Enhanced Rating: S&P "AA"
Unenhanced Rating: S&P "A+"
(See "RATING", "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS" herein)

OFFICIAL STATEMENT
Dated: January 14, 2020

NEW ISSUE: BOOK-ENTRY-ONLY

In the opinion of Bond Counsel (defined below), assuming continuing compliance by the District (defined below) after the date of initial delivery of the Notes (defined below) with certain covenants contained in the Notes (defined below) and subject to the matters set forth under "TAX MATTERS" herein, interest on the Notes for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income of the owners thereof pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Notes, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof. See "TAX MATTERS" herein.

$4,410,000
ALVARADO INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Johnson County, Texas)
Maintenance Tax Notes, Series 2020

Interest Accrual Date: Initial Delivery
Dated Date: February 1, 2020 **Due: August 15, as shown on the inside cover page**

The Alvarado Independent School District Maintenance Tax Notes, Series 2020 (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 adopted on January 14, 2020 by the Board of Trustees (the "Board") of the Alvarado 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 February 11, 2020 (the "Initial Delivery") and will be payable on February 15 and August 15 of each year, commencing August 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 maintenance and renovations at the District's existing facilities consisting of HVAC replacements, security upgrades and paying the costs of issuance of the Notes. (See "THE NOTES – Authorization and Purpose").

The Notes maturing on or after August 15, 2025 are subject to redemption at the option of the District in whole or in part on February 15, 2025 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 scheduled payment of principal of and interest on the Notes when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Notes by BUILD AMERICA MUTUAL ASSURANCE COMPANY. The bond insurance policy was purchased at the sole discretion of the Purchaser (defined herein). (See "BOND INSURANCE" herein.)

BAM
BUILD AMERICA MUTUAL

MATURITY SCHEDULE
(On Inside Cover)

The Notes are offered for delivery when, as and if issued, and received by the initial purchaser at a competitive sale (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 Norton Rose Fulbright US LLP, San Antonio, Texas, Bond Counsel. The Notes are expected to be available for initial delivery through the facilities of DTC on or about February 11, 2020.

$4,410,000
ALVARADO INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Johnson County, Texas)
MAINTENANCE TAX NOTES, SERIES 2020

MATURITY SCHEDULE
Base CUSIP No.: 022357 [1]

Maturity Date 8/15	Principal Amount	Interest Rate	Initial Yield	CUSIP No. Suffix[1]
2020	$435,000	3.00%	1.03%	F44
2021	390,000	3.00	1.05	F51
2022	400,000	4.00	1.08	F69
2023	415,000	4.00	1.12	F77
2024	430,000	4.00	1.17	F85
2025	450,000	2.00	1.28[2]	F93
2026	460,000	2.00	1.35[2]	G27
2027	470,000	2.00	1.45[2]	G35
2028	475,000	2.00	1.55[2]	G43
2029	485,000	2.00	1.65[2]	G50

(Interest to accrue from the Delivery Date)

[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.*

[2] *Yield calculated based on the assumption that the Notes denoted and sold at a premium will be redeemed on February 15, 2025, the first optional call date for such Notes, at a redemption price of par, plus accrued interest to the redemption date.*

ALVARADO INDEPENDENT SCHOOL DISTRICT

BOARD OF TRUSTEES

Name	Date Initially Elected	Current Term Expires	Occupation
Tom Head, President	2003	2021	Supervisor Crown Electric
Kelly Price, Vice President	2004	2022	Retired/TXDOT
Gary Melson, Secretary	2016	2022	Police Officer
Rocky Biggs, Member	2017	2020	Self Employed/Insurance
Perry Burnett, Member	2018	2021	Area Manager – The Rios Group
Dana Walraven, Member	2016	2022	Community Health Outreach Manager
Hector Velazquez, Member	2019	2020	Self Employed/Landscaping

APPOINTED OFFICIALS

Name	Position	Length of Education Service	Length of Service with the District
Dr. Kenneth Estes	Superintendent	24 Years	23 Years
Mark Ratcliff	Assistant Superintendent of Operations	22 Years	16 Years
Rodney Toon	Chief Financial Officer	16 Years	16 Years
Maryann Wood	Human Resources Director	26 Years	26 Years

CONSULTANTS AND ADVISORS

Norton Rose Fulbright US LLP, San Antonio, Texas	Bond Counsel
SAMCO Capital Markets, Inc., Plano, Texas	Financial Advisor
Evans & Knauth, PLLC, Frisco, Texas	Certified Public Accountants

For additional information, contact:

Dr. Kenneth Estes
Superintendent
Alvarado ISD
102 S. Bill Jackson Drive
Alvarado, Texas 76009
(817) 783-6800

Douglas Whitt / Brian Grubbs / Robert White
SAMCO Capital Markets, Inc.
5800 Granite Parkway, Suite 210
Plano, Texas 75024
(214) 765-1469
(214) 279-8683 (Fax)

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

The information set forth herein has been obtained from the District and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the 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, AND ITS MUNICIPAL BOND INSURANCE POLICY DESCRIBED HEREIN UNDER THE HEADING “BOND INSURANCE” and “BOND INSURANCE RISK FACTORS”, 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 Purchaser 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.

Build America Mutual Assurance Company (“BAM”) makes no representation regarding the Notes or the advisability of investing in the Notes. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading “BOND INSURANCE” and “APPENDIX E - Specimen Municipal Bond Insurance Policy”.

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 Alvarado Independent School District (the "District") is a political subdivision of the State of Texas located in Johnson 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 adopted on January 14, 2020 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 maintenance and renovations at the District's existing facilities consisting of HVAC replacements, security upgrades and paying the costs of issuance of the Notes. (See "THE NOTES – Authorization and Purpose").
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 August 15, 2025 are subject to redemption at the option of the District in whole or in part on February 15, 2025 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").
Rating and Note Insurance	It is expected that S&P Global Ratings ("S&P") will assign its municipal bond rating of "AA" to this issue of Notes with the understanding that upon delivery of the Notes, a municipal bond insurance policy insuring the timely payment of the principal of and interest of the Notes will be issued by BUILD AMERICA MUTUAL ASSURANCE COMPANY. The District's unenhanced, underlying rating, including the Notes, is "A+" by S&P. (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 described under statutes, regulations, published rulings and court decisions on the date hereof, 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.
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 Norton Rose Fulbright US LLP, San Antonio, Texas, Bond Counsel.
Delivery	When issued, anticipated to be on or about February 11, 2020.
Concurrent Issuance of Bonds by the District	The Notes are being issued concurrently with the District's issuance of $10,525,000 Alvarado Independent School District Unlimited Tax School Building Bonds, Series 2020, scheduled to close on or about February 11, 2020 (the "2020 Bonds"). This Official Statement describes only the Notes and not the 2020 Bonds. Investors interested in making an investment decision concerning the 2020 Bonds should review the offering document relating thereto.

INTRODUCTORY STATEMENT

This Official Statement (the "Official Statement"), which includes the cover page and Appendices attached hereto, has been prepared by the Alvarado Independent School District (the "District"), a political subdivision of the State of Texas (the "State") located in Johnson County, Texas, in connection with the offering by the District of its Maintenance Tax Notes, Series 2020 (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) adopted by the Board of Trustees of the District (the "Board") on January 14, 2020 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 Alvarado Independent School District, 102 S. Bill Jackson, Alvarado, Texas 76009 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 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 $4,410,000 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 adopted on January 14, 2020 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 maintenance and renovations at the District's existing facilities consisting of HVAC replacements, security upgrades and paying the costs of issuance of the Notes.. (See "THE NOTES – Authorization and Purpose").

General Description

The Notes are dated February 1, 2020 (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 August 15, 2020 and on each February 15 and August 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.

Optional Redemption

The Notes maturing on or after August 15, 2025, are subject to redemption, at the option of the District, in whole or in part, on February 15, 2025, 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.

Notice of Redemption and DTC Notices

Not less than 30 days prior to an optional redemption date for the Notes, a notice of redemption shall be sent by United States mail, first class postage prepaid, in the name of the District and at the District's expense, by the Paying Agent/Registrar 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 Security Register at the close of business on the business day next preceding the date of mailing such notice. 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 Norton Rose Fulbright US LLP, San Antonio, Texas, Bond Counsel. (See "LEGAL MATTERS" and "Appendix C - Form of Legal Opinion of Bond Counsel").

Payment Record

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

Amendments

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 the payment of the principal of and premium, if any, on the Notes, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent, in trust (1) money sufficient to make such payment, (2) Government Securities (defined below) to 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, or (3) a combination of money and Government Securities together so certified sufficient to make such payment. The sufficiency of deposits as hereinbefore described shall be certified by an independent certified accountant, the District's Financial Advisor, the Paying Agent/Registrar, or some other qualified financial institution as specified in the Resolution. The District has additionally reserved the right in the Resolution, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities for the Government Securities originally deposited, to reinvest the uninvested money on deposit for such defeasance and to withdraw for the benefit of the District money in excess of the amount required for such defeasance. The Resolution provides that "Government Securities" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (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, (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 financial arrangements have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, or (d) any additional securities and obligations hereafter authorized by Texas law as eligible for use to accomplish the discharge of obligations such as the Notes. There is no assurance that the ratings for United States Treasury securities acquired to defease any Notes, or those for any other Government Securities, will be maintained at any particular rating category. Further, there is no assurance that current State law will not be amended in a manner that expands or contracts the list of permissible defeasance securities (such list consisting of those securities identified in clauses (a) through (c) above), or any rating requirement thereon, that may be purchased with defeasance proceeds relating to the Notes ("Defeasance Proceeds"), though the District has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Resolution does not contractually limit such permissible defeasance securities and expressly recognizes the ability of the District to use lawfully available Defeasance Proceeds to defease all or any portion of the Notes, registered owners of Notes are deemed to have consented to the use of Defeasance Proceeds to purchase such other defeasance securities, notwithstanding the fact that such defeasance securities may not be of the same investment quality as those currently identified under State law as permissible defeasance securities.

Upon such deposit as described above, such Notes shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment of the Notes have been made as described above, all rights of the District to initiate proceedings to call the Notes for redemption or take any other action amending the terms of the Notes are extinguished; 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.

Sources and Uses of Funds

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

Sources		
Par Amount of Notes	$	4,410,000.00
Reoffering Premium		199,886.30
Total Sources of Funds	$	4,609,886.30
Uses		
Deposit to Project Fund	$	4,500,000.00
Costs of Issuance		66,000.00
Purchaser's Discount (including bond insurance premium)		42,008.02
Additional Proceeds		1,878.28
Total Uses of Funds	$	4,609,886.30

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.

BOND INSURANCE

The following information has been supplied by Build America Mutual Assurance Company (“BAM” or the “Insurer”) for inclusion in this Official Statement. No representation is made by the District, the Purchaser or the Financial Advisor as to the accuracy or completeness of the information.

The following information is not complete and reference is made to Appendix E for a specimen of the municipal bond insurance policy (the “Policy”) of BAM.

Bond Insurance Policy

Concurrently with the issuance of the Notes, BAM will issue its Municipal Bond Insurance Policy for the Notes. The Policy guarantees the scheduled payment of principal of and interest on the Notes when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Notes, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Notes. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Notes on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Notes, nor does it guarantee that the rating on the Notes will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of September 30, 2019 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $552.8 million, $130.8 million and $422.1 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Notes or the advisability of investing in the Notes. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at buildamerica.com/creditinsights/. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at buildamerica.com/obligor/. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Notes, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Notes. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Notes, whether at the initial offering or otherwise.

BOND INSURANCE GENERAL RISKS

As a result of the purchase of the Policy by the Purchaser, the following risk factors are applicable to the Policy and the Notes.

General

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 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.

None of the District, the Financial Advisor or the Purchaser 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 Investors Services, Inc., 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.

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 annual M&O tax rate to pay the debt service requirements on the Notes would be adversely affected by any such legislation. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM".

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

During the 2019 Legislative Session, the State Legislature made numerous changes to the current public school finance system, the levy and collection of ad valorem taxes, and the calculation of defined tax rates, including particularly those contained in House Bill 3 ("HB 3") and Senate Bill 2 ("SB 2"). In some instances, the provisions of HB 3 and SB 2 will 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 HB 3 and SB 2, and (b) monitoring the on-going guidance provided by TEA. The information contained herein under the captions "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" and "TAX RATE LIMITATIONS" is subject to change, and only reflects the District's understanding of HB 3 and SB 2 based on information available to the District as of the date of this Official Statement. Prospective investors are encouraged to review HB 3, SB 2, and the Property Tax Code for definitive *requirements for the levy and collection of ad valorem taxes, the calculation of the defined tax rates, and the administration of the current public school finance system.*

Overview

The following language constitutes only a summary of the 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: a maintenance and operations ("M&O") tax to pay current expenses and an interest and sinking fund ("I&S") tax to pay debt service on bonds. School districts may not increase their M&O tax rate for the purpose of creating a surplus to pay debt service on bonds. Prior to 2006, school districts were authorized to levy their M&O tax at a voter-approved rate, generally up to $1.50 per $100 of taxable value. Since 2006, the State Legislature has enacted various legislation 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 bonded 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 generally may levy an I&S tax sufficient to pay debt service on such bonds unlimited as to rate or amount (see "TAX RATE LIMITATIONS – I&S Tax Rate Limitations" herein). 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; however, the public school finance funding formulas are 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 a compression percentage set by legislative appropriation or, in the absence of legislative appropriation, by the Commissioner of Education (the "Commissioner"). This 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 school districts in the State had a voted maximum M&O tax rate of $1.50 per $100 of taxable value (though certain school districts located in Harris County had special M&O tax rate authorizations allowing a higher M&O tax rate). 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 $0.17 above the compressed tax rate (for most school districts, this equated to an M&O tax rate 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

During the 2019 Legislative Session, the State Legislature 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 M&O tax rate required for a school district to receive any part of the 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", which is any local M&O tax effort in excess of its Tier One Tax Rate. The 2019 Legislation amended formulas for the State Compression Percentage and Maximum Compressed Tax 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 applicable to all school districts; however, there are distinctions in the funding formulas for school districts that generate local M&O tax revenues in excess of the school districts' funding entitlements, as further discussed under the subcaption "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Revenue Level In Excess of Entitlement" herein.

State Compression Percentage

The "State Compression Percentage" for the State fiscal year ending in 2020 (the 2019-2020 school year) is a statutorily-defined percentage of the rate of $1.00 per $100 at which a school district must levy its Tier One Tax Rate to receive the full amount of the Tier One funding 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 lesser of three alternative calculations: (1) 93% or a lower percentage set by appropriation for a school year; (2) a percentage determined by formula if the estimated total taxable property value of the State (as submitted annually to the State Legislature by the State Comptroller) has increased by at least 2.5% over the prior year; and (3) the prior year State Compression Percentage. For any year, the maximum State Compression Percentage is 93%.

Maximum Compressed Tax Rate

Pursuant to the 2019 Legislation, beginning with the State fiscal year ending in 2021 (the 2020-2021 school year) the Maximum Compressed Tax Rate (the "MCR") is the tax rate per $100 of valuation of taxable property at which a school district must levy its Tier One Tax Rate to receive the full amount of the Tier One funding to which the school district is entitled. The MCR is equal to the lesser of three alternative calculations: (1) the school district's prior year MCR; (2) a percentage determined by formula if the school district experienced a year-over-year increase in property value of at least 2.5%; or (3) the product of the State Compression Percentage for the current year multiplied by $1.00. 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 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 10%. These compression formulas are intended to more closely equalize local generation of Tier One funding among districts with disparate tax bases and generally reduce the Tier One Tax Rates of school districts as property values increase.

Tier One Tax Rate

For the 2019-2020 school year, the Tier One Tax Rate is 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 $0.93. Beginning in the 2020-2021 school year, a school district's Tier One Tax Rate is defined as a school district's M&O tax rate levied that does not exceed the school district's MCR.

Enrichment Tax Rate

The Enrichment Tax Rate is the number of cents a school district levies for M&O in excess of the Tier One Tax Rate, up to an additional $0.17. The Enrichment Tax Rate is divided into two components: (i) "Golden Pennies" which are the first $0.08 of tax effort in excess of a school district's Tier One Tax Rate; and (ii) "Copper Pennies" which are the next $0.09 in excess of a school district's Tier One Tax Rate plus Golden Pennies.

School districts may levy an Enrichment Tax Rate at a level of their choice, subject to the limitations described under "TAX RATE LIMITATIONS – Public Hearing and Voter-Approval Tax Rate"; however to levy any of the Enrichment Tax Rate in a given year, a school district must levy a Tier One Tax Rate equal to $0.93 for the 2019-2020 school year, or equal to the school district's MCR for the 2020-2021 and subsequent years. Additionally, a school district's levy of Copper Pennies is subject to compression if the guaranteed yield (i.e., the guaranteed level of local tax revenue and State aid generated for each cent of tax effort) of Copper Pennies is increased from one year to the next (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts – Tier Two").

State Funding for School Districts

State funding for school districts is provided through the two-tiered Foundation School Program, which guarantees certain levels of funding for school districts in the State. School districts are entitled to a legislatively appropriated guaranteed yield on their Tier One Tax Rate and Enrichment Tax Rate. When a school district's Tier One Tax Rate and Enrichment Tax Rate generate tax revenues at a level below the respective entitlement, the State will provide "Tier One" funding or "Tier Two" funding, respectively, to fund the difference between the school district's entitlements and the calculated M&O revenues generated by the school district's respective M&O tax rates.

The first level of funding, Tier One, is the basic level of funding guaranteed to all school districts based on a school district's Tier One Tax Rate. Tier One funding may then be "enriched" with Tier Two funding. Tier Two provides a guaranteed entitlement 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 (except for school districts subject to the recapture provisions of Chapter 49 of the Texas Education Code, as discussed herein), and in some instances is required to be used for that purpose (see "TAX RATE LIMITATIONS – I&S Tax Rate Limitations"), Tier Two funding may not be used for the payment of debt service or capital outlay.

The current public school finance system also provides an Existing Debt Allotment ("EDA") to subsidize debt service on eligible outstanding school district bonds, an Instructional Facilities Allotment ("IFA") to subsidize debt service on newly issued bonds, and a New Instructional Facilities Allotment ("NIFA") to subsidize operational expenses associated with the opening of a new instructional facility. IFA primarily addresses the debt service needs of property-poor school districts. For the 2020-2021 State fiscal biennium, the State Legislature appropriated funds in the amount of $1,323,444,300 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.

Tier One

Tier One funding is the basic level of funding guaranteed to a school district, consisting of 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, defined herein as "ADA"). The Basic Allotment is revised downward if a school district's Tier One Tax Rate is less than the State-determined threshold. The 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 entitlement under the Foundation School Program.

For the 2019-2020 State fiscal year, the Basic Allotment for school districts with a Tier One Tax Rate equal to $0.93, is $6,160 for each student in ADA and is revised downward for school districts with a Tier One Tax Rate lower than $0.93. 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 mileage associated with transporting students who reside 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 college, career and military readiness allotment to further Texas' goal of increasing the number of students who attain a post-secondary education or workforce credential, and (iv) a teacher incentive allotment to increase teacher compensation retention in disadvantaged or rural school districts. A school district's total Tier One funding, divided by $6,160, is a school district's measure of students in "Weighted Average Daily Attendance" ("WADA"), which serves to calculate Tier Two funding.

Tier Two

Tier Two supplements Tier One funding 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) the Basic Allotment (or a greater amount as may be provided by appropriation) multiplied by 0.016. For the 2020-2021 State fiscal biennium, school districts are guaranteed a yield of $98.56 per student in WADA for each Golden Penny levied. Copper Pennies generate a guaranteed yield per student in WADA equal to the school district's Basic Allotment (or a greater amount as may be provided by appropriation) multiplied by 0.008. For the 2020-2021 State fiscal biennium, school districts are guaranteed a yield of $49.28 per student in WADA for each Copper Penny levied. For any school year in which the guaranteed yield of Copper Pennies per student in WADA exceeds the guaranteed yield of Copper Pennies 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 Copper Penny per student in WADA for the 2018-2019 school year to $49.28 per

Copper Penny per student in WADA for the 2019-2020 school year requires school districts to compress their levy of Copper Pennies by a factor of 0.64834. As such, school districts that levied an Enrichment Tax Rate of $0.17 in school year 2018-2019 must reduce their Enrichment Tax Rate to approximately $0.138 per $100 taxable value for the 2019-2020 school year.

Existing Debt Allotment, Instruction Facilities Allotment, and New Instructional Facilities Allotment

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 Yield") in State and local funds for each cent of I&S tax levied to pay the principal of and interest on eligible bonds issued to construct, acquire, renovate or improve instructional facilities. The IFA Yield 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 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. For the 2020-2021 State fiscal biennium, the State Legislature did not appropriate any funds for new IFA awards; 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 portion of a school district's local debt service rate that qualifies for EDA assistance is limited to the first $0.29 of its I&S tax rate (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.

Since future-year IFA awards were not funded by the State Legislature for the 2020-2021 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 2020-2021 State fiscal biennium on new bonds issued by school districts in the 2020-2021 State fiscal biennium to construct, acquire and improve facilities must be funded solely from local I&S taxes.

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. In the 2019 Legislative Session, the State Legislature appropriated funds in the amount of $100,000,000 for each fiscal year of the 2020-2021 State fiscal biennium for NIFA allotments.

Tax Rate and Funding Equity

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-wealthy" school districts that received additional State funds under the public school finance system prior to the enactment of the 2019 Legislation 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.

Local Revenue Level in Excess of Entitlement

A school district that has sufficient property wealth per student in ADA to generate local revenues on the school district's Tier One Tax Rate and Copper Pennies in excess of the school district's respective funding entitlements (a "Chapter 49 school district"), is subject to the local revenue reduction provisions contained in Chapter 49 of Texas Education Code, as amended ("Chapter 49"). Additionally, in years in which the amount of State funds appropriated specifically excludes the amount necessary to provide the guaranteed yield for Golden Pennies, local revenues generated on a school district's Golden Pennies in excess of the school district's respective funding entitlement are subject to the local revenue reduction provisions of Chapter 49. To reduce local revenue, Chapter 49 school districts are generally subject to a process known as "recapture", which requires a Chapter 49 school district to exercise certain options to remit local M&O tax revenues collected in excess of the Chapter 49 school district's funding entitlements 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 Chapter 49 school districts, as described in the subcaption "Options for Local Revenue Levels in Excess of Entitlement". 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.

Whereas prior to the 2019 Legislation, the recapture process had been based on the proportion of a school district's assessed property value per student in ADA, 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.

Options for Local Revenue Levels in Excess of Entitlement

Under Chapter 49, a school district has six options to reduce local revenues to a level that does not exceed the school district's respective entitlements: (1) a school district may consolidate by agreement with one or more school districts to form a consolidated school district; all property and debt of the consolidating school districts vest in the consolidated school 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 school 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 (6) 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 school district or, if necessary, consolidate the school district with a property-poor school 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.

THE SCHOOL FINANCE AS APPLIED TO THE DISTRICT

For the 2019-2020 school year, the District was not designated as an "excess local revenue" district by TEA. Accordingly, the District has not been required to exercise one of the wealth equalization options permitted under applicable State law. 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 "excess local revenues" must be tested for each future school year and, if it exceeds the equalized wealth value, the District must reduce its wealth per student by the exercise of one of the permitted wealth equalization options. Accordingly, if the District's wealth per student should exceed the maximum permitted value in future school years, it will be required to exercise one or more of the permitted wealth equalization 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 ration 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 an annexing district.

For a detailed discussion of State funding for school district see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts."

AD VALOREM TAX PROCEDURES

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Reference is made to Title I of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Valuation of Taxable Property

The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the District is the responsibility of the Central Appraisal District of Johnson County (the "Appraisal District"). Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (3) years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a 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 homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified as both agricultural and open-space land.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the District, in establishing their tax rolls and tax rates (see "AD VALOREM TAX PROCEDURES – District and Taxpayer Remedies").

State Mandated Homestead Exemptions

State law grants, with respect to each school district in the State, (1) a $25,000 exemption of the appraised value of all homesteads, (2) a $10,000 exemption of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled, and (3) various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty. See "Appendix A – Financial

Information of the District – Assessed Valuation" for the reduction in taxable valuation attributable to state-mandated homestead exemptions.

Local Option Homestead Exemptions

The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than $5,000) and (2) an additional exemption of at least $3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The governing body of a school district may not repeal or reduce the amount of the local option homestead exemption described in (1), above, that was in place for the 2014 tax year (fiscal year 2015) for a period ending December 31, 2019. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit. See "Appendix A – Financial Information of the District – Assessed Valuation" for the reduction in taxable valuation, if any, attributable to local option homestead exemptions.

State Mandated Freeze on School District Taxes

Except for increases attributable to certain improvements, a school district is prohibited from increasing the total ad valorem tax on the homestead of persons sixty-five (65) years of age or older or of disabled persons above the amount of tax imposed in the year such homestead qualified for such exemption. This freeze is transferable to a different homestead if a qualifying taxpayer moves and, under certain circumstances, is also transferable to the surviving spouse of persons sixty-five (65) years of age or older, but not the disabled. See "Appendix A – Financial Information of the District – Assessed Valuation" for the reduction in taxable valuation attributable to the freeze on taxes for the elderly and disabled.

Personal Property

Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property.

Freeport Exemptions

Certain goods that are acquired in or imported into the State to be forwarded outside the State, and are detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication ("Freeport Property") are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue taxing Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal.

Certain goods, that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days ("Goods-in-Transit"), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer's motor vehicle, boat, or heavy equipment inventory.

A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property. See "Appendix A – Financial Information of the District – Assessed Valuation" for the reduction in taxable valuation, if any, attributable to Goods-in-Transit or Freeport Property exemptions.

Other Exempt Property

Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property.

Tax Increment Reinvestment Zones

A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones ("TIRZ") within its boundaries. At the time of the creation of the TIRZ, a "base value" for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the "tax increment". During the existence of the TIRZ, all or a portion of the taxes levied against the tax increment by a city or county, and all other overlapping taxing units that elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

Until September 1, 1999, school districts were able to reduce the value of taxable property reported to the State to reflect any taxable value lost due to TIRZ participation by the school district. The ability of the school district to deduct the taxable value of the tax increment that it contributed prevented the school district from being negatively affected in terms of state school funding. However, due to a change in law, local M&O tax rate revenue contributed to a TIRZ created on or after May 31, 1999 will count toward a school district's Tier One entitlement (reducing Tier One State funds for eligible school districts) and will not be considered in calculating any school district's Tier Two entitlement (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts").

Tax Limitation Agreements

The Texas Economic Development Act (Chapter 313, Texas Tax Code, as amended), allows school districts to grant limitations on appraised property values to certain corporations and limited liability companies to encourage economic development within the school district. Generally, during the last eight (8) years of the ten-year term of a tax limitation agreement, a school district may only levy and collect M&O taxes on the agreed-to limited appraised property value. For the purposes of calculating its Tier One and Tier Two entitlements, the portion of a school district's property that is not fully taxable is excluded from the school district's taxable property values. Therefore, a school district will not be subject to a reduction in Tier One or Tier Two State funds as a result of lost M&O tax revenues due to entering into a tax limitation agreement (see “CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts”).

For a discussion of how the various exemptions described above are applied by the District, see “AD VALOREM TAX PROCEDURES – The Property Tax Code as Applied to the District” herein.

District 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.

Beginning in the 2020 tax year, owners of certain property with a taxable value in excess of the current year “minimum eligibility amount”, as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at $50 million for the 2020 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

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 “TAX RATE LIMITATIONS – Public Hearing and Voter-Approval Tax Rate”). The Property Tax Code also establishes a procedure for providing 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.

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. 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 of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the District. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the District may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

District’s Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having power to tax the property. The District’s tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property.

Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, adverse market conditions, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer’s debt.

Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

TAX RATE LIMITATIONS

M&O Tax Rate Limitations

A school district is authorized to levy maintenance and operation ("M&O") taxes subject to approval of a proposition submitted to district voters under Section 45.003(d) of the Texas Education Code, as amended. The maximum M&O tax rate that may be levied by a district cannot exceed the voted maximum rate or the maximum rate described in the next succeeding paragraph. The maximum voted M&O tax rate for the District is $1.50 per $100 of assessed valuation as approved by the voters at an election held on May 19, 2001 under Chapter 20, Texas Education Code (now codified as Section 45.003, Texas Education Code).

The 2019 Legislation 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 "TAX RATE LIMITATIONS – Public Hearing and Voter-Approval Tax Rate" herein.

I&S Tax Rate Limitations

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 of the Texas Education Code, as amended, 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 voters of a school district 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 (the "50-cent Test"). 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 50-cent 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 (5) 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 50-cent 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 50-cent 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. The Notes are issued and payable by the annual levy of the M&O tax and are not subject to the $0.50 threshold tax rate test. The District has not used State assistance, other than EDA or IFA allotment funding, or projected property values to satisfy this threshold test.

Public Hearing and Voter-Approval Tax Rate

A school district's total tax rate is the combination of the M&O tax rate and the I&S tax rate. 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", as described below.

For the 2019 tax year, a school district is required to adopt its annual tax rate 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 being the lower of the "effective tax rate" calculated for that tax year or the tax rate adopted by the taxing unit for the preceding tax year. "Effective tax rate" means the rate that will produce the prior year's total tax levy from the current year's total taxable values, adjusted such that lost values are not included in the calculation of the prior year's taxable values and new values are not included in the current year's taxable values.

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 I&S tax rate. 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 the State Compression Percentage multiplied by $1.00.

For the 2019 tax year, a school district 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 tax rate for the 2019 tax year that exceeds the school district's Voter-Approval Tax Rate. For the 2019 tax year, the District is not eligible to adopt a tax rate that exceeds its Voter-Approval Tax Rate.

Beginning with the 2020 tax year, a school district is required to adopt its annual tax rate 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 30 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 school 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 30 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 from the current year's total taxable values, adjusted such that lost values are not included in the calculation of the prior year's taxable values and new values are not included in the current year's taxable values.

For the 2020 and subsequent tax years, 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 I&S tax rate. However, for only the 2020 tax year, if the governing body of the school district does not adopt by unanimous vote an 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 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 (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" herein, for more information regarding the State Compression Percentage, MCR, and the Enrichment 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 such efficiency audit. An election is not required for a tax increase to address increased expenditures resulting from certain natural disasters in the year following the 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.

The calculation of the Voter-Approval Tax Rate does not limit or impact the District's ability to set an I&S tax rate in each year sufficient to pay debt service on all of the District's tax-supported debt obligations, including the Notes.

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, a school 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 school district is located its Voter-Approval Tax Rate in accordance with forms prescribed by the State Comptroller.

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 Johnson County, Texas (the "County"). The Appraisal District is governed by a board of directors appointed by members of the governing bodies of various political subdivisions within the 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 collect an additional 20% penalty to defray attorney costs in the collection of delinquent taxes over and above the penalty automatically assessed under the Tax Code.

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

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

The District does not participate in a tax increment financing zone. The District does not grant tax abatements.

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

The District has taken action to tax freeport property. The District has not taken action to continue to tax goods-in-transit.

See "Appendix A – Assessed Valuation" for the reduction in taxable valuation attributable in the foregoing exemptions.

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 August 31, 2019, the District made a contribution to TRS on a portion of their employee's salaries that exceeded the statutory minimum. The District generally does not offer any post-employment retirement benefits and has no liabilities for "Other Post Employment Retirement Benefits" as defined in GASB Statement No. 45. For a discussion of the TRS retirement plan, see "PENSION PLAN AND OTHER POST EMPLOYMENT BENEFITS" to the audited financial statements of the District that are attached hereto as Appendix D (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 ("GASB") Statement 45.

During the year ended August 31, 2019, employees of the District were covered by a fully-insured health insurance plan (the "Health Care Plan"). The District contributed $275 per month per employee to the Health Care Plan. Employees, at their option, authorize payroll withholdings to pay premiums for dependents. See "RISK MANAGEMENT – Health Care Coverage" 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

It is expected that S&P will assign its municipal bond rating of "AA" to this issue of Notes with the understanding that upon delivery of the Notes, the Policy insuring the timely payment of the principal of and interest of the Notes will be issued by BAM (see "BOND INSURANCE").

The District's current unenhanced, underlying rating, including the Notes, is "A+" by S&P.

An explanation of the significance of such rating may be obtained from S&P. The rating of the Notes by S&P 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 S&P, if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price 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 S&P. 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 to the effect that the Notes are valid and legally binding obligations of the District payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property in the District, and the approving legal opinion of Norton Rose Fulbright US LLP, San Antonio, Texas, Bond Counsel to the District ("Bond Counsel"), to like effect and to the effect that the interest on the Notes will be excludable from gross income for federal income tax purposes under section 103(a) of the Internal Revenue Code, subject to the matters described under "TAX MATTERS" herein. The form of Bond Counsel's opinion is attached hereto as Appendix C. The legal fee to be paid to Bond Counsel for services rendered in connection with the issuance of the Notes is contingent upon the sale and delivery of the Notes.

Though it represents the Financial Advisor from time to time in matters unrelated to the issuance of the Notes, Bond Counsel has been engaged by and only represents the District in connection with the issuance of the Notes. Except as noted below, Bond Counsel was not requested to participate, and did not take part in the preparation of this 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 appearing under the captions or subcaptions "THE NOTES" (except for the information included in the second paragraph under the subcaption "Notice of Redemption and DTC Notices" and under the subcaption "Payment Record," as to which no opinion is expressed), and "CONTINUING DISCLOSURE OF INFORMATION" (except for the information under the subcaption "Compliance With Prior Undertakings," as to which no opinion is expressed), and Bond Counsel is of the opinion that the statements and information contained therein fairly and accurately reflect the provisions of the Resolution; further, Bond Counsel has reviewed the statements and information contained in this Official Statement under the captions and sub-captions "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS," "CURRENT PUBLIC SCHOOL FINANCE SYSTEM", "TAX RATE LIMITATIONS – Maintenance Tax" (first paragraph only), "LEGAL MATTERS", "TAX MATTERS," "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS," and "REGISTRATION AND QUALIFICATION OF NOTES FOR SALE," and Bond Counsel is of the opinion that the statements and information contained therein are correct as to matters of law.

The various legal opinions to be delivered concurrently with the delivery of the 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

Tax Exemption

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

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

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

Tax Changes

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of interest on the Notes from gross income for federal income tax purposes. It is uncertain whether this legislation will be enacted and, if so, whether it will be enacted in its current form. Prospective purchasers of the Notes should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Ancillary Tax Consequences

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

Tax Accounting Treatment of Discount Notes

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

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

In the event of the redemption, sale or other taxable disposition of a Discount Note prior to maturity, the amount realized by such owner in excess of the basis of such 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 Discount Note was held) is includable in gross income.

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

Tax Accounting Treatment of Premium Notes

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

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

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

Under State law and subject to certain limitations, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations issued and secured by a federal agency or instrumentality of the United States; (4) other obligations unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies and instrumentalities; (5) "A" or better rated obligations of states, agencies, counties, cities, and other political subdivisions of any state; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) federally insured interest-bearing bank deposits, brokered pools of such deposits, and collateralized certificates of deposit and share certificates; (8) fully collateralized United States government securities repurchase agreements; (9) one-year or shorter securities lending agreements secured by obligations described in clauses (1) through (7) above or (11) through (14) below or an irrevocable letter of credit issued by an "A" or better rated state or national bank; (10) 270-day or shorter bankers' acceptances, if the short-term obligations of the accepting bank or its holding company are rated at least "A-1" or "P-1"; (11) commercial paper rated at least "A-1" or "P-1"; (12) SEC-registered no-load money market mutual funds that are subject to SEC Rule 2a-7; (13) SEC-registered no-load mutual funds that have an average weighted maturity of less than two years; (14) "AAA" or "AAAm"-rated investment pools that invest solely in investments described above; and (15) in the case of bond proceeds, guaranteed investment contracts that are secured by obligations described in clauses (1) through (7) above and, except for debt service funds and reserves, have a term of 5 years or less.

The District may not, however, invest in (1) interest only obligations, or non-interest bearing principal obligations, stripped from mortgage-backed securities; (2) collateralized mortgage obligations that have a remaining term that exceeds 10 years; and (3) collateralized mortgage obligations that bear interest at an index rate that adjusts opposite to the changes in a market index. In addition, the District may not invest more than 15% of its monthly average fund balance (excluding bond proceeds and debt service funds and reserves) in mutual funds described in clause (13) above or make an investment in any mutual fund that exceeds 10% of the fund's total assets.

Except as stated above or inconsistent with its investment policy, the District may invest in obligations of any duration without regard to their credit rating, if any. If an obligation ceases to qualify as an eligible investment after it has been purchased, the District is not required to liquidate the investment unless it no longer carries a required rating, in which case the District is required to take prudent measures to liquidate the investment that are consistent with its investment policy.

Investment Policies

Under State law, the District is required to adopt and annually review written investment policies and must invest its funds in accordance with its policies. The policies must identify eligible investments and address investment diversification, yield, maturity, and the quality and capability of investment management. For investments whose eligibility is rating dependent, the policies must adopt procedures to monitor ratings and liquidate investments if and when required. The policies must require that all investment transactions settle on a delivery versus payment basis. The District is required to adopt a written investment strategy for each fund group to achieve investment objectives in the following order of priority: (1) suitability, (2) preservation and safety of principal, (3) liquidity, (4) marketability, (5) diversification, and (6) yield.

State law requires the District's investments 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." The District is required to perform an annual audit of the management controls on investments and compliance with its investment policies and provide regular training for its investment officers.

Current Investments

As of October 31, 2019, the District had approximately $19,042,878 (unaudited) invested in TexPool, (a government investment pool that generally has the characteristics of a money-market mutual fund) and $4,159,356 (unaudited) invested at a local bank. The market value of such investments (as determined by the District by reference to published quotations, dealer bids, and comparable information) is approximately 100% of the book value. No funds of the District are invested in derivative securities, i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

REGISTRATION AND QUALIFICATION OF 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 Electronic Municipal Markets 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 six 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 six months after any such fiscal year end, then the District shall file unaudited Financial Statements within such six-month period and audited Financial Statements for the applicable fiscal year, when and if the audit report on such Financial Statements becomes available.

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

The District's current fiscal year end is August 31. Accordingly, the Annual Operating Report must be provided by the last day of February in each year, and the Financial Statements must be provided by the last day of August 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 timely notices of certain events to the MSRB. The District will 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 paying agent/registrar or the change of name of a paying agent/registrar, if material; and (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 others 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". The District will provide each notice described in this paragraph to the MSRB. Neither the Notes nor the Resolution make any provision for a bond trustee, debt service reserves, credit enhancement (other than the Policy to be issued by BAM), or liquidity enhancement. In the Resolution, the District adopted policies and procedures to ensure timely compliance of its continuing disclosure undertakings.

For these purposes, (a) an 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. , and (b) the District intends the words used in the immediately preceding clauses (15) and (16) and in the definition of Financial Obligation above to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

Availability of Information

All information and documentation filing required to be made by the District in accordance with its undertaking made for the Notes will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB through EMMA at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that has been provided except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell 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. Nothing in this paragraph is intended or shall act to disclaim, waive or limit the District's duties under federal or state securities laws.

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if, but only if, (1) the agreement, as so amended, would have permitted underwriters to purchase or sell 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. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Notes in the primary offering 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.

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

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

After requesting competitive bids for the Notes, the District accepted the bid of Citigroup Global Markets, Inc. (the "Purchaser" or the "Initial Purchaser") to purchase the Notes at the interest rates shown on page ii of this Official Statement at a price of par, plus a cash premium of 199,886.30 less a Purchaser's Discount of $42,008.02. The District can give no assurance that any trading market will be developed for the Notes after their sale by the District to the Purchaser. The District has no control over the price at which the Notes are subsequently sold and the initial yield at which the Notes will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

CERTIFICATION OF THE OFFICIAL STATEMENT

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; and (d) there has been no material adverse change in the financial condition of the District, since August 31, 2019, the date of the last financial statements of the District appearing in the Official Statement.

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. All information contained in this Official Statement is subject, in all respects, to the complete body of information contained in the original sources thereof. In particular, no opinion or representation is rendered as to whether any projection will approximate actual results, and all opinions, estimates and assumption, whether or not expressly identified as such, should not be considered statements of fact.

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

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

/s/ Tom Head

President, Board of Trustees

ATTEST:

/s/ Gary Melson

Secretary, Board of Trustees

APPENDIX A

FINANCIAL INFORMATION OF THE DISTRICT

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ALVARADO INDEPENDENT SCHOOL DISTRICT

Financial Information

ASSESSED VALUATION [1]

2019/20 Total Valuation……………………………………………………………………………………		$ 1,953,647,850
Less Exemptions & Deductions [2]:		
State Homestead Exemption	$ 104,110,655	
State Over-65 Exemption	16,443,164	
Disabled Exemption	7,939,340	
Veterans Exemption	1,368,511	
Freeport Exemption	55,008,568	
Pollution Exemption	778,944	
Productivity Loss	252,315,025	
Homestead Cap Loss	25,708,155	
	$ 463,672,362	
2019/20 Net Taxable Valuation ……………………………………………………………………………		$ 1,489,975,488

(1) Certified Values from the Central Appraisal District of Johnson County as of July 2019. The passage of a Texas Constitutional Amendment on November 3, 2015 increased the homestead exemption from $15,000 to $25,000.
(2) Excludes the values on which property taxes are frozen for persons 65 years of age or older and disabled taxpayers, which totaled $30,375,017 for 2018/19.

OUTSTANDING OBLIGATIONS

Voted Unlimited Tax Bonds Outstanding [1]		$ 69,795,000
Non-Voted Limited Maintenance Tax Notes Outstanding		-
Plus: The Bonds		10,525,000
Plus: The Notes		4,410,000
Total Obligations [1]		84,730,000
Less: Interest & Sinking Fund Balance (As of August 31, 2019) [2]		(1,581,562)
Net Obligations		$ 83,148,438
Ratio of Net G.O. Debt to Net Taxable Valuation [3]	5.58%	
2019 Population Estimate	19,800	
Per Capita Net Taxable Valuation	$75,251	
Per Capita Net G.O. Debt	$4,199	

(1) Excludes interest accreted on outstanding capital appreciation bonds.
(2) Source: Alvarado ISD Audited Financial Statement.
(3) See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in the Official Statement and "DEBT SERVICE REQUIREMENTS" in this appendix and see the "Audited Financial Report Fiscal Year Ended August 31, 2019" 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	$ 695,095,592 [1]	$ 1.6029	95.57%	100.62%
2007/08	881,535,673 [1]	1.4100 [6]	97.07%	101.20%
2008/09	1,525,343,687 [1]	1.3069	96.81%	98.88%
2009/10	1,749,317,311 [1]	1.2800	97.13%	99.11%
2010/11	1,561,840,281 [1]	1.3160	97.26%	99.91%
2011/12	1,470,853,974 [1]	1.3160	97.46%	100.11%
2012/13	1,451,791,266 [1]	1.3160	97.18%	99.45%
2013/14	1,357,594,069 [1]	1.4610	96.68%	98.90%
2014/15	1,481,766,413 [1]	1.4610	97.65%	100.14%
2015/16	1,467,984,207 [1][2]	1.4610	97.78%	100.77%
2016/17	1,303,368,044 [1]	1.4610	97.56%	99.95%
2017/18	1,241,264,985 [1]	1.4610	97.81%	100.00%
2018/19	1,372,814,726 [1]	1.4610	98.07%	98.16%
2019/20	1,489,975,488 [3]	1.4700 [7]	(In Process of Collection)	

(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) Certified Value from the Central Appraisal District of Johnson County as of July 2019.
(4) Source: Alvarado ISD Audited Financial Statements.
(5) Excludes penalties and interest.
(6) The declines in the District's Maintenance & Operation Tax for the 2006/07 and 2007/08 fiscal years are a function of House Bill 1 adopted by the Texas Legislature in May 2006. See "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in the Official Statement.
(7) The decline in the District's Maintenance & Operation Tax from the 2018/19 fiscal year to the 2019/20 fiscal year is a function of House Bill 3 adopted by the Texas Legislature in June 2019. See "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in Official Statement.

TAX RATE DISTRIBUTION

	2015/16	2016/17	2017/18	2018/19	2019/20 (1)
Maintenance & Operations	$1.0400	$1.0400	$1.0400	$1.0400	$0.9700
Debt Service	$0.4210	$0.4210	$0.4210	$0.4210	$0.5000
Total Tax Rate	$1.4610	$1.4610	$1.4610	$1.4610	$1.4700

(1) The decline in the District's Maintenance & Operations Tax from the 2018/19 fiscal year to the 2019/20 fiscal year is a function of House Bill 3 adopted by the Texas Legislature in June 2019.

VALUATION AND VOTED GENERAL OBLIGATION DEBT HISTORY

Fiscal Year	Net Taxable Valuation	Voted Unlimited Tax Bond Debt Outstanding (1)	Ratio Debt to A.V. (2)
2006/07	$ 695,095,592	$ 63,054,126	9.07%
2007/08	881,535,673	61,724,392	7.00%
2008/09	1,525,343,687	60,065,966	3.94%
2009/10	1,749,317,311	57,014,393	3.26%
2010/11	1,561,840,281	54,984,393	3.52%
2011/12	1,470,853,974	52,589,393	3.58%
2012/13	1,451,791,266	50,404,393	3.47%
2013/14	1,357,594,069	83,224,393	6.13%
2014/15	1,481,766,413	80,273,631	5.42%
2015/16	1,467,984,207	77,598,599	5.29%
2016/17	1,303,368,044	74,826,000	5.74%
2017/18	1,241,264,985	71,198,000	5.74%
2018/19	1,372,814,726	69,795,000	5.08%
2019/20	1,489,975,488	73,997,000 (3)	4.97%

(1) At fiscal year end. Excludes interest accreted on outstanding capital appreciation bonds.
(2) See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in the Official Statement, "DEBT SERVICE REQUIREMENTS" in this Appendix and see the "Audited Financial Report Fiscal Year Ended August 31, 2019" in Appendix D for more information.
(3) Includes the Bonds but does not include the Notes.

ESTIMATED OVERLAPPING DEBT STATEMENT

Taxing Body	Amount	Percent Overlapping	Amount Overlapping
City of Alvarado	$ 9,027,000	100.00%	$ 9,027,000
Johnson County	24,175,000	10.17%	2,458,598
Total Overlapping Debt (1)			$ 11,485,598
Alvarado Independent School District (2) (3)			83,148,438
Total Direct & Overlapping Debt			$ 94,634,036

Ratio of Net Direct & Overlapping Debt to Net Taxable Valuation	6.35%
Per Capita Direct & Overlapping Debt	$4,779

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

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

PRINCIPAL TAXPAYERS [1]

2019/20 Top Ten Taxpayers [2]

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
FDL Operating LLC [3]	Oil & Gas	$ 97,472,176	6.54%
Halliburton Energy Services Inc.	Oil & Gas	40,619,687	2.73%
Sabre Industries Inc.	Telephone Utility	22,776,534	1.53%
Motor Home Specialist Inc.	Car Dealership	21,557,576	1.45%
SWG Pipeline LLC	Pipeline	20,439,745	1.37%
Pole Landlord LA TX LLC	Commerical Land	18,015,776	1.21%
XTO Energy Inc.	Oil & Gas	15,031,795	1.01%
Tesmec USA Inc.	Wholesale Supplier	12,665,898	0.85%
Enervest Operationg LLC	Oil & Gas	12,110,221	0.81%
Energy Transfer Fuel LP	Oil & Gas	9,939,719	0.67%
		$ 270,629,127	18.16%

2018/19 Top Ten Taxpayers [4]

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
FDL Operating LLC [3]	Oil & Gas	$ 83,291,205	6.07%
Halliburton Energy Services Inc.	Oil & Gas	30,177,469	2.20%
Sabre Industries Inc.	Telephone Utility	24,196,098	1.76%
Motor Home Specialist Inc.	Car Dealership	22,547,176	1.64%
SWG Pipeline LLC	Pipeline	20,920,206	1.52%
Pole Landlord LA TX LLC	Commerical Land	18,243,775	1.33%
XTO Energy Inc.	Oil & Gas	15,786,093	1.15%
Enervest Operationg LLC	Oil & Gas	13,972,721	1.02%
Tesmec USA Inc.	Wholesale Supplier	12,562,272	0.92%
Quikrete Companies Inc.	Manufacturing	9,903,127	0.72%
		$ 251,600,142	18.33%

2017/18 Top Ten Taxpayers [4]

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
Devon Energy Production Co. LP [3]	Oil & Gas	$ 79,717,306	6.42%
Halliburton Energy Services Inc.	Oil & Gas	32,900,839	2.65%
Sabre Industries Inc.	Telephone Utility	24,118,058	1.94%
Motor Home Specialist Inc.	Car Dealership	20,781,480	1.67%
SWG Pipeline LLC	Pipeline	19,779,290	1.59%
Pole Landlord LA TX LLC	Commerical Land	17,981,570	1.45%
XTO Energy Inc.	Oil & Gas	14,538,892	1.17%
Tesmec USA Inc.	Wholesale Supplier	13,341,904	1.07%
Energy Transfer Fuel LP	Oil & Gas	10,320,032	0.83%
Power Line Services Inc.	Electric Utility	9,770,140	0.79%
		$ 243,249,511	19.60%

(1) The District is located in the Barnett Shale bed rock that produces natural gas. As shown in the tables above, the top ten taxpayers in the District currently account for over 18% of the District's tax base, with the majority of such property comprised of minerals and related business activities. The District's largest taxpayer currently accounts for over 5% of the District's tax base. Adverse developments in economic conditions, especially in the oil and natural gas industry, could adversely impact the businesses that own mineral production-related properties in the District and the tax values in the District, resulting in less local tax revenue. If any major taxpayer were to default in the payment of taxes, the ability of the District to make timely payment of debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax lien, which is a time-consuming process, or, perhaps, to sell tax anticipation notes until such amounts could be collected, if ever. See "REGISTERED OWNERS' REMEDIES" and "AD VALOREM TAX PROCEDURES - District's Rights in the Event of Tax Delinquencies" in the Official Statement.
(2) Source: Central Appraisal District of Johnson County.
(3) On May 31st, 2018, Fleur de Lis Operating LLC purchased Devon Energy's southern Barnett Shale assets.
(4) Source: Comptroller of Public Accounts - Property Tax Division.

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

Category		2019/20 [(2)]	% of Total		2018/19 [(3)]	% of Total		2017/18 [(3)]	% of Total
Real, Residential, Single-Family	$	540,461,998	27.66%	$	491,085,429	27.04%	$	423,404,530	25.98%
Real, Residential, Multi-Family		9,802,855	0.50%		9,413,640	0.52%		8,095,083	0.50%
Real, Vacant Lots/Tracts		30,072,660	1.54%		28,352,534	1.56%		23,115,888	1.42%
Real, Acreage		263,232,166	13.47%		261,373,680	14.39%		219,938,759	13.49%
Real, Farm & Ranch Improvements		311,166,000	15.93%		300,696,168	16.56%		273,083,972	16.76%
Real, Commercial & Industrial		225,744,546	11.56%		194,827,037	10.73%		180,236,010	11.06%
Oil & Gas		190,069,400	9.73%		172,448,881	9.49%		149,367,919	9.16%
Utilities		86,173,153	4.41%		85,546,270	4.71%		84,708,782	5.20%
Tangible Personal, Commercial		80,265,000	4.11%		87,417,972	4.81%		76,886,242	4.72%
Tangible Personal, Industrial		179,987,518	9.21%		146,665,497	8.08%		157,830,671	9.68%
Tangible Personal, Mobile Homes & Other		10,922,333	0.56%		10,037,581	0.55%		9,602,409	0.59%
Tangible Personal, Residential Inventory		1,495,177	0.08%		3,646,579	0.20%		1,606,028	0.10%
Tangible Personal, Special Inventory		24,255,044	1.24%		24,700,517	1.36%		21,947,986	1.35%
Total Appraised Value	$	1,953,647,850	100.00%	$	1,816,211,785	100.00%	$	1,629,824,279	100.00%
Less:									
Homestead Cap Adjustment	$	25,708,155		$	27,473,325		$	9,900,331	
Productivity Loss		252,315,025			251,703,734			211,383,836	
Exemptions		185,649,182	(4)		164,220,000	(4)		167,275,127	(4)
Total Exemptions/Deductions [(5)]	$	463,672,362		$	443,397,059		$	388,559,294	
Net Taxable Assessed Valuation	$	1,489,975,488		$	1,372,814,726		$	1,241,264,985	

Category		2016/17 [(3)]	% of Total		2015/16 [(3)]	% of Total		2014/15 [(3)]	% of Total
Real, Residential, Single-Family	$	387,173,822	22.96%	$	381,152,353	20.72%	$	440,862,289	24.40%
Real, Residential, Multi-Family		7,702,926	0.46%		5,919,163	0.32%		5,905,908	0.33%
Real, Vacant Lots/Tracts		24,091,138	1.43%		22,549,172	1.23%		32,759,920	1.81%
Real, Acreage		204,880,272	12.15%		204,980,755	11.14%		197,091,638	10.91%
Real, Farm & Ranch Improvements		259,569,550	15.39%		256,388,056	13.94%		155,275,104	8.59%
Real, Commercial & Industrial		171,840,199	10.19%		165,699,451	9.01%		158,186,619	8.76%
Oil & Gas		173,210,491	10.27%		339,302,289	18.45%		344,675,829	19.08%
Utilities		87,566,833	5.19%		90,692,630	4.93%		90,867,264	5.03%
Tangible Personal, Commercial		101,342,818	6.01%		86,856,314	4.72%		74,355,224	4.12%
Tangible Personal, Industrial		238,596,701	14.15%		254,757,172	13.85%		263,374,650	14.58%
Tangible Personal, Mobile Homes & Other		8,912,983	0.53%		8,862,400	0.48%		20,530,809	1.14%
Tangible Personal, Residential Inventory		912,027	0.05%		1,079,129	0.06%		1,740,524	0.10%
Tangible Personal, Special Inventory		20,423,774	1.21%		21,251,190	1.16%		21,111,851	1.17%
Total Appraised Value	$	1,686,223,534	100.00%	$	1,839,490,074	100.00%	$	1,806,737,629	100.00%
Less:									
Homestead Cap Adjustment	$	1,877,912		$	2,922,005		$	1,663,055	
Productivity Loss		197,463,878			197,867,372			189,784,380	
Exemptions		183,513,700	(4)		170,716,490	(4)		133,523,781	
Total Exemptions/Deductions [(5)]	$	382,855,490		$	371,505,867		$	324,971,216	
Net Taxable Assessed Valuation	$	1,303,368,044		$	1,467,984,207		$	1,481,766,413	

(1) Historically, valuations of oil and natural gas properties have been volatile. The District's tax revenues are susceptible to increase and decrease as a result of such values. The fluctuations in oil and gas values from year to year are attributable in large part to changes in the market value of natural gas, which affects both the drilling activity for gas in the Barnett Shale gas field, in which the District is located, and the value of mineral reserves in the field.
(2) Source: Central Appraisal District of Johnson County.
(3) Source: Comptroller of Public Accounts - Property Tax Division.
(4) The passage of a Texas Constitutional Amendment on November 3, 2015 increased the homestead exemption from $15,000 to $25,000.
(5) Excludes values on which property taxes are frozen for persons 65 years of age or older and disabled taxpayers.

VOTED UNLIMITED TAX BOND PRINCIPAL REPAYMENT SCHEDULE

Fiscal Year Ending 8/31	Outstanding Bonds [1]	Plus: The Bonds	Total [1]	Bonds Unpaid At Year End	Percent of Principal Retired
2020	$ 2,063,000.00	$ 4,260,000.00	$ 6,323,000.00	$ 73,997,000.00	7.87%
2021	2,118,000.00	1,335,000.00	3,453,000.00	70,544,000.00	12.17%
2022	1,798,000.00	1,400,000.00	3,198,000.00	67,346,000.00	16.15%
2023	1,823,000.00	795,000.00	2,618,000.00	64,728,000.00	19.41%
2024	1,868,000.00	150,000.00	2,018,000.00	62,710,000.00	21.92%
2025	1,894,000.00	155,000.00	2,049,000.00	60,661,000.00	24.48%
2026	1,779,000.00	160,000.00	1,939,000.00	58,722,000.00	26.89%
2027	1,824,000.00	170,000.00	1,994,000.00	56,728,000.00	29.37%
2028	1,859,000.00	185,000.00	2,044,000.00	54,684,000.00	31.92%
2029	1,899,000.00	190,000.00	2,089,000.00	52,595,000.00	34.52%
2030	2,895,000.00	195,000.00	3,090,000.00	49,505,000.00	38.37%
2031	3,000,000.00	210,000.00	3,210,000.00	46,295,000.00	42.36%
2032	2,885,000.00	205,000.00	3,090,000.00	43,205,000.00	46.21%
2033	2,995,000.00	210,000.00	3,205,000.00	40,000,000.00	50.20%
2034	3,100,000.00	220,000.00	3,320,000.00	36,680,000.00	54.33%
2035	3,215,000.00	225,000.00	3,440,000.00	33,240,000.00	58.62%
2036	3,335,000.00	225,000.00	3,560,000.00	29,680,000.00	63.05%
2037	3,450,000.00	235,000.00	3,685,000.00	25,995,000.00	67.64%
2038	3,830,000.00		3,830,000.00	22,165,000.00	72.40%
2039	4,010,000.00		4,010,000.00	18,155,000.00	77.40%
2040	4,205,000.00		4,205,000.00	13,950,000.00	82.63%
2041	4,420,000.00		4,420,000.00	9,530,000.00	88.13%
2042	4,645,000.00		4,645,000.00	4,885,000.00	93.92%
2043	4,885,000.00		4,885,000.00	-	100.00%
Total	$ 69,795,000.00	$ 10,525,000.00	$ 80,320,000.00		

(1) Excludes the accreted value of outstanding capital appreciation bonds.

MAINTENANCE TAX NOTE DEBT SERVICE REQUIREMENTS [1]

Fiscal Year Ending 8/31	Outstanding Maintenance Tax Obligations	Plus: The Notes			Percent of Principal Retired
		Principal	Interest	Total	
2020	$ -	$ 435,000.00	$ 62,023.33	$ 497,023.33	9.86%
2021		390,000.00	108,300.00	498,300.00	18.71%
2022		400,000.00	96,600.00	496,600.00	27.78%
2023		415,000.00	80,600.00	495,600.00	37.19%
2024		430,000.00	64,000.00	494,000.00	46.94%
2025		450,000.00	46,800.00	496,800.00	57.14%
2026		460,000.00	37,800.00	497,800.00	67.57%
2027		470,000.00	28,600.00	498,600.00	78.23%
2028		475,000.00	19,200.00	494,200.00	89.00%
2029		485,000.00	9,700.00	494,700.00	100.00%
	$ -	$ 4,410,000.00	$ 553,623.33	$ 4,963,623.33	

(1) Maintenance Tax Notes are payable solely from the limited maintenance and operations tax or other lawfully available funds of the District.

VOTED UNLIMITED TAX PRINCIPAL REPAYMENT & DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 8/31	Outstanding Debt Service [1]	Plus: The Bonds [2] Principal	Interest	Total	Combined Total [1] [2] [3]
2020	$ 5,625,493.76 [4]	$ 4,260,000.00	$ 252,747.64	$ 4,512,747.64	$ 10,138,241.40 [4]
2021	5,620,581.26	1,335,000.00	248,131.26	1,583,131.26	7,203,712.52
2022	5,624,093.76	1,400,000.00	179,756.26	1,579,756.26	7,203,850.02
2023	5,620,206.26	795,000.00	124,881.26	919,881.26	6,540,087.52
2024	5,623,756.26	150,000.00	101,256.26	251,256.26	5,875,012.52
2025	5,621,956.26	155,000.00	93,631.26	248,631.26	5,870,587.52
2026	5,624,856.26	160,000.00	85,756.26	245,756.26	5,870,612.52
2027	5,623,693.76	170,000.00	77,506.26	247,506.26	5,871,200.02
2028	5,621,218.76	185,000.00	68,631.26	253,631.26	5,874,850.02
2029	5,622,181.26	190,000.00	59,256.26	249,256.26	5,871,437.52
2030	4,995,250.01	195,000.00	49,631.26	244,631.26	5,239,881.27
2031	4,992,175.01	210,000.00	39,506.26	249,506.26	5,241,681.27
2032	4,769,925.01	205,000.00	29,131.26	234,131.26	5,004,056.27
2033	4,773,362.51	210,000.00	21,906.26	231,906.26	5,005,268.77
2034	4,767,750.01	220,000.00	17,468.76	237,468.76	5,005,218.77
2035	4,767,987.51	225,000.00	12,740.63	237,740.63	5,005,728.14
2036	4,771,543.76	225,000.00	7,818.75	232,818.75	5,004,362.51
2037	4,769,559.38	235,000.00	2,643.75	237,643.75	5,007,203.13
2038	5,004,375.00				5,004,375.00
2039	5,007,975.00				5,007,975.00
2040	5,007,625.00				5,007,625.00
2041	5,007,000.00				5,007,000.00
2042	5,005,375.00				5,005,375.00
2043	5,007,125.00				5,007,125.00
Total	$ 124,875,065.80	$ 10,525,000.00	$ 1,472,400.91	$ 11,997,400.91	$ 136,872,466.71

(1) Includes the accreted value of outstanding capital appreciation bonds
(2) Includes the Bonds and excludes the Notes.
(3) Based on its wealth per student, the District does not expect to receive Instructional Facilities Allotment nor Existing Debt Allotment 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.
(4) The District will contribute an additional $2,650,000 from the Interest & Sinking Fund towards the payment of debt service.

TAX ADEQUACY WITH RESPECT TO THE DISTRICT'S BONDS

Projected Maximum Debt Service Requirement [1]	$	10,138,241.40 [2]
Projected State Financial Assistance for Hold Harmless of Increased Homestead Exemption [3]		137,718.00
Projected Net Debt Service Requirement	$	10,000,523.40
$0.68488 Tax Rate @ 98% Collections Produces	$	10,000,523.40
2019/20 Net Taxable Assessed Valuation	$	1,489,975,488

(1) Includes the Bonds and excludes the Notes.
(2) The District will contribute an additional $2,650,000 from the Interest & Sinking Fund towards the payment of debt service.
(3) 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. The District does not expect to receive any Instructional Facilities Allotment nor Existing Debt Allotment state aid in 2019/20, but will receive additional state aid for the increase in the homestead exemption which took effect in 2015/16.

AUTHORIZED BUT UNISSUED BONDS

Following the issuance of the Bonds, the District will not have authorized but unissued unlimited ad valorem tax bonds from the November 5, 2019 bond election or any other bond election. The District may incur other financial obligations payable from its collection of taxes and other sources of revenue, including maintenance tax notes payable from its collection of maintenance taxes, public property finance contractual obligations, delinquent tax notes, and leases for various purposes payable from State appropriations and surplus maintenance taxes.

COMPARATIVE STATEMENT OF GENERAL FUND REVENUES AND EXPENDITURES [1]

	Fiscal Year Ended August 31				
	2015	2016	2017	2018	2019
Beginning Fund Balance	**$ 14,920,814**	**$ 16,136,190**	**$ 14,555,816**	**$ 14,231,143**	**$ 15,249,329**
Revenues:					
Local and Intermediate Sources	$ 15,934,472	$ 15,668,916	$ 13,924,790	$ 13,479,694	$ 15,121,717
State Sources	12,942,193	12,794,687	14,188,734	16,889,923	15,846,958
Federal Sources & Other	448,011	632,883	533,643	761,989	1,134,607
Total Revenues	**$ 29,324,676**	**$ 29,096,486**	**$ 28,647,167**	**$ 31,131,606**	**$ 32,103,282**
Expenditures:					
Instruction	$ 15,949,311	$ 16,241,295	$ 16,633,605	$ 17,043,875	$ 17,786,377
Instructional Resources & Media Services	134,948	141,027	132,941	129,514	130,909
Curriculum & Instructional Staff Development	357,549	312,958	369,696	336,468	359,329
Instructional Leadership	402,444	452,427	375,050	468,389	459,958
School Leadership	1,148,160	1,286,885	1,302,108	1,423,959	1,513,058
Guidance, Counseling & Evaluation Services	1,026,349	1,079,678	1,059,505	1,025,160	1,036,661
Social Work Services	163,757	132,103	137,748	137,848	150,754
Health Services	249,001	302,197	262,067	271,160	272,040
Student (Pupil) Transportation	1,312,001	1,117,800	1,371,723	1,402,423	1,454,091
Food Services	334	445	1,113	234	224
Cocurricular/Extracurricular Activities	1,092,676	1,081,993	1,063,141	1,086,113	1,112,867
General Administration	1,078,732	1,189,314	1,204,242	1,225,891	1,263,117
Plant Maintenance and Operations	3,279,729	3,196,851	3,466,901	3,713,102	3,801,201
Security and Monitoring Services	105,598	84,097	142,875	145,279	493,994
Data Processing Services	712,523	810,738	1,045,707	967,738	1,245,245
Community Services	208,874	217,955	205,519	213,251	221,510
Facilities Acquisition and Construction	715,476	2,984,587	30,102	337,401	75,009
Incremental Costs Associated with Chapter 41	2,034	-	-	-	-
Payments to Fiscal Agent/Member Districts of SSA	169,804	186,518	167,797	184,841	207,986
Payments to Juvenile Justice Alternative Ed Program	-	-	-	774	-
Total Expenditures	**$ 28,109,300**	**$ 30,818,868**	**$ 28,971,840**	**$ 30,113,420**	**$ 31,584,330**
Excess (Deficiency) of Revenues over Expenditures	$ 1,215,376	$ (1,722,382)	$ (324,673)	$ 1,018,186	$ 518,952
Other Resources and (Uses):					
Sale of Property	$ -	$ 184,757	$ -	$ -	$ -
Transfers In	-	75,422	-	110,443	-
Transfers Out (Use)	-	(118,171)	-	(110,443)	-
Proceeds from Capital Leases	-	-	-	-	-
Total Other Resources (Uses)	**$ -**	**$ 142,008**	**$ -**	**$ -**	**$ -**
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	$ 1,215,376	$ (1,580,374)	$ (324,673)	$ 1,018,186	$ 518,952
Ending Fund Balance	**$ 16,136,190**	**$ 14,555,816**	**$ 14,231,143**	**$ 15,249,329**	**$ 15,768,281**

(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 2019/20 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]

	Fiscal Year Ended August 31				
	2015	2016	2017	2018	2019
Revenues:					
Program Revenues:					
Charges for Services	$ 954,523	$ 1,039,624	$ 960,096	$ 995,974	$ 995,980
Operating Grants and Contributions	3,521,952	4,288,332	4,795,647	(354,090)	7,297,680
General Revenues:					
Property Taxes Levied for General Purposes	15,306,400	14,629,775	13,171,957	12,557,673	13,761,245
Property Taxes Levied for Debt Service	6,049,809	5,939,296	5,340,195	5,084,883	5,600,903
State Aid - Formula Grants	11,847,499	11,638,305	12,972,651	15,646,448	14,535,954
Grants and Contributions Not Restricted	448,006	1,331,986	645,171	116,869	330,245
Investment Earnings	18,288	68,159	125,529	286,929	534,982
Miscellaneous	473,207	832,778	514,961	508,219	673,984
Total Revenue	$ 38,619,684	$ 39,768,255	$ 38,526,207	$ 34,842,905	$ 43,730,973
Expenses:					
Instruction	$ 19,411,468	$ 20,583,772	$ 20,763,432	$ 15,493,728	$ 24,160,954
Instruction Resources & Media Services	916,203	387,698	214,315	176,517	216,906
Curriculum & Staff Development	399,083	386,022	381,152	303,815	468,596
Instructional Leadership	404,330	480,199	418,606	354,897	561,023
School Leadership	1,136,499	1,351,565	1,343,743	896,938	1,622,368
Guidance, Counseling & Evaluation Services	1,046,003	1,174,386	1,131,687	678,870	1,202,588
Social Work Services	203,853	212,988	217,398	127,318	161,421
Health Services	258,928	316,128	273,267	171,824	290,914
Student Transportation	1,282,274	1,217,755	1,378,364	1,062,789	1,431,627
Food Service	1,783,890	1,827,308	2,391,304	2,195,445	1,895,309
Cocurricular/Extracurricular Activities	1,980,793	1,703,211	1,622,367	1,511,965	1,842,991
General Administration	1,140,580	1,285,564	1,287,704	1,040,002	1,387,402
Plant Maintenance & Operations	3,538,102	3,452,168	3,740,498	3,568,496	4,073,415
Security and Monitoring Services	116,310	88,139	146,114	148,518	404,786
Data Processing Services	730,239	920,190	1,083,762	750,752	1,314,733
Community Services	207,485	227,552	210,410	140,973	236,448
Debt Service - Interest on Long-term Debt	3,255,595	3,305,589	3,303,686	3,260,410	4,193,543
Debt Service - Bond Issuance Cost and Fees	289,305	103,774	89,300	3,900	4,200
Payments to Fiscal Agent/Member Districts of SSA	169,804	186,518	167,797	184,841	207,986
Incremental Costs related to WADA	2,034	-	-	-	-
Payments to Juvenile Justice Alternative Ed. Program	-	-	-	774	-
Total Expenditures	$ 38,272,778	$ 39,210,526	$ 40,164,906	$ 32,072,772	$ 45,677,210
Change in Net Assets	$ 346,906	$ 557,729	$ (1,638,699)	$ 2,770,133	$ (1,946,237)
Beginning Net Assets	$ 10,412,013	$ 7,559,609	$ 8,117,338	$ 6,478,639	$ (7,718,340)
Prior Period Adjustment	$ (3,199,310) [2]	$ -	$ -	$ (16,967,112) [3]	$ -
Ending Net Assets	$ 7,559,609	$ 8,117,338	$ 6,478,639	$ (7,718,340)	$ (9,664,577)

(1) The foregoing information represents government-wide financial information provided in accordance with GASB 34, which the District adopted for the 2002 fiscal year.

(2) In 2015, the Districted adopted GASB Statement No. 68 for Accounting and Reporting Pensions which required a prior period adjustment to report the effect of GASB 68 retroactively.

(3) In 2018, the Prior Period Adjustment was the result of implementation of GASB Statement 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions."

APPENDIX B

GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY

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ALVARADO INDEPENDENT SCHOOL DISTRICT

General and Economic Information

Alvarado Independent School District (the "District"), located in Johnson County, Texas includes the City of Alvarado, Texas, a commercial center located 25 miles south of Fort Worth, Texas on Interstate Highway 35 West. Johnson County is a north central Texas county. The county seat is Cleburne. The current estimated population of the District is approximately 19,800.

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

Enrollment Statistics

Year Ending 8/31	Enrollment
2009	3,259
2010	3,404
2011	3,249
2012	3,293
2013	3,365
2014	3,485
2015	3,536
2016	3,591
2017	3,680
2018	3,682
2019	3,641
Current	3,666

District Staff

Teachers	232
Teachers' Aides & Secretaries	139
Auxiliary Personnel	47
Administrators	33
Other (Counselors/Technology)	36
	487

Facilities

Campus	Grades	Current Enrollment	Capacity	Year Built	Year of Addition/ Renovation
Alvarado Elementary North	PK-3	373	600	1986	N/A
Alvarado Elementary South	PK-3	385	700	1980	2002
Lillian Elementary School	PK-3	375	600	2000	N/A
Alvarado Intermediate School	4-6	825	1,000	2008	N/A
Alvarado Junior High School	7-8	596	800	1964	2000
Alvarado High School	9-12	1,112	2,000	1995	2004

Principal Employers within the District

Name of Company	Type of Business	Number of Employees
Halliburton	Oil and Gas Well Supplies	475
Alvarado ISD	Education	487
SABRE	Steel	225
Superior Well Services	Oil Field Solutions and Services	100
Johnson County Pipe Co.	Pipe Company	100
Rich Mix Products	Concrete Products	82
American Flat Glass	Glass Tempering	81

Unemployment Rates

	October 2017	October 2018	October 2019
Johnson County	3.2%	3.2%	3.1%
State of Texas	3.8%	3.5%	3.3%

Source: Texas Workforce Commission.

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APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

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NORTON ROSE FULBRIGHT

Norton Rose Fulbright US LLP
Frost Tower
111 West Houston Street, Suite 1800
San Antonio, Texas 78205-3792
United States

Tel +1 210 224 5575
Fax +1 210 270 7205
nortonrosefulbright.com

FINAL

IN REGARD to the authorization and issuance of the "Alvarado Independent School District Maintenance Tax Notes, Series 2020" (the *Notes*), dated February 1, 2020, in the aggregate principal amount of $4,410,000 we have reviewed the legality and validity of the issuance thereof by the Board of Trustees of the Alvarado Independent School District (the *District*). The Notes are issuable in fully registered form only, in denominations of $5,000 or any integral multiple thereof (within a Stated Maturity). The Notes have Stated Maturities of August 15 in each of the years 2020 through 2029, unless redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Notes. Interest on the Notes accrues from the dates, at the rates, in the manner, and is payable on the dates, all as provided in the resolution (the *Resolution*) authorizing the issuance of the Notes. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Resolution.

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

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

Legal Opinion of Norton Rose Fulbright US LLP, San Antonio, Texas, in connection with the authorization and issuance of "ALVARADO INDEPENDENT SCHOOL DISTRICT MAINTENANCE TAX NOTES, SERIES 2020"

BASED ON OUR EXAMINATION, we are of the opinion that, under applicable law of the United States of America and the State of Texas in force and effect on the date hereof:

1. The Notes have been duly authorized by the District and, when issued in compliance with the provisions of the Resolution, are valid, legally binding, and enforceable obligations of the District, payable from the proceeds of an annual maintenance and operations ad valorem tax levied, within the limitations prescribed by law, upon all taxable property within the District, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity.

2. Pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the *Code*), and existing regulations, published rulings, and court decisions thereunder, and assuming continuing compliance after the date hereof by the District with the provisions of the Resolution relating to sections 141 through 150 of the Code, interest on the Notes will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes, and such interest will not be included in computing the alternative minimum taxable income of the owners thereof.

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

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

Norton Rose Fulbright US LLP

APPENDIX D

AUDITED FINANCIAL REPORT
FISCAL YEAR ENDED AUGUST 31, 2019

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ALVARADO
INDEPENDENT SCHOOL DISTRICT

Annual Financial Report for the Year Ended

August 31, 2019

TABLE OF CONTENTS

TABLE OF CONTENTS

CERTIFICATE OF BOARD

Alvarado Independent School District	Johnson	126-901
Name of School District	County	County – District Number

We, the undersigned, certify that the attached financial reports of the above-named school district were reviewed and (✓) approved ( ) disapproved for the year ended August 31, 2019, at a meeting of the Board of School Trustees of such school district on the 14 day of January, 2020.

Signature of Board Secretary

Signature of Board President

If the auditor's report was disapproved, the reason(s) therefore is/are (attach list if necessary):

FINANCIAL SECTION

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K. Evans & Associates, CPA's

Independent Auditor's Report

Board of School Trustees
Alvarado Independent School District
Alvarado, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Alvarado Independent School District (the District), as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of August 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

4433 Punjab Way | Suite 102 | Frisco, TX 75033
972-335-9754 *main* | 972-335-9758 *fax*
www.kevanscpas.com

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual fund statements and schedules, and required Texas Education Agency schedules 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual fund statements and schedules, required Texas Education Agency 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 schedules, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 7, 2020 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Alvarado Independent School District's internal control over financial reporting and compliance.

K. Evans & Associates

K. Evans & Associates, CPA's

Frisco, TX
January 7, 2020

This section of the **Alvarado Independent School District** annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2019. Please read it in conjunction with the District's financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position (Exhibit A-1, page 10) and the Statement of Activities (Exhibit B-1, page 11). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting with Exhibit C-1, page 12) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the District.

The notes to the financial statements (starting on page 20, following Exhibit D-1) provide narrative explanations or additional data needed for full disclosure in the government-wide statements of the fund financial statements.

The combining statements for non-major funds contain even more information about the District's individual funds. These are not required by TEA (Texas Education Agency) and are contained in Exhibits F-1 and F-2, pages 58-64.

The sections labeled "Required T.E.A. Schedules" and "Federal Awards Section" contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

REPORTING THE DISTRICT AS A WHOLE

Government-Wide Statements: The Statement of Net Position & the Statement of Activities

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, Exhibit A-1, includes all of the government's assets and liabilities. The Statement of Activities, Exhibit B-1, accounts for all of the current period's revenues and expenses.

The two government-wide statements report the District's *Net Position* and how they have changed. Net Position, the difference between the District's assets and liabilities, are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's Net Position are an indicator of whether its financial health is improving or deteriorating, respectively.

- To assess the overall financial health of the District, one should consider additional non-financial factors such as changes in the District's tax base.

Within the government-wide financial statements of the District, most of the District' s basic services are included, such as instruction, extracurricular activities, curriculum and staff development, health services, and general administration. Property taxes, grants and state revenues finance most of the activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

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 bond covenants
- Other funds are established to control and manage money for particular purposes or to show that the District is properly using certain taxes and grants.

The District has two kinds of funds:

- *Governmental Funds* – Most of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances at the end of the fiscal year. The governmental funds statements provide a detailed, short-term view of the District's general operations and the basic services it provides. The differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are described in reconciliation narratives following each of the fund financial statements. (See Exhibits C-2 and C-4, pages 15 and 18)
- *Fiduciary Funds* – The District is the trustee, or *fiduciary*, for money raised by student activities. All of the District's fiduciary activities are reported in the Statement of Fiduciary Net Position, Exhibit D-1, on page 19. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table A-1
The District's Net Position

Net Position. The District's combined Net Position was ($9,664,577) on August 31, 2019.

	August 31, 2019	August 31, 2018	Percentage Change
Current Assets	$ 24,791,325	$ 24,128,938	2.75%
Capital Assets	67,998,144	71,470,576	-4.86%
Total Assets	92,789,469	95,599,514	-2.94%
Deferred Outflows of Resources	7,911,662	3,350,952	136.10%
Current Liabilities	4,732,565	5,101,050	-7.22%
Long-term Liabilities	101,403,298	96,641,627	4.93%
Total Liabilities	106,135,863	101,742,677	4.32%
Deferred Inflows of Resources	4,229,845	4,926,129	-14.13%
Net Position:			
Net Invested in Capital Assets	(375,703)	1,311,898	128.64%
Restricted	(7,866,414)	(8,182,676)	-3.87%
Unrestricted	(1,422,460)	(847,562)	67.83%
Total Net Position	$ (9,664,577)	$ (7,718,340)	25.22%

Governmental Activities

Table A-2
Change in Net Position

	Fiscal Year 08/31/19	Fiscal Year 08/31/18
Revenues:		
Program Revenues		
Charges for Services	$ 995,980	$ 995,974
Operating Grants & Contributions	7,297,680	(354,090)
Total Program Revenues	8,293,660	641,884
General Revenues		
Property Taxes	19,362,148	17,642,556
State Aid Formula	14,535,954	15,763,317
Investment Earnings	534,982	286,929
Other	1,004,229	508,219
Total General Revenue	35,437,313	34,201,021
Total Revenues	43,730,973	34,842,905
Expenses:		
Instruction	24,160,954	15,493,728
Instruction Resources & Media Services	216,906	176,517
Curriculum and Staff Development	468,596	303,815
Instructional Leadership	561,023	354,897
School Leasdership	1,622,368	896,938
Guidance, Counseling & Evaluation Services	1,202,588	678,870
Social Work Services	161,421	127,318
Health Services	290,914	171,824
Student Transportation	1,431,627	1,062,789
Food Services	1,895,309	2,195,445
Extracurricular Activities	1,842,991	1,511,965
General Administration	1,387,402	1,040,002
Facilities Maintenance & Operations	4,073,415	3,568,496
Security and Monitoring Services	404,786	148,518
Data Processing Services	1,314,733	750,752
Community Services	236,448	140,973
Debt Service - Interest on Long Term Debt	4,193,543	3,260,410
Debt Service - Bond Issuance Cost and Fees	4,200	3,900
Payments Related to Shared Services Arrangements	207,986	184,841
Payments to Juvenile Justice Alt Ed Programs	-	774
Total Expenses	45,677,210	32,072,772
Increase/(Decrease) in Net Position	(1,946,237)	2,770,133
Beginning Net Position	(7,718,340)	6,478,639
Prior Period Adjustment	-	(16,967,112)
Ending Net Position	$ (9,664,577)	$ (7,718,340)

The property tax maintenance and operation remained at $1.04 due to the State Legislature and will remain at this rate until a local tax increase election. The HB1 formula for funding schools has many complicated factors. Increased tax collections because of the increasing value of the District will reduce the funding payment to the District. AISD was informed in 2014 that the District did not qualify as a Chapter 41 district. The district decided to keep the Interest & Sinking tax at the same rate at $0.421.

Tax Rate History

Year	M&O	I&S	Total
2010	1.0400	0.2400	1.2800
2011	1.0400	0.2760	1.3160
2012	1.0400	0.2760	1.3160
2013	1.0400	0.2760	1.3160
2014	1.0400	0.4210	1.4610
2015	1.0400	0.4210	1.4610
2016	1.0400	0.4210	1.4610
2017	1.0400	0.4210	1.4610
2018	1.0400	0.4210	1.4610
2019	1.0400	0.4210	1.4610

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on Exhibit C-1, pages 12-13) reported a combined fund balance in the General Fund of $15,768,281. The fund balance increased 3.40% over the previous year.

The general fund ended the year with an increase of $518,952 and an ending fund balance of $15,768,281. The major factor affecting the increase was the increase in local revenues. The annual budget serves as the foundation for the District's financial planning and control. A major financial goal for the District is for the fund balance to be 25% of the expenditures and to improve budgetary controls to meet the current and future needs of the district.

General Fund Budgetary Highlights

During the course of the year, the District reviews and revises its budget on a monthly basis in accordance with TEA FARG standards. At fiscal year-end 2019, the ending fund balance of $15,768,231 represents 49.90% of the 2018-2019 operating expenditures.

Year	ADA	Fund Balance	Change
2009-2010	3,168	12,774,740	2,005,925
2010-2011	3,270	13,407,285	632,545
2011-2012	3,148	15,018,593	1,611,308
2012-2013	3,218	15,274,390	255,797
2013-2014	3,272	14,920,814	(353,576)
2014-2015	3,330	16,136,190	1,215,376
2015-2016	3,385	14,555,816	(1,580,374)
2016-2017	3,480	14,231,143	(324,673)
2017-2018	3,491	15,249,329	1,018,186
2018-2019	3,420	15,768,281	518,952

CAPITAL ASSETS & DEBT ADMINISTRATION

At the end of fiscal year 2019, the District had invested $133,980,588 in a broad range of capital assets, including land, equipment, and buildings. (See Table A-3) Additional information on capital assets is contained in the Notes to the Financial Statements.

Table A-3
District Capital Assets
Governmental Activities

	August 31, 2019	August 31, 2018	Percentage Change
Land	$ 2,205,867	$ 2,205,867	0.00%
Buildings & Improvements	120,136,106	119,681,885	0.38%
Furniture & Equipment	11,552,885	10,979,397	5.22%
Construction in Progress	85,730	443,671	100.00%
Total Historical Cost	133,980,588	133,310,820	0.50%
Total Accumulated Depreciation	(65,982,444)	(61,840,244)	-6.70%
Net Capital Assets	$ 67,998,144	$ 71,470,576	-4.86%

Table A4
Long Term Debt Analysis

	August 31, 2019	August 31, 2018	Percentage Change
Bonds Payable	$ 69,795,000	$ 71,798,000	-2.79%
Bond Premium	2,313,829	2,469,010	-6.29%
Accreted Interest	10,792,586	10,117,491	6.67%
Total Debt	$ 82,901,415	$ 84,384,501	-1.76%

ECONOMIC FACTORS

Alvarado is located in Johnson County and over the years has been a farming and ranching area. During the period covering fiscal years 2002 through 2010, the District has grown increasingly wealthy. Property values decreased from 2011-2018 by 32.08%. A large part of the decrease was due to the Market Values for oil, gas, and minerals. The past year, values have increased by 10.50%. The District is located at the crossroads of Interstate Highway 35W and U.S. Highway 67, and recent economic development activity in the District has also been associated with the transportation Commercial corridor that runs through the District.

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 District's Finance Office at (817) 783-6800.

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BASIC FINANCIAL STATEMENTS

EXHIBIT A-1

ALVARADO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2019

Data Control Codes		Primary Government Governmental Activities
	ASSETS	
1110	Cash and Cash Equivalents	$ 3,671,924
1120	Current Investments	16,295,852
1220	Property Taxes - Delinquent	1,911,165
1230	Allowance for Uncollectible Taxes	(38,223)
1240	Due from Other Governments	2,522,775
1290	Other Receivables, Net	9,895
1410	Prepayments	417,937
	Capital Assets:	
1510	Land	2,205,867
1520	Buildings, Net	64,087,644
1530	Furniture and Equipment, Net	1,618,903
1580	Construction in Progress	85,730
1000	Total Assets	92,789,469
	DEFERRED OUTFLOWS OF RESOURCES	
1701	Deferred Charge for Refunding	985,974
1705	Deferred Related to TRS Pension	5,437,343
1706	Deferred Related to TRS OPEB	1,488,345
1700	Total Deferred Outflows of Resources	7,911,662
	LIABILITIES	
2110	Accounts Payable	322,897
2140	Interest Payable	110,288
2160	Accrued Wages Payable	1,286,979
2190	Due to Student Groups	115
2200	Accrued Expenses	4,286
	Noncurrent Liabilities:	
2501	Due Within One Year	3,008,000
2502	Due in More Than One Year	79,893,415
2540	Net Pension Liability (District's Share)	9,943,053
2545	Net OPEB Liability (District's Share)	11,566,830
2000	Total Liabilities	106,135,863
	DEFERRED INFLOWS OF RESOURCES	
2602	Deferred Revenue	300
2605	Deferred Inflow Related to TRS Pension	571,834
2606	Deferred Inflow Related to TRS OPEB	3,657,711
2600	Total Deferred Inflows of Resources	4,229,845
	NET POSITION	
3200	Net Investment in Capital Assets	(375,703)
3820	Restricted for Federal and State Programs	895,367
3850	Restricted for Debt Service	2,030,805
3860	Restricted for Capital Projects	(10,792,586)
3900	Unrestricted	(1,422,460)
3000	Total Net Position	$ (9,664,577)

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

EXHIBIT B-1

ALVARADO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes		1 Expenses	Program Revenues 3 Charges for Services	4 Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position 6 Primary Gov. Governmental Activities
	Primary Government:				
	GOVERNMENTAL ACTIVITIES:				
11	Instruction	$ 24,160,954	$ 184,343	$ 4,825,735	$ (19,150,876)
12	Instructional Resources and Media Services	216,906	-	9,658	(207,248)
13	Curriculum and Instructional Staff Development	468,596	-	104,453	(364,143)
21	Instructional Leadership	561,023	-	107,331	(453,692)
23	School Leadership	1,622,368	-	140,454	(1,481,914)
31	Guidance, Counseling and Evaluation Services	1,202,588	-	170,028	(1,032,560)
32	Social Work Services	161,421	-	13,371	(148,050)
33	Health Services	290,914	-	27,314	(263,600)
34	Student (Pupil) Transportation	1,431,627	-	96,496	(1,335,131)
35	Food Services	1,895,309	505,947	1,461,801	72,439
36	Extracurricular Activities	1,842,991	295,088	50,450	(1,497,453)
41	General Administration	1,387,402	-	74,919	(1,312,483)
51	Facilities Maintenance and Operations	4,073,415	10,602	94,776	(3,968,037)
52	Security and Monitoring Services	404,786	-	17,146	(387,640)
53	Data Processing Services	1,314,733	-	80,693	(1,234,040)
61	Community Services	236,448	-	23,055	(213,393)
72	Debt Service - Interest on Long-Term Debt	4,193,543	-	-	(4,193,543)
73	Debt Service - Bond Issuance Cost and Fees	4,200	-	-	(4,200)
93	Payments Related to Shared Services Arrangements	207,986	-	-	(207,986)
[TP]	TOTAL PRIMARY GOVERNMENT:	$ 45,677,210	$ 995,980	$ 7,297,680	(37,383,550)

Data Control Codes		
	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	13,761,245
DT	Property Taxes, Levied for Debt Service	5,600,903
SF	State Aid - Formula Grants	14,535,954
GC	Grants and Contributions not Restricted	330,245
IE	Investment Earnings	534,982
MI	Miscellaneous Local and Intermediate Revenue	673,984
TR	Total General Revenues	35,437,313
CN	Change in Net Position	(1,946,237)
NB	Net Position - Beginning	(7,718,340)
NE	Net Position--Ending	$ (9,664,577)

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

ALVARADO INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2019

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects
	ASSETS			
1110	Cash and Cash Equivalents	$ 2,910,890	$ 390,418	$ 7,468
1120	Investments - Current	11,512,966	1,191,144	2,745,826
1220	Property Taxes - Delinquent	1,452,754	458,411	-
1230	Allowance for Uncollectible Taxes	(29,055)	(9,168)	-
1240	Due from Other Governments	1,432,618	-	-
1260	Due from Other Funds	928,857	-	-
1290	Other Receivables	9,250	-	-
1410	Prepayments	417,937	-	-
1000	Total Assets	$ 18,636,217	$ 2,030,805	$ 2,753,294
	LIABILITIES			
2110	Accounts Payable	$ 233,343	$ -	$ -
2160	Accrued Wages Payable	1,210,479	-	-
2170	Due to Other Funds	-	-	-
2190	Due to Student Groups	115	-	-
2200	Accrued Expenditures	-	-	4,286
2000	Total Liabilities	1,443,937	-	4,286
	DEFERRED INFLOWS OF RESOURCES			
2601	Unavailable Revenue - Property Taxes	1,423,699	449,243	-
2602	Unavailable Revenue - Other	300	-	-
2600	Total Deferred Inflows of Resources	1,423,999	449,243	-
	FUND BALANCES			
	Nonspendable Fund Balance:			
3430	Prepaid Items	417,397	-	-
	Restricted Fund Balance:			
3450	Federal or State Funds Grant Restriction	-	-	-
3470	Capital Acquisition and Contractural Obligation	-	-	2,749,008
3480	Retirement of Long-Term Debt	-	1,581,562	-
3600	Unassigned Fund Balance	15,350,884	-	-
3000	Total Fund Balances	15,768,281	1,581,562	2,749,008
4000	Total Liabilities, Deferred Inflows & Fund Balances	$ 18,636,217	$ 2,030,805	$ 2,753,294

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

Other Funds	Total Governmental Funds
$ 363,148	$ 3,671,924
845,916	16,295,852
-	1,911,165
-	(38,223)
1,090,157	2,522,775
-	928,857
645	9,895
-	417,937
$ 2,299,866	$ 25,720,182
$ 89,554	$ 322,897
76,500	1,286,979
928,857	928,857
-	115
-	4,286
1,094,911	2,543,134
-	1,872,942
-	300
-	1,873,242
-	417,397
895,367	895,367
-	2,749,008
-	1,581,562
309,588	15,660,472
1,204,955	21,303,806
$ 2,299,866	$ 25,720,182

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RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
AUGUST 31, 2019

	Total Fund Balances - Governmental Funds	$	21,303,806
1	Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was $133,310,820 and the accumulated depreciation was ($61,840,244). In addition, long-term liabilities, including bonds payable of ($71,798,000), are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to decrease net position.		(327,424)
2	Current year capital outlays of $669,768 and long-term debt principal payments of $2,003,000 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the current year capital outlays and debt principal payments is to increase net position.		2,672,768
3	The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(4,142,200)
4	Accrued interest payable on long-term debt is not reflected on the fund financial statements, but is included on the government-wide financial statements. The effect of showing accrued interest payable is to decrease net position.		(110,288)
5	Accreted interest on capital appreciation bonds has not been included on the fund financial statements, but is included on the government-wide financial statements. The effect of including the accreted interest is to decrease net position.		(10,792,586)
6	Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. The net position related to TRS included a Deferred Resource Outflow in the amount of $5,437,343, a Deferred Resource Inflow in the amount of ($571,834), and a Net Pension Liability in the amount of ($9,943,053). The net effect of including the GASB 68 adjustment is to decrease net position.		(5,077,544)
7	Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75. The net position related to TRS included a Deferred Resource Outflow in the amount of $1,488,345, a Deferred Resource Inflow in the amount of ($3,657,711), and a Net OPEB Liability in the amount of ($11,566,830). The net effect of including the GASB 75 adjustment is to decrease net position.		(13,736,196)
8	Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		545,087
19	**Net Position of Governmental Activities**	$	(9,664,577)

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

ALVARADO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects
	REVENUES:			
5700	Total Local and Intermediate Sources	$ 15,121,717	$ 5,744,281	$ 63,243
5800	State Program Revenues	15,846,958	330,245	-
5900	Federal Program Revenues	1,134,607	-	-
5020	Total Revenues	32,103,282	6,074,526	63,243
	EXPENDITURES:			
	Current:			
0011	Instruction	17,786,377	-	-
0012	Instructional Resources and Media Services	130,909	-	-
0013	Curriculum and Instructional Staff Development	359,329	-	-
0021	Instructional Leadership	459,958	-	-
0023	School Leadership	1,513,058	-	-
0031	Guidance, Counseling and Evaluation Services	1,036,661	-	-
0032	Social Work Services	150,754	-	-
0033	Health Services	272,040	-	-
0034	Student (Pupil) Transportation	1,454,091	-	-
0035	Food Services	224	-	-
0036	Extracurricular Activities	1,112,867	-	-
0041	General Administration	1,263,117	-	-
0051	Facilities Maintenance and Operations	3,801,201	-	-
0052	Security and Monitoring Services	493,994	-	-
0053	Data Processing Services	1,245,245	-	-
0061	Community Services	221,510	-	-
	Debt Service:			
0071	Principal on Long-Term Debt	-	2,948,000	-
0072	Interest on Long-Term Debt	-	2,673,444	-
0073	Bond Issuance Cost and Fees	-	4,200	-
	Capital Outlay:			
0081	Facilities Acquisition and Construction	75,009	-	109,197
	Intergovernmental:			
0093	Payments to Fiscal Agent/Member Districts of SSA	207,986	-	-
6030	Total Expenditures	31,584,330	5,625,644	109,197
1200	Net Change in Fund Balances	518,952	448,882	(45,954)
0100	Fund Balance - September 1 (Beginning)	15,249,329	1,132,680	2,794,962
3000	Fund Balance - August 31 (Ending)	$ 15,768,281	$ 1,581,562	$ 2,749,008

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

Other Funds	Total Governmental Funds
$ 777,288	$ 21,706,529
629,594	16,806,797
3,321,806	4,456,413
4,728,688	42,969,739
2,402,702	20,189,079
10,969	141,878
79,630	438,959
70,331	530,289
-	1,513,058
85,703	1,122,364
-	150,754
-	272,040
-	1,454,091
1,643,206	1,643,430
100,452	1,213,319
10,154	1,273,271
583	3,801,784
14,880	508,874
3,862	1,249,107
-	221,510
-	2,948,000
-	2,673,444
-	4,200
-	184,206
-	207,986
4,422,472	41,741,643
306,216	1,228,096
898,739	20,075,710
$ 1,204,955	$ 21,303,806

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2019

Total Net Change in Fund Balances - Governmental Funds	$	1,228,096
Current year capital outlays of $669,768 and long-term debt principal payments of $2,003,000 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the current year capital outlays and debt principal payments is to increase net position.		2,672,768
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.		(4,142,200)
Accrued interest payable on long-term debt is not shown on the fund financial statements, but is included on the government-wide financial statements. The net effect of showing the accrued interest payable is to increase net position.		2,211
Accreted interest on capital appreciation bonds is not included on the fund financial statements, but is included on the government-wide financial statements. The net effect of including accreted interest is to decrease net position.		(675,095)
GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in the ending net position to increase in the amount of $669,163. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability for the District. This caused a decrease in the change in net position totaling ($612,868). Finaly, the District's proportionate share of the TRS pension expense on the the plan as a whole had to be recorded. The net pension expense decreased the change in net position by ($871,689). The net effect of including the GASB 68 adjustment is to decrease net position.		(815,394)
GASB 75 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in the ending net position to increase in the amount of $178,248. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net OPEB liability for the District. This caused a decrease in the change in net position totaling ($161,023). Finaly, the District's proportionate share of the TRS OPEB expense on the the plan as a whole had to be recorded. The net OPEB expense increased the change in net position by ($192,198). The net effect of including the GASB 68 adjustment is to decrease net position.		(174,973)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		(41,650)
Change in Net Position of Governmental Activities	$	(1,946,237)

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

ALVARADO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2019

		Agency Funds
ASSETS		
Cash and Cash Equivalents	$	147,690
Total Assets	$	147,690
LIABILITIES		
Due to Student Groups	$	147,690
Total Liabilities	$	147,690

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Alvarado Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board (GASB), and it complies with the requirements of the appropriate version of the Texas Education Agency's *Financial Accountability System Resource Guide* (the Resource Guide) and the requirements of contracts and grants of agencies from which it receives funds.

Reporting Entity

The Board is elected by the public and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by GASB in its Statement No. 14, "The Financial Reporting Entity," as amended by Statements No. 39, "Determining Whether Certain Organizations are Component Units," and No. 61, "The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements No. 14 and No. 34." There are no component units within the reporting entity.

Government–Wide & Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all non-fiduciary activities of the District. Taxes and intergovernmental revenues normally support governmental activities. The effect of interfund activity has been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Program revenues include: 1) charges for services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Taxes and other items not identifiable as program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds. The fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting & Financial Statement Presentation

Government-Wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, deferred inflows and outflows of resources, and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Measurement Focus, Basis of Accounting & Financial Statement Presentation *(continued)*

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available. Expenditures are generally recorded when a liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. Expenditures related to compensated absences, claims, and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers all revenues available if they are collectible within 60 days of year end.

Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

The special revenue funds, except for the Child Nutrition Fund, include programs that are financed on a project grant basis. These projects have grant periods that range from less than twelve months to in excess of two years. Grant funds are considered to be earned to the extent expenditures are made under the provisions of the grant. When grant funds are received in advance of being earned, they are recorded as unearned revenue until earnings criteria are met. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

Fiduciary Fund Financial Statements are accounted for on a flow of economic resources measurement focus. With this focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. Agency funds are custodial in nature and do not involve measurement of results or operations.

Fund Accounting

The District reports its financial activities through the use of "fund accounting". The activities of the District are organized on the basis of funds. The operations of each fund are accounted for within a separate set of self- balancing accounts to reflect results of activities. Fund accounting segregates funds according to their intended purposes to assist management in demonstrating compliance with finance-related legal and contractual provisions.

Governmental Funds are those through which most governmental functions of the District are financed. The acquisition, use, and balances of the District's expendable financial resources and the related liabilities are accounted for through the governmental funds. The following are the District's major governmental funds:

General Fund - The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenses that are not paid through other funds are paid from the General Fund.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the retirement of, long-term debt principal, interest and related costs.

Capital Projects Fund - The Capital Projects Fund is used to account for financial resources to be used for the acquisition, renovation or construction of major capital projects.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fund Accounting – Governmental Funds *(continued)*

Other non-major governmental funds consist of special revenue funds that account for resources that are legally restricted or locally committed to expenditures for specified purposes. Most Federal and some State financial assistance is accounted for in special revenue funds.

Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, organizations, and/or other funds:

Agency Funds - The Student Activity Fund accounts for the receipt and disbursement of monies from student activity organizations. These organizations exist with the explicit approval of, and are subject to revocation by, the District's Board of Trustees. This accounting reflects the District's agency relationship with the student activity organizations. Agency Funds are fiduciary funds that are custodial in nature (assets equal liabilities).

Assets, Liabilities & Deferred Inflows/Outflows

Cash & Cash Equivalents - The District's cash and cash equivalents include cash on hand, demand deposits, money markets, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments – Investments, except for the investment pools, are recorded at fair value. Fair value is determined by the amount at which a financial instrument can be exchanged in a current transaction between willing parties. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost. District management believes that the District adheres to the requirements of the State of Texas Public Funds Investment Act regarding investment practice, management reports and establishment of appropriate policies. Additionally, management believes that the investment practices of the District are in accordance with local policies for the current fiscal year.

Interfund Receivables & Payables - Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." All residual balances between governmental activities are eliminated in the government-wide statements.

Prepaid Expenditures – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements and expended in a subsequent period using the consumption method. All prepaid expenditures are offset at fiscal yearend by nonspendable fund balance in the fund financial statements.

Capital Assets - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Capital Assets *(continued)*

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

Assets	Years
Buildings	40
Building Improvements	20
Vehicles	10
Office Equipment	7
Computer Equipment	5

Vacation & Sick Leave - Vacations are to be taken within the same year they are earned, and any unused days at the end of the year are forfeited. Therefore, no liability has been accrued in the accompanying basic financial statements. Employees of the District are entitled to sick leave based on category/class of employment. Sick leave is allowed to be accumulated but does not vest. Therefore, a liability for unused sick leave has not been recorded in the accompanying basic financial statements.

Long–Term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the *Statement of Net Position*. Bond premiums and discounts are reported as a liability or contra-liability, as appropriate, 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 as incurred.

In the fund financial statements, 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 and payments to bond refunding escrow agents are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pensions – The District records its proportionate share of the net pension liability of the Teacher Retirement System of Texas (TRS). The fiduciary net position of TRS has been determined using the 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 by TRS when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Retiree Health Plan – The District records its proportionate share of the net OPEB liability of the Teacher Retirement System of Texas (TRS) Care Plan. The fiduciary net position of the 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Deferred Outflows/Inflows of Resources – In addition to assets and liabilities, the government-wide Statement of Net Position and governmental fund Balance Sheet report separate sections for deferred outflows and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position/fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent the acquisition of net position/fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. In addition to deferred losses on debt refunding transactions, which are reported as deferred outflows of resources, the District reports certain deferred inflows and outflows related to pensions on the government-wide Statement of Net Position. At the governmental fund level, earned but unavailable tax revenue is reported as a deferred inflow of resources.

Fund Balances and Net Position

Net position on the government-wide Statement of Net Position includes the following:

Net Investment in Capital Assets reports the difference between capital assets, net of accumulated depreciation, and the outstanding balance of debt, excluding unspent bond proceeds that is directly attributable to the acquisition, construction or improvement of those capital assets.

Restricted for Federal and State Grant Programs is the component of net position restricted to be spent for specific purposes prescribed by federal and state granting agencies.

Restricted for Debt Service is the component of net position that is restricted for payment of debt service by constraints established by the bond covenants.

Restricted for Capital Projects is the component of net position that is restricted for construction of capital projects.

Unrestricted Net Position is the residual difference between assets, deferred outflows, liabilities and deferred inflows that is not invested in capital assets or restricted for specific purposes.

It is the District's policy to spend funds available from restricted sources prior to unrestricted sources.

Fund balances on the governmental funds' Balance Sheet include the following:

Nonspendable Fund Balance is the portion of the gross fund balance that is not expendable because it is either not in spendable form or it is legally or contractually required to be maintained intact.

Restricted Fund Balance includes amounts restricted for a specific purpose by the provider (such as a grantors, bondholders, and high levels of government), through constitutional provisions, or by enabling legislation. Debt service resources are to be used for future servicing of the District's bonded debt and are restricted through debt covenants. Capital Projects bond funds are restricted by the bondholders for the specific purpose of capital projects and capital outlays. Federal and State grant resources are restricted pursuant to the mandates of the granting agency.

Committed Fund Balance is that portion of fund balance that is committed to a specific purpose by the District's Board of Trustees. The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. These amounts cannot be used for any other purpose unless the Board removes or changes the constraint by exercising the same type of action originally used to commit the funds.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fund Balances and Net Position *(continued)*

Assigned Fund Balance is that portion of fund balance that is spendable or available for appropriation but has been tentatively earmarked for some specific purpose. This intent can be expressed by an official to which the Board of Trustees delegates this authority.

Unassigned Fund Balance is the difference between the total fund balance and the total of the nonspendable, restricted, committed, and assigned fund balances and can be utilized for any legal purpose. This portion of the total fund balance in the General Fund is available to finance operating expenditures.

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.

As of August 31, 2019, fund balances are composed of the following:

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Prepaids	$ 417,397	-	-	-	417,397
Restricted:					
Debt Service	-	1,581,562	-	-	1,581,562
Federal Grant	-	-	-	895,367	895,367
Capital Projects	-	-	2,749,008	-	2,749,008
Unassigned	15,350,884	-	-	309,588	15,660,472
Total Fund Balances	$ 15,768,281	1,581,562	2,749,008	1,204,955	21,303,806

Data Control Codes

The Data Control Codes refer to the account code structure prescribed by the Texas Education Agency (TEA) in the *Financial Accountability System Resources Guide*. TEA requires school districts to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a statewide data base for policy development and funding plans.

Management's Use of Estimates

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Encumbrance Accounting

Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of funds are recorded in the accounting system in order to assign the portion of the applicable appropriation. This methodology is employed in the governmental fund financial statements. Encumbrances are not liabilities and are therefore not recorded as expenditures until receipt of the material or service. For budgetary purposes, appropriations lapse at fiscal year-end, and outstanding encumbrances at year-end are re-appropriated in the next fiscal year. There were no outstanding encumbrances at year end.

Budgetary Data

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund, and Child Nutrition Special Revenue Fund on a basis consistent with accounting policies generally accepted in the United States of America. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The Budgetary Comparison Schedule for the General Fund appears in Exhibit E-1. The Budgetary Comparison Schedules for the Child Nutrition Fund and Debt Service Fund appear in Exhibits G-2 and G-3. The remaining special revenue funds and the Capital Projects Fund adopt project-length budgets which do not correspond to the District's Fiscal Year.

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

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

- A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.

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

Once a budget is approved, it can only be amended at the fund and function level. To do so requires the approval of a majority of the members of the Board of Trustees. Amendments are presented to the Board at its regular meetings. Such amendments are reflected in the official minutes of the Board. The budget was properly amended throughout the year by the Board of Trustees.

The Budget Coordinator controls each budget for revenues and expenditures at the fund, function, and object level. Management is able to transfer amounts within each function. Budgeted amounts are as amended by the Board of Trustees. All budget appropriations lapse at year end. A reconciliation of fund balances for both appropriated budget and non-appropriated budget special revenue funds is as follows:

August 31, 2019 Fund Balance	
Appropriated budget funds - Child Nutrition Special Revenue Fund	$ 871,931
Non-appropriated budget funds	333,024
All Special Revenue Funds	$ 1,204,955

RECONCILIATION OF GOVERNMENT–WIDE & FUND FINANCIAL STATEMENTS

Explanation of Certain Differences Between the Governmental Fund Balance Sheet & the Government-Wide Statement of Net Position

Exhibit C-2 provides a reconciliation between *fund balance - total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the full accrual basis of accounting." The details of this $545,087 adjustment are as follows:

Long Term Debt:	
Premium and Discount Costs on Bonds	$ (2,313,829)
Deferred Loss on Refunding Bonds	985,974
	(1,327,855)
Unavailable Revenue	
To remove the current period uncollected tax levy from	369,178
To remove prior year collectible delinquent tax levy	1,503,764
	1,872,942
Net adjustment to decrease fund balance - total governmental funds to arrive at net position - governmental activities	$ 545,087

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances & the Government – Wide Statement of Activities

Exhibit C-4 provides a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "various other reclassifications are necessary to convert from the modified accrual basis of accounting to the full accrual basis of accounting." The details of this ($41,650) adjustment are as follows:

Long-Term Debt:	
Current year amortization	$ 97,785
	97,785
Taxes:	
To move the uncollected tax levy to revenue	(139,435)
	(139,435)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes to net position of governmental activities	$ (41,650)

CASH & INVESTMENTS

The funds of the District must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank 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.

At August 31, 2019, the carrying amount of the District's deposits (cash) was $3,819,614. The bank balance was $3,818,991. The District's combined deposits at August 31, 2019 and during the year ended August 31, 2019 were fully insured by federal depository insurance or collateralized with securities pledged to the District and held by the District's agent.

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

- Name of Bank – First Financial Bank, N.A.

- The highest combined balances of cash, savings, and time deposit accounts amounted to $7,419,862 and occurred during the month of January 2019.

- Amount of bond and securities pledged as of the date of the highest combined balance on deposit was $6,099,958.

- Total amount of FDIC coverage at the time of highest combined balance was $250,000.

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:

- Safety of principal and liquidity,
- Portfolio diversification,
- Allowable investments,
- Acceptable risk levels,
- Expected rates of return,
- Maximum allowable stated maturity of portfolio investments,
- Maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio,
- Investment staff quality and capabilities, and
- Bid solicitation preferences for certificates of deposit.

Statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. agencies, municipal securities, repurchase agreements, and certain other investments. The investments owned at fiscal yearend are held by the District or its agent in the District's name.

All investment pools utilized by the District meet the requirements of the Texas Public Funds Investment Act (PFIA). The fair value of the positions in the pools is the same as the value of the pools. The District invests in the following investment pools:

- Texas Local Government Investment Pool (TexPool) - The Texas Comptroller of Public Accounts exercises oversight responsibility over TexPool.

CASH & INVESTMENTS *(continued)*

In compliance with the PFIA, the District has adopted a deposit and investment policy. That policy addresses the following risks:

Credit risk is the risk that a security issuer may default on an interest or principal payment. The District controls and monitors this risk by purchasing quality rated instruments that have been evaluated by nationally recognized agencies such as Standard and Poor's (S&P) or Moody's Investors Service.

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution or counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover its deposits, value of its investments, or collateral securities that are in the possession of an outside party. The PFIA, the District's investment policy, and Government Code Chapter 2257 "Collateral for Public Funds" contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments. The District's funds are deposited and invested under terms of a depository contract with amounts greater than the FDIC insurance coverage protected by approved pledged securities held on behalf of the District. Public funds investment pools created to function as money market mutual funds must mark their portfolios to market daily, and, to the extent reasonably possible, stabilize at a $1 net asset value. The District's policy manages custodial credit risk by requiring securities purchased by a broker-dealer for the District to be held in a Safekeeping account in the District's name. The policy also requires that security transactions be conducted on a delivery-versus-payment basis.

Concentration of credit risk is the risk associated with holding investments that are not pools and full faith credit securities. These risks are controlled by limiting the percentages of these investments in the District's portfolio.

Interest rate risk is the risk that interest rates will rise and an investment in a fixed-income security will decrease in value. Interest rate risk is reduced by diversifying, investing in securities with different durations, and laddering maturity dates. The District manages its exposure to interest rate risk 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 investment in external investment pools is less than 60 days.

Foreign currency risk is the potential for loss due to fluctuations in exchange rates. The District's policy does not allow for any direct foreign investments, and therefore the District is not exposed to foreign currency risk.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, Fair Value Measurement and Application provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs used to measure assets and liabilities:

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

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

CASH & INVESTMENTS *(continued)*

The District has recurring fair value measurements as presented in the table below. The District's investment balances at August 31, 2019 are as follows:

Description	Credit Rating	Carrying Amount	Fair Value
TexPool	AAAm	$ 16,295,852	$ 16,295,852

PROPERTY TAXES

The District's ad valorem property tax is levied on all real and business personal property located in the District. A lien exists on all property on January 1st of each year. Tax statements are mailed on October 1st each year or as soon thereafter as possible. Taxes are due upon receipt and become delinquent if not paid before February 1st of the following calendar year. The assessed value of the property tax roll on August 1, 2018, upon which the levy for the 2018-19 fiscal period was based, was $1,342,474,548.

The tax rates levied for the fiscal year ended August 31, 2019, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were $1.04 and $0.421 per $100 valuation, respectively, for a total of $1.461 per $100 valuation.

Current year tax collections for the period ended August 31, 2019, were 98.00% of the levy.

The ad valorem tax rate is allocated each year between the General Fund and the Debt Service Fund. The full amount estimated to be required for general obligation bond retirement is provided by the debt service tax together with interest earned within the Debt Service Fund.

Allowances for uncollectible taxes within the General Fund and Debt Service Fund are based on historical experience. 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 August 31, 2019, the allowance for uncollectible taxes was approximately 2% of total delinquent property taxes receivable.

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 Program and Available School Fund.

Receivables due from other governments as of August 31, 2019, for the District's individual major funds and Non- Major Governmental Funds are as follows:

Fund	State Entitlements	Federal Grants	Total
General	$ 1,432,618	-	1,432,618
Special Revenue	-	1,090,157	1,090,157
Total	$ 1,432,618	1,090,157	2,522,775

INTERFUND TRANSACTIONS

Interfund balances at August 31, 2019, consisted of the following individual fund receivables and payables:

Receivable Fund	Payable Fund	Amount
General Fund	Special Revenue Funds	$ 928,587

All interfund balances represent transactions between the General Fund and other funds. Special Revenue funds owed the General Fund for grant expenditures financed by General Fund cash prior to receiving reimbursements from federal or state agencies.

CAPITAL ASSETS

A summary of changes in capital assets for the year ended August 31, 2019, follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Capital Assets not being depreciated:				
Land	$ 2,205,867	-	-	2,205,867
Construction in Progress	443,671	96,280	(454,221)	85,730
	2,649,538	96,280	(454,221)	2,291,597
Capital Assets being depreciated:				
Buildings & Improvements	119,681,885	454,221	-	120,136,106
Furniture & Equipment	10,979,397	573,488	-	11,552,885
	130,661,282	1,027,709	-	131,688,991
Less: Accumulated depreciation for:				
Buildings & Improvements	(52,368,734)	(3,679,728)	-	(56,048,462)
Furniture & Equipment	(9,471,510)	(462,472)	-	(9,933,982)
	(61,840,244)	(4,142,200)	-	(65,982,444)
Total Capital Assets for Governmental Activities, net	$ 71,470,576	(3,018,211)	(454,221)	67,998,144

Depreciation expense was charged to governmental functions as follows:

Instruction	$ 2,770,827
Instructional Resources & Media	67,533
Student Transportation	183,630
Food Services	249,161
Extracurricular Activities	553,507
General Administration	58,230
Plant Maintenance & Operations	240,682
Security & Monitoring	3,239
Data Processing Services	15,391
Total Depreciation Expense	$ 4,142,200

CAPITAL ASSETS *(continued)*

Construction Commitments

At August 31, 2019, the District was obligated under major contracts for construction of new facilities and renovations or repair of various existing facilities. A summary of the status of these projects and the related binding contracts with contractors is as follows:

	08/31/18	Additions	Retirements
Track Resurfacing	$ 312,424	10,157	(322,581)
Abatement & Flooring	131,247	393	(131,640)
Detention Pond Repairs	-	85,730	-
Total	$ 443,671	96,280	(454,221)

LONG-TERM DEBT

A summary of changes in long-term debt for the year ended August 31, 2019, follows:

Governmental Activities	Interest Rate Payable	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonded Indebtedness:						
1995 Refunding	6.05%	$ 485,000	-	(80,000)	405,000	$ 80,000
1998 School Building	6.15%	1,125,000	-	-	1,125,000	-
2011 Refunding	3.16%	6,965,000	-	(365,000)	6,600,000	385,000
2012 Refunding	2.80%	5,940,000	-	(320,000)	5,620,000	325,000
2013 School Building	4.87%	28,560,000	-	-	28,560,000	-
2014 School Building	4.37%	4,768,000	-	(433,000)	4,335,000	433,000
2015 Refunding	4.38%	8,550,000	-	(120,000)	8,430,000	130,000
2015A Refunding	3.76%	575,000	-	(75,000)	500,000	80,000
2016 Refunding	3.11%	9,135,000	-	(135,000)	9,000,000	140,000
2017 Refunding	2.72%	5,695,000	-	(475,000)	5,220,000	490,000
Subtotal		71,798,000	-	(2,003,000)	69,795,000	2,063,000
Bond Premium		2,469,010	-	(155,181)	2,313,829	
Accreted Interest		10,117,491	1,620,095	(945,000)	10,792,586	945,000
Total Bonded Indebtedness		$ 84,384,501	1,620,095	(3,103,181)	82,901,415	$ 3,008,000

General obligation bonds consist of School Building and Refunding Bonds bearing interest at 2.72% – 6.15% per annum. Interest expense for the year on all bonded indebtedness was $2,673,444.

Changes in debt-related deferred outflows of resources for the year ended August 31, 2019, were:

	Beginning Balance	Issued/ Increases	Retired/ Refunded	Ending Balance
Deffered loss on refunding	$ 1,043,370	-	(57,396)	$ 985,974

LONG-TERM DEBT *(continued)*

Capital Appreciation Bonds

A capital appreciation bond (CAB) is a bond bearing no interest that is sold at a significant discount but matures at a stated value. Accreted interest is the obligation associated with CABs and reflects period increases in the obligation to reflect the bond at stated value at maturity. CAB premiums represent premium received on the issuance of these bonds which must also be paid back at maturity. Current year accreted interest expense recognized in the government-wide financial statements was $1,620,095, and $945,000 of accreted interest was paid off during the year. Total accreted interest on CABs at August 31, 2019 is $10,792,586, which is reported as long-term liabilities in the government-wide financial statements.

Defeasance of Debt

In prior years, the District defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. On August 31, 2019, none of the outstanding bonds are considered defeased.

Debt service requirements for the general obligation bonds are as follows:

Year Ending August 31	Principal	Interest	Total Requirements
2020	$ 2,063,000	2,617,492	4,680,492
2021	2,118,000	2,557,580	4,675,580
2022	1,798,000	2,506,093	4,304,093
2023	1,823,000	2,462,205	4,285,205
2024	1,868,000	2,415,755	4,283,755
2025-2029	9,255,000	11,368,895	20,623,895
2030-2034	14,875,000	10,608,453	25,483,453
2035-2039	17,840,000	15,701,437	33,541,437
2040-2043	18,155,000	15,144,363	33,299,363
	$ 69,795,000	65,382,273	135,177,273

UNEARNED REVENUE

Unearned revenue at August 31, 2019, consisted of the following:

	General Fund	Debt Service Fund	Total
Net Tax Revenue	$ 1,423,699	449,243	1,872,942
Facility Rental	300		300
Total	$ 1,423,999	449,243	1,873,242

REVENUES FROM LOCAL & INTERMEDIATE SOURCES

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

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
Property Taxes	$ 13,903,135	-	5,621,674	-	19,524,809
Food Sales	-	505,947	-	-	505,947
Investment Income	407,197	15,875	48,667	63,243	534,982
Penalties, Interest & Other					-
Tax Related Income	204,842	-	73,940	-	278,782
Co-Curricular Student Activities	54,641	240,446	-	-	295,087
Other	551,902	15,020	-	-	566,922
Total	$ 15,121,717	777,288	5,744,281	63,243	21,706,529

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 2019, 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.

Health Care Coverage

For the year ended August 31, 2019, all employees of the District were offered health care coverage under the TRS ActiveCare insurance plan (the Plan), which is a statewide health coverage program for public education employees established by the 77th Texas Legislature. The District contributed $275 per month per enrolled employee to the Plan, and employees, at their option, authorized payroll withholdings to pay the additional cost of premiums for themselves and dependents.

Worker's Compensation Insurance

The District participates in the East Texas Educational Insurance Association (ETEIA), a public entity risk pool. The District pays premiums to ETEIA for its workers' compensation insurance. The ETEIA has obtained reinsurance from Safety National Casualty Corporation for claims exceeding $225,000. At August 31, 2019, the District's unpaid claims total $155,827, including incurred but not reported (IBNR) claims of $83,454, estimated. The District has reported this as a liability in the General Fund.

Changes in the balances of claims liability amounts in fiscal years 2019 and 2018 are as follows:

	2019	2018
Unpaid Claims, Beginning of Period	$ 154,883	151,964
Incurred Claims (including IBNR)	68,536	108,193
Claim Payments	(67,592)	(105,274)
Unpaid Claims, End of Period	$ 155,827	154,883

RISK MANAGEMENT *(continued)*

Unemployment Compensation Pool

During the year ended August 31, 2019, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (The Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Local Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for the Unemployment Compensation pool. For the year ended August 31, 2019, the Fund anticipates that the District has no additional liability beyond the contractual obligation for payment of contribution.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31st. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statement as of August 31, 2018, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

Litigation & Contingencies

The District is a party to various legal actions none of which is believed by administration to have a material effect on the financial condition of the District. Accordingly, no provision for losses has been recorded in the accompanying combined financial statements for such contingencies.

State & Federal Programs

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 collect ability of any related receivable at August 31, 2019 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.

PENSION PLAN AND OTHER POST EMPLOYMENT BENEFITS

Employee Retirement Plan

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

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

PENSION PLAN AND OTHER POST EMPLOYMENT BENEFITS *(continued)*

Employee Retirement Plan *(continued)*

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 (CAFR) 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; or by calling (512) 542-6592.

The information provided in the Notes to the Financial Statements in the 2018 CAFR for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2018:

Net Pension Liability	Total
Total Pension Liability	$ 209,611,328,793
Less: Plan Fiduciary Net Position	(154,568,901,833)
Net Pension Liability	$ 55,042,426,960
Net Position as a percentage of Total Pension Liability	73.74%

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, when 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 postemployment benefit changes, including ad hoc COLAs cab 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 85th Texas Legislature, General Appropriations Act (GAA) affirmed that the employer contribution rates for fiscal years 2018 and 2019 would remain the same.

PENSION PLAN AND OTHER POST EMPLOYMENT BENEFITS *(continued)*

Employee Retirement Plan - Contributions *(continued)*

	2018	2019
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%

Fiscal Year 2019 Employer Contributions	$ 669,163
Fiscal Year 2019 Member Contributions	$ 1,656,414
2018 Measurement Year NECE On-Behalf Contributions	$ 966,933

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

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

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

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

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

PENSION PLAN AND OTHER POST EMPLOYMENT BENEFITS *(continued)*

Employee Retirement Plan *(continued)*

Actuarial Assumptions – The total pension liability in the August 31, 2017 actuarial valuation rolled forward to August 31, 2018, was determined using the following actuarial assumptions:

Valuation Date	August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	6.907%
Long-term expected Investment Rate of Return*	7.250%
Inflation	2.300%
Salary Increases including inflation	3.05% to 9.05%
Payroll Growth Rate	2.500%
Benefit changes during the year	None
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions are based primarily on a study of actual experience for the three-year period ending August 31, 2017 and adopted in July 2018.

Discount Rate – The discount rate used to measure the total pension liability was 6.907%. The single discount rate was based on the expected rate of return on pension plan investments of 7.250% and a municipal bond rate of 3.690%. 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 sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to all benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after the date. 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.

PENSION PLAN AND OTHER POST EMPLOYMENT BENEFITS *(continued)*

Employee Retirement Plan – Discount Rate *(continued)*

Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2018 are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns*
Global Equity			
U.S.	18.00%	5.70%	1.04%
Non-U.S. Developed	13.00%	6.90%	0.90%
Emerging Markets	9.00%	8.95%	0.80%
Directional Hedge Funds	4.00%	3.53%	0.14%
Private Equity	13.00%	10.18%	1.32%
Stable Value			
U.S. Treasuries	11.00%	1.11%	0.12%
Absolute Return	0.00%	0.00%	0.00%
Stable Value Hedge Funds	4.00%	3.09%	0.12%
Cash	1.00%	-0.30%	0.00%
Real Return			
Global Inflation Linked Bonds	3.00%	0.70%	0.02%
Real Assets	14.00%	5.21%	0.73%
Energy and Natural Resources	5.00%	7.48%	0.37%
Commodities	0.00%	0.00%	0.00%
Risk Parity			
Risk Parity	5.00%	3.70%	0.18%
Inflation Expectation			2.30%
Alpha			-0.79%
Total	100.00%		7.25%

** 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 District's portion of the TRS Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (6.907%) in measuring the 2018 Net Pension Liability.

	1% Decrease in Discount Rate (5.907%)	Discount Rate (6.907%)	1% Increase in Discount Rate (7.907%)
District's Proportionate Share of the Net Pension Liability:	$ 15,006,451	$ 9,943,053	$ 5,843,932

PENSION PLAN AND OTHER POST EMPLOYMENT BENEFITS *(continued)*

Employee Retirement Plan – Discount Rate *(continued)*

Pension Liabilities, Pension Expense, Deferred Outflows of Resources & Deferred Inflows of Resources Related to Pensions - At August 31, 2019, the District reported a liability of $9,943,053 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	$ 9,943,053
State's proportionate share that is associated with the District	15,808,688
Total	$ 25,751,741

The net pension liability was measured as of August 31, 2018 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, 2017 thru August 31, 2018.

At August 31, 2018 the employer's proportion of the collective net pension liability was 0.0180643% which was a decrease of (0.0007727% from its proportion measured as of August 31, 2017.

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

- The Total Pension Liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
- The discount rate changed from 8.000% as of August 31, 2017 to 6.907% as of August 31, 2018.
- The long-term assumed rate of return changed from 8.00% to 7.25%.
- The change in long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the Net Pension Liability.

For the year ended August 31, 2019, the District recognized pension expense of $3,049,196 and revenue of $1,564,639 for support provided by the State.

PENSION PLAN AND OTHER POST EMPLOYMENT BENEFITS *(continued)*

Employee Retirement Plan – Pension Liabilities, Pension Expense, Deferred Outflows of Resources & Deferred Inflows of Resources Related to Pensions *(continued)*

At August 31, 2019, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experiences	$ 61,977	$ 243,963
Changes in actuarial assumptions	3,584,949	112,030
Differences between projected and actual investment earnings	-	188,663
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	1,121,254	27,178
Total as of August 31, 2018	$ 4,768,180	$ 571,834
Contributions paid to TRS subsequent to the measurement date	669,163	-
Total as of Fiscal year end	$ 5,437,343	$ 571,834

$669,163 reported as deferred outflow 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 ending June 30, 2019. The remaining net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended August 31,	Pension Expense Amount
2020	$ 1,132,953
2021	$ 735,929
2022	$ 619,872
2023	$ 657,627
2024	$ 630,451
Thereafter	$ 419,514
	$ 4,196,346

Long-Term Liability Disclosure

	08/31/18	Additions	Retirements	08/31/19
Net Pension Liability	$ 5,528,934	5,022,661	(608,542)	9,943,053

Retiree Health Plan

Plan Description - The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). TRS-Care 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. The plan is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

OPEB Plan Fiduciary Net Position - Detailed information about the TRS-Care's fiduciary net position is available in a separately issued Comprehensive Annual Financial Report (CAFR) 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; or by calling (512) 542-6592.

PENSION PLAN AND OTHER POST EMPLOYMENT BENEFITS *(continued)*

Retiree Health Plan *(continued)*

Benefits Provided - TRS-Care provides 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. Option 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 a retiree with and without Medicare coverage.

TRS-Care Monthly for Retirees
January 1, 2018 through December 31, 2018

	Medicare	Non-Medicare
Retiree*	$ 135	$ 200
Retiree and Spouse	529	689
Retiree* and Children	468	408
Retiree and Family	1,020	999

** or surviving spouse*

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.75% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. 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.

	2018	2019
Member	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.00%	1.00%
Employers	0.55%	0.55%
Federal/Private Funding Remitted by Employers	1.00%	1.00%

Fiscal Year 2019 Employer Contributions	$ 178,248
Fiscal Year 2019 Member Contributions	$ 139,930
2018 Measurement Year NECE On-behalf Contributions	$ 240,887

PENSION PLAN AND OTHER POST EMPLOYMENT BENEFITS *(continued)*

Retiree Health Plan - Contributions *(continued)*

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 $182.6 million in fiscal year 2018. The 85th Texas Legislature, House Bill 30 provided an additional $212 million in one-time supplemental funding for the fiscal year 2018-2019 biennium to continue to support the program. This was also received in fiscal year 2018 bringing the total appropriations received in fiscal year 2018 to $394.6 million.

Actuarial Assumptions - The total OPEB liability in the August 31, 2017 actuarial valuation was rolled forward to August 31, 2018. The 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 that was rolled forward to August 31, 2018: Rates of Mortality, Rates of Retirement, Rates of Termination, Rates of Disability Incidence, General Inflation, Wage Inflation, and Expected Growth.

Valuation Date	August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate	3.69%*
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claim costs.
Salary Increases**	3.05% to 9.05%**
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75& participation after age 65.
Ad hoc post-employment benefit changes	None

* Source: Fixed Income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of August 31, 2018.
** Includes Inflation at 2.50%.

Discount Rate - A single discount rate of 3.69% was used to measure the total OPEB liability. There was a change of 0.27% in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

PENSION PLAN AND OTHER POST EMPLOYMENT BENEFITS *(continued)*

Retiree Health Plan *(continued)*

Discount Rate Sensitivity Analysis – The following schedule shows the impact of the District's portion of the net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.69%) in measuring the net OPEB Liability.

	1% Decrease in Discount Rate (2.69%)	Discount Rate (3.69%)	1% Increase in Discount Rate (4.69%)
Proportionate share of the net OPEB liability:	$ 13,768,502	$ 11,566,830	$ 9,825,166

Healthcare Cost Trend Rate Sensitivity Analysis – The following schedule shows the impact of the District's portion of the net OPEB Liability of the plan using the assumed healthcare trend rate, as well as what the net OPEB liability would be if the trend rate used was 1% less than and 1% greater than the assumed healthcare cost trend rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Proportionate share of the net OPEB liability:	$ 9,606,441	$ 11,566,830	$ 14,148,705

OPEB Liabilities, OPEB Expense & Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs - At August 31, 2019, the District reported a liability of $11,566,830 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction of 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	$ 11,566,830
State's proportionate share that is associated with the District	17,459,931
Total	$ 29,026,761

The net OPEB liability was measured as of August 31, 2018 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, 2017 thru August 31, 2018.

At August 31, 2018, the employer's proportion of the collective net OPEB liability was 0.0231657%, which was an increase of 0.0009145 from its proportion measured as of August 31, 2017.

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:

- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the Total OPEB Liability.

- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the Total OPEB Liability.

- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the Total OPEB Liability.

PENSION PLAN AND OTHER POST EMPLOYMENT BENEFITS *(continued)*

Retiree Health Plan - Changes Since the Prior Actuarial Valuation *(continued)*

- The discount rate changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018. This change lowered the Total OPEB Liability $2.3 billion.

- Change of Benefit Terms Since the Prior Measurement Date – Please see the 2018 TRS CAFR, page 68, section B for a list of changes made effective September 1, 2017 by the 85th Texas Legislature.

For the year ended August 31, 2019, the District recognized OPEB expense of $988,308 and revenue of $635,087 for support provided by the State.

At August 31, 2019, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experiences	$ 613,809	$ 182,542
Changes in actuarial assumptions	193,019	3,475,169
Differences between projected and actual investment earnings	2,023	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	501,246	-
Total as of August 31, 2018 measurement date	$ 1,310,097	$ 3,657,711
Contributions paid to TRS subsequent to the measurement date	178,248	-
Total as of Fiscal year end	$ 1,488,345	$ 3,657,711

$178,248 reported as deferred outflow of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. The remaining net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEBs will be recognized in pension expense as follows:

Fiscal Year ended August 31,	
2020	$ (392,886)
2021	(392,886)
2022	(392,886)
2023	(393,269)
2024	(393,488)
Thereafter	(382,199)
	$ (2,347,614)

Long-Term Liability

	Beginning Balance	Additions	Reductions	Ending Balance
Net OPEB Liability	$ 9,676,192	2,050,448	(159,810)	$ 11,566,830

PENSION PLAN AND OTHER POST EMPLOYMENT BENEFITS *(continued)*

Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare D allows for the Texas Public School Retired Employee Group Insurance Program (TRSCare) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. The funds allocated to the District are considered on-behalf payments and are recognized as equal revenues and expenditures in the General Fund. For the year ended August 31, 2019, the contribution made on behalf of the District was $64,135.

ARBITRAGE COMPLIANCE

The District is monitoring its compliance with Federal arbitrage regulations. As of August 31, 2019, the District is in compliance with Federal regulations and the District has no liability for arbitrage rebates.

TAX ABATEMENTS

In compliance with GASB Statement #77, the District did not have any outstanding tax abatements for the year ended August 31, 2019.

EVALUATION OF SUBESQUENT EVENTS

The District has evaluated subsequent events through January 7, 2020, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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EXHIBIT E-1

ALVARADO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2019

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	$ 15,271,507	$ 15,666,507	$ 15,121,717	$ (544,790)
5800	State Program Revenues	16,881,160	16,881,160	15,846,958	(1,034,202)
5900	Federal Program Revenues	620,000	620,000	1,134,607	514,607
5020	Total Revenues	32,772,667	33,167,667	32,103,282	(1,064,385)
	EXPENDITURES:				
	Current:				
0011	Instruction	18,394,856	18,402,051	17,786,377	615,674
0012	Instructional Resources and Media Services	133,557	132,194	130,909	1,285
0013	Curriculum and Instructional Staff Development	430,008	435,219	359,329	75,890
0021	Instructional Leadership	490,084	489,577	459,958	29,619
0023	School Leadership	1,531,636	1,529,761	1,513,058	16,703
0031	Guidance, Counseling and Evaluation Services	1,070,265	1,070,029	1,036,661	33,368
0032	Social Work Services	143,158	150,845	150,754	91
0033	Health Services	260,067	272,215	272,040	175
0034	Student (Pupil) Transportation	1,527,537	1,589,037	1,454,091	134,946
0035	Food Services	1,800	1,800	224	1,576
0036	Extracurricular Activities	1,129,575	1,132,441	1,112,867	19,574
0041	General Administration	1,279,373	1,301,281	1,263,117	38,164
0051	Facilities Maintenance and Operations	3,973,296	3,973,631	3,801,201	172,430
0052	Security and Monitoring Services	319,700	551,580	493,994	57,586
0053	Data Processing Services	1,062,716	1,245,926	1,245,245	681
0061	Community Services	234,628	248,928	221,510	27,418
	Capital Outlay:				
0081	Facilities Acquisition and Construction	595,411	418,152	75,009	343,143
	Intergovernmental:				
0093	Payments to Fiscal Agent/Member Districts of	180,000	208,000	207,986	14
0095	Payments to Juvenile Justice Alternative Ed. Prg.	15,000	15,000	-	15,000
6030	Total Expenditures	32,772,667	33,167,667	31,584,330	1,583,337
1100	Excess of Revenues Over Expenditures	-	-	518,952	518,952
	OTHER FINANCING SOURCES (USES):				
7915	Transfers In	1,145,545	1,145,545	-	(1,145,545)
8911	Transfers Out (Use)	(1,145,545)	(1,145,545)	-	1,145,545
7080	Total Other Financing Sources (Uses)	-	-	-	-
1200	Net Change in Fund Balances	-	-	518,952	518,952
0100	Fund Balance - September 1 (Beginning)	15,249,329	15,249,329	15,249,329	-
3000	Fund Balance - August 31 (Ending)	$ 15,249,329	$ 15,249,329	$ 15,768,281	$ 518,952

ALVARADO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2019

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016
District's Proportion of the Net Pension Liability (Asset)	0.0180643%	0.0172916%	0.0173935%
District's Proportionate Share of Net Pension Liability (Asset)	$ 9,946,053	$ 5,528,934	$ 6,572,727
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	15,808,688	9,557,136	11,753,013
Total	$ 25,754,741	$ 15,086,070	$ 18,325,740
District's Covered Payroll	$ 20,227,999	$ 19,369,070	$ 19,130,726
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	49.15%	28.55%	34.36%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.74%	82.17%	78.00%

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, 2018 for year 2019, 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."

FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
0.018155%	0.0105713%
$ 6,417,551	$ 2,723,740
10,971,853	9,579,928
$ 17,389,404	$ 12,303,668
$ 18,190,277	$ 17,148,757
35.28%	16.47%
78.43%	83.25%

ALVARADO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2019

	2019	2018	2017
Contractually Required Contribution	$ 669,163	$ 612,868	$ 566,719
Contribution in Relation to the Contractually Required Contribution	(669,163)	(612,868)	(566,719)
Contribution Deficiency (Excess)	$ -	$ -	$ -
District's Covered Payroll	$ 21,511,886	$ 20,227,999	$ 19,369,070
Contributions as a Percentage of Covered Payroll	3.11%	3.03%	2.93%

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 years.

Note: In accordance with GASB 68, Paragraph 138, the years of data presented this reporting period are those for which data is available. "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."

2016	2015
$ 552,816	$ 537,577
(552,816)	(537,577)
$ -	$ -
$ 19,130,726	$ 18,190,277
2.89%	2.96%

EXHIBIT E-4

ALVARADO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2019

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.0231657%	0.0222512%
District's Proportionate Share of Net OPEB Liability (Asset)	$ 11,566,830	$ 9,676,192
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	17,459,931	15,346,916
Total	$ 29,026,761	$ 25,023,108
District's Covered Payroll	$ 20,227,999	$ 19,369,070
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	57.18%	49.96%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.57%	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 2019 are for the measurement date August 31, 2018 and the amounts for FY 2018 are based on the August 31, 2017 measurement date.

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

EXHIBIT E-5

ALVARADO INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)

TEACHER RETIREMENT SYSTEM OF TEXAS

FOR FISCAL YEAR 2019

	2019	2018
Contractually Required Contribution	$ 178,248	$ 161,023
Contribution in Relation to the Contractually Required Contribution	(178,248)	(161,023)
Contribution Deficiency (Excess)	$ -0-	$ -0-
District's Covered Payroll	$ 21,511,886	$ 20,227,999
Contributions as a Percentage of Covered Payroll	0.83%	0.80%

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.

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COMBINING STATEMENTS

ALVARADO INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2019

Data Control Codes		211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	226 IDEA - Part B Discretionary
	ASSETS				
1110	Cash and Cash Equivalents	$ -	$ -	$ -	$ -
1120	Investments - Current	-	-	-	-
1240	Due from Other Governments	295,653	565,803	6,037	-
1290	Other Receivables	-	-	-	-
1000	Total Assets	$ 295,653	$ 565,803	$ 6,037	$ -
	LIABILITIES				
2110	Accounts Payable	$ -	$ -	$ -	$ -
2160	Accrued Wages Payable	34,305	35,523	1,443	-
2170	Due to Other Funds	261,348	530,280	4,594	-
2000	Total Liabilities	295,653	565,803	6,037	-
	FUND BALANCES				
	Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	-	-	-
3600	Unassigned Fund Balance	-	-	-	-
3000	Total Fund Balances	-	-	-	-
4000	Total Liabilities and Fund Balances	$ 295,653	$ 565,803	$ 6,037	$ -

240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II, A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Other Federal Special Revenue Funds	410 State Textbook Fund	429 Other State Special Revenue Funds	461 Campus Activity Funds
$ 38,052	$ -	$ -	$ -	$ -	$ 15,508	$ -	$ 301,588
845,916	-	-	-	-	-	-	-
76,872	2,640	40,050	60,471	42,631	-	-	-
645	-	-	-	-	-	-	-
$ 961,485	$ 2,640	$ 40,050	$ 60,471	$ 42,631	$ 15,508	$ -	$ 301,588
$ 89,554	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	5,229	-	-	-	-	-
-	2,640	34,821	60,471	34,473	-	230	-
89,554	2,640	40,050	60,471	34,473	-	230	-
871,931	-	-	-	8,158	15,508	(230)	-
-	-	-	-	-	-	-	301,588
871,931	-	-	-	8,158	15,508	(230)	301,588
$ 961,485	$ 2,640	$ 40,050	$ 60,471	$ 42,631	$ 15,508	$ -	$ 301,588

ALVARADO INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2019

Data Control Codes		499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds
	ASSETS		
1110	Cash and Cash Equivalents	$ 8,000	$ 363,148
1120	Investments - Current	-	845,916
1240	Due from Other Governments	-	1,090,157
1290	Other Receivables	-	645
1000	Total Assets	$ 8,000	$ 2,299,866
	LIABILITIES		
2110	Accounts Payable	$ -	$ 89,554
2160	Accrued Wages Payable	-	76,500
2170	Due to Other Funds	-	928,857
2000	Total Liabilities	-	1,094,911
	FUND BALANCES		
	Restricted Fund Balance:		
3450	Federal or State Funds Grant Restriction	-	895,367
3600	Unassigned Fund Balance	8,000	309,588
3000	Total Fund Balances	8,000	1,204,955
4000	Total Liabilities and Fund Balances	$ 8,000	$ 2,299,866

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ALVARADO INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes		211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	226 IDEA - Part B Discretionary
	REVENUES:				
5700	Total Local and Intermediate Sources	$ -	$ -	$ -	$ -
5800	State Program Revenues	-	-	-	-
5900	Federal Program Revenues	595,158	986,906	15,550	9,268
5020	Total Revenues	595,158	986,906	15,550	9,268
	EXPENDITURES:				
	Current:				
0011	Instruction	471,489	915,569	15,550	9,268
0012	Instructional Resources and Media Services	-	-	-	-
0013	Curriculum and Instructional Staff Development	77,791	1,839	-	-
0021	Instructional Leadership	-	69,498	-	-
0031	Guidance, Counseling and Evaluation Services	45,878	-	-	-
0035	Food Services	-	-	-	-
0036	Extracurricular Activities	-	-	-	-
0041	General Administration	-	-	-	-
0051	Facilities Maintenance and Operations	-	-	-	-
0052	Security and Monitoring Services	-	-	-	-
0053	Data Processing Services	-	-	-	-
6030	Total Expenditures	595,158	986,906	15,550	9,268
1200	Net Change in Fund Balance	-	-	-	-
0100	Fund Balance - September 1 (Beginning)	-	-	-	-
3000	Fund Balance - August 31 (Ending)	$ -	$ -	$ -	$ -

240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II, A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Other Federal Special Revenue Funds	410 State Textbook Fund	429 Other State Special Revenue Funds	461 Campus Activity Funds
$ 521,822	$ -	$ -	$ -	$ -	$ -	$ -	$ 255,466
9,947	-	-	-	-	618,597	1,050	-
1,451,827	37,725	92,397	85,337	47,638	-	-	-
1,983,596	37,725	92,397	85,337	47,638	618,597	1,050	255,466
-	-	92,397	85,337	28,890	672,858	2,225	109,119
-	-	-	-	-	-	-	10,969
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	833
-	37,725	-	-	-	-	-	2,100
1,643,206	-	-	-	-	-	-	-
-	-	-	-	-	-	-	100,452
-	-	-	-	-	-	-	10,154
-	-	-	-	-	-	-	583
-	-	-	-	14,880	-	-	-
-	-	-	-	-	-	-	3,862
1,643,206	37,725	92,397	85,337	43,770	672,858	2,225	238,072
340,390	-	-	-	3,868	(54,261)	(1,175)	17,394
531,541	-	-	-	4,290	69,769	945	284,194
$ 871,931	$ -	$ -	$ -	$ 8,158	$ 15,508	$ (230)	$ 301,588

ALVARADO INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes		499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds
	REVENUES:		
5700	Total Local and Intermediate Sources	$ -	$ 777,288
5800	State Program Revenues	-	629,594
5900	Federal Program Revenues	-	3,321,806
5020	Total Revenues	-	4,728,688
	EXPENDITURES:		
	Current:		
0011	Instruction	-	2,402,702
0012	Instructional Resources and Media Services	-	10,969
0013	Curriculum and Instructional Staff Development	-	79,630
0021	Instructional Leadership	-	70,331
0031	Guidance, Counseling and Evaluation Services	-	85,703
0035	Food Services	-	1,643,206
0036	Extracurricular Activities	-	100,452
0041	General Administration	-	10,154
0051	Facilities Maintenance and Operations	-	583
0052	Security and Monitoring Services	-	14,880
0053	Data Processing Services	-	3,862
6030	Total Expenditures	-	4,422,472
1200	Net Change in Fund Balance	-	306,216
0100	Fund Balance - September 1 (Beginning)	8,000	898,739
3000	Fund Balance - August 31 (Ending)	$ 8,000	$ 1,204,955

REQUIRED T.E.A SCHEDULES

ALVARADO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2019

Last 10 Years Ended August 31		(1) Tax Rates Maintenance	(2) Tax Rates Debt Service	(3) Assessed/Appraised Value for School Tax Purposes
2010	and prior years	Various	Various	$ 5,877,291,137
2011		1.040000	0.276000	1,536,401,672
2012		1.040000	0.276000	1,446,320,973
2013		1.040000	0.276000	1,429,434,574
2014		1.040000	0.421000	1,329,290,064
2015		1.040000	0.421000	1,455,158,554
2016		1.040000	0.421000	1,436,276,906
2017		1.040000	0.421000	1,279,754,327
2018		1.040000	0.421000	1,215,157,455
2019	(School year under audit)	1.040000	0.421000	1,342,474,548
1000	TOTALS			

(10) Beginning Balance 9/1/2018	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2019
$ 744,672	$ -	$ 7,726	$ 1,788	$ (169,517)	$ 565,641
93,359	-	4,259	1,130	(240)	87,730
93,370	-	5,317	1,411	(240)	86,402
116,813	-	3,992	1,059	(55)	111,707
138,089	-	12,110	4,902	8	121,085
135,518	-	19,420	7,861	17,597	125,834
138,208	-	25,691	10,400	16,116	118,233
206,871	-	45,625	18,469	7,221	149,998
386,546	-	144,516	58,501	(15,706)	167,823
-	19,613,553	13,615,677	5,511,729	(109,435)	376,712
$ 2,053,446	$ 19,613,553	$ 13,884,333	$ 5,617,250	$ (254,251)	$ 1,911,165

EXHIBIT G-2

ALVARADO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2019

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	$ 488,502	$ 488,502	$ 521,822	$ 33,320
5800	State Program Revenues	10,427	10,427	9,947	(480)
5900	Federal Program Revenues	1,448,556	1,448,556	1,451,827	3,271
5020	Total Revenues	1,947,485	1,947,485	1,983,596	36,111
	EXPENDITURES:				
	Current:				
0035	Food Services	1,947,485	1,947,485	1,643,206	304,279
6030	Total Expenditures	1,947,485	1,947,485	1,643,206	304,279
1200	Net Change in Fund Balances	-	-	340,390	340,390
0100	Fund Balance - September 1 (Beginning)	531,541	531,541	531,541	-
3000	Fund Balance - August 31 (Ending)	$ 531,541	$ 531,541	$ 871,931	$ 340,390

EXHIBIT G-3

ALVARADO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2019

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	$ 5,791,805	$ 5,791,805	$ 5,744,281	$ (47,524)
5800	State Program Revenues	-	-	330,245	330,245
5020	Total Revenues	5,791,805	5,791,805	6,074,526	282,721
	EXPENDITURES:				
	Debt Service:				
0071	Principal on Long-Term Debt	2,003,000	2,003,000	2,948,000	(945,000)
0072	Interest on Long-Term Debt	3,618,444	3,618,444	2,673,444	945,000
0073	Bond Issuance Cost and Fees	9,724	9,724	4,200	5,524
6030	Total Expenditures	5,631,168	5,631,168	5,625,644	5,524
1100	Excess of Revenues Over Expenditures	160,637	160,637	448,882	288,245
	OTHER FINANCING SOURCES (USES):				
8949	Other (Uses)	(160,637)	(160,637)	-	160,637
1200	Net Change in Fund Balances	-	-	448,882	448,882
0100	Fund Balance - September 1 (Beginning)	1,132,680	1,132,680	1,132,680	-
3000	Fund Balance - August 31 (Ending)	$ 1,132,680	$ 1,132,680	$ 1,581,562	$ 448,882

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FEDERAL AWARDS SECTION

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K. Evans
& Associates, CPA's

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

Board of Trustees
Alvarado Independent School District
P.O. Box 387
Alvarado, Texas 76009

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 Alvarado Independent School District (the District), as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 7, 2020.

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 Alvarado Independent School District's internal control.

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

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

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www.kevanscpas.com

Compliance & 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

K. Evans & Associates

K. Evans & Associates, CPA's
Frisco, TX
January 7, 2020

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
Alvarado Independent School District
P.O. Box 387
Alvarado, Texas 76009

Report on Compliance for Each Major Federal Program

We have audited Alvarado Independent School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2019.

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Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance. Our opinion on each major federal program is unmodified with respect to these matters.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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.

K. Evans & Associates

K. Evans & Associates, CPA's
Frisco, TX
January 7, 2020

ALAVARADO INDEPENDENT SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2019

Summary of Auditor's Results:

Financial Statements

- An unmodified opinion was issued on the financial statements.

- Internal control over financial reporting:

Material weakness(es) identified?	_______Yes	___X___No
Significant deficiency(ies) identified that are not considered a material weakness?	_______Yes	___X___None reported

- Noncompliance material to financial statements noted. _______Yes ___X___No

Major Federal Programs

- Internal control over major federal programs:

Material weakness(es) identified?	_______Yes	___X___No
Significant deficiency(ies) identified that are not considered a material weakness?	_______Yes	___X___None reported

- An unmodified opinion was issued on compliance for major federal programs.

- Any audit findings disclosed that were required to be reported in accordance with 2 CFR 200.516(a)? _______Yes ___X___No

- Identification of major federal programs:
    - Special Education Cluster 84.027A, 84.173A

- The dollar threshold used to distinguish between Type A and Type B programs. $750,000

- Auditee qualified as a low-risk auditee. ___X___Yes _______No

ALAVARADO INDEPENDENT SCHOOL DISTRICT
Schedule of Status of Prior Findings
For the Year Ended August 31, 2019

Program	Status of Prior Year's Finding/Noncompliance

-NONE-

ALAVARADO INDEPENDENT SCHOOL DISTRICT
Corrective Action Plan
For the Year Ended August 31, 2019

Program	Corrective Action Plan

-NONE-

Contact Person: Mr. Rodney Toon
Chief Financial Officer

ALVARADO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2019

(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 EDUCATION			
Passed Through Education Service Center, Region 20			
Evaluation Capacity Grant	84.027A		$ 9,268
Total Passed Through Education Service Center, Region 20			9,268
Passed Through State Department of Education			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	S010A180043	595,158
*IDEA - Part B, Formula	84.027A	H027A180008	986,906
*IDEA - Part B, Preschool	84.173A	H173A180004	15,550
Total Special Education Cluster (IDEA)			1,002,456
Career and Technical - Basic Grant	84.048A	V048a180043	37,725
Title III, Part A - English Language Acquisition	84.365A	S365A170043	85,337
ESEA, Title II, Part A, Teacher Principal Training	84.367A	S367A170041	92,397
Title IV, Student Support and Academic Enrichment	84.424A	S424A170045	42,631
Summer School LEP	84.369A	695518	5,007
Total Passed Through State Department of Education			1,860,711
TOTAL U.S. DEPARTMENT OF EDUCATION			1,869,979
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through Texas Dept of Human Services			
Medicaid Administrative Claiming Program - MAC	93.778		30,481
Total Passed Through Texas Dept of Human Services			30,481
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			30,481
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through the State Department of Agriculture			
School Breakfast Program	10.553	201919N109946	273,657
National School Lunch Program	10.555	201919N109946	1,039,395
Donated Commodities	10.555		138,775
Total CFDA Number 10.555			1,178,170
Total Child Nutrition Cluster			1,451,827
Total Passed Through the State Department of Agriculture			1,451,827
TOTAL U.S. DEPARTMENT OF AGRICULTURE			1,451,827
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 3,352,287

*Denotes Major Program

Note: School Health & Related Services reimbursements of $1,104,126 are recorded as federal program revenue in the general fund, but are not considered federal awards for the purpose of this schedule.

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

ALAVARADO INDEPENDENT SCHOOL DISTRICT
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2019

1. For all federal programs, 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 is generally accounted for in a Special Revenue Fund.

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 that 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. 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.

   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 expenditures until earned.

3. The District participates in numerous 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, in any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2019 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 provisions have been recorded in the accompanying financial statements for such contingencies.

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APPENDIX E

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: $__________ in aggregate principal amount of [NAME OF TRANSACTION] [and maturing on]

Effective Date: _________

Risk Premium: $__________
Member Surplus Contribution: $ _________
Total Insurance Payment: $_________

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: ______________________________
Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:
 claims@buildamerica.com
Address:
200 Liberty Street, 27th floor
New York, New York 10281
Telecopy:
 212-962-1524 (attention: Claims)

Financial Advisory Services
Provided By:

SAMCO Capital