			1,313,754
TOTAL U.S. DEPARTMENT OF AGRICULTURE			1,313,754
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 3,195,259

*Clustered Programs

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

RED OAK INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018

1. The District uses the fund types specified in Texas Education Agency's Financial Accountability System Resource Guide. Special Revenue Funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund. Generally, unused balances are returned to the grantor at the close of specified project periods.

2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All federal grant funds were accounted for in a Special Revenue Fund which is a Governmental Fund type. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

   The modified accrual basis of accounting is used for the Governmental Fund types and Agency Funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

   Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.

3. The District participates in numerous state and federal grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at June 30, 2018, may be impaired. In the opinion of the District, there are not significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions has been recorded in the accompanying combined financial statements for such contingencies.

4. The District also received $777,046 of School Health and Related Services (SHARS) payments. These payments are not considered federal awards for purposes of the Schedule of Expenditures of Federal Awards and were recorded as federal revenues in the General Fund.

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