Rating: Moody's: "Aaa"
(See "RATING" and "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein)

PRELIMINARY OFFICIAL STATEMENT
Dated: March 27, 2020

NEW ISSUE: **BOOK-ENTRY-ONLY**

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

$19,990,000*
BURLESON INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Johnson and Tarrant Counties, Texas)
Unlimited Tax Refunding Bonds, Series 2020

Dated Date: April 15, 2020 **Due: August 1, as shown on the inside cover page**

The Burleson Independent School District Unlimited Tax Refunding Bonds, Series 2020 (the "Bonds") are being issued pursuant to the Constitution and general laws of the State of Texas, including Chapter 1207, Texas Government Code, as amended ("Chapter 1207"), Chapter 1371, Texas Government Code, as amended ("Chapter 1371), and an order (the "Bond Order") authorizing the issuance of the Bonds adopted on March 9, 2020 by the Board of Trustees (the "Board") of the Burleson Independent School District (the "District"). As permitted by the provisions of Chapter 1207 and Chapter 1371, the Board, in the Bond Order, delegated the authority to certain District officials (each, a "Pricing Officer") to execute approval of a pricing certificate establishing the pricing terms for the Bonds (the "Pricing Certificate" and together with the Bond Order, the "Order"). The Bonds are payable as to principal and interest from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, against all taxable property located within the District. The District has received conditional approval from the Texas Education Agency for the Bonds to be guaranteed under the State of Texas Permanent School Fund Guarantee Program (hereinafter defined) which will automatically become effective when the Attorney General of Texas approves the Bonds. (See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").

Interest on the Bonds will accrue from the Dated Date shown above and will be payable on February 1 and August 1 of each year, commencing August 1, 2020, until stated maturity or prior redemption. The Bonds will be issued in fully registered form in principal denominations of $5,000 or any integral multiple thereof. Principal of the Bonds will be payable by the Paying Agent/Registrar, which initially is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Paying Agent/Registrar"), upon presentation and surrender of the Bonds for payment; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Bonds, all payments will be made as described under "BOOK-ENTRY-ONLY SYSTEM" herein. Interest on the Bonds 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 Bonds. (See "BOOK-ENTRY-ONLY SYSTEM").

Proceeds from the sale of the Bonds will be used to (i) refund a portion of the District's outstanding bonds for debt service savings and (ii) pay the costs of issuing the Bonds. (See "THE BONDS - Authorization and Purpose" and "SCHEDULE I – Schedule of Refunded Bonds").

The Bonds maturing on and after August 1, 2030 are subject to redemption at the option of the District in whole or in part, in principal amounts of $5,000 or integral multiples thereof, on February 1, 2030 or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. (See "THE BONDS - Optional Redemption"). If two or more serial bonds of consecutive maturities are combined into one or more "Term Bonds" by the Underwriters, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with the provisions of the Order (see "THE BONDS – Mandatory Sinking Fund Redemption").

MATURITY SCHEDULE
(On Inside Cover)

The Bonds are offered for delivery when, as and if issued, and received by the Underwriters subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Bracewell LLP, Dallas, Texas. The Bonds are expected to be available for initial delivery through the facilities of DTC on or about May 5, 2020.

FHN FINANCIAL CAPITAL MARKETS **PIPER SANDLER & CO.**

**Preliminary, subject to change.*

$19,990,000*
BURLESON INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Johnson and Tarrant Counties, Texas)
UNLIMITED TAX REFUNDING BONDS, SERIES 2020

MATURITY SCHEDULE*
Base CUSIP No.: 121403[1]

Maturity Date 8/1	Principal Amount*	Interest Rate	Initial Yield	CUSIP No. Suffix[1]
2020	$230,000			
2021	2,170,000			
2022	2,220,000			
2023	2,265,000			
2024	980,000			
2025	615,000			
2026	620,000			
2027	635,000			
2028	655,000			
2029	675,000			
2030	700,000			
2031	715,000			
2032	740,000			
2033	760,000			
2034	785,000			
2035	810,000			
2036	835,000			
2037	860,000			
2038	880,000			
2039	905,000			
2040	935,000			

(Interest to accrue from the Dated Date)

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

**Preliminary, subject to change.*

BURLESON INDEPENDENT SCHOOL DISTRICT

BOARD OF TRUSTEES

Name	Date Initially Elected	Current Term Expires	Occupation
Andy Pickens, President	2011	2020	Human Resources Manager
Pat Worrell, Vice President	2009	2021	Retired Educator
Staci Eisner, Secretary	2004	2021	Real Estate Development
Michael Ancy, Member	2007	2022	Senior Account Manager
Jerri McNair, Member	2018	2021	Retired Educator
Shawn Minor, Member	2010	2022	National Accounts Director
Ryan Richardson, Member	2014	2020	Vice President of Star Bank

APPOINTED OFFICIALS

Name	Position	Length of Education Service	Length of Service with District
Dr. Bret Jimerson	Superintendent	15 Years	7 Years
Brenda Mize	Chief Financial Officer	13 Years	13 Years

CONSULTANTS AND ADVISORS

McCall, Parkhurst & Horton L.L.P., San Antonio, Texas	Bond Counsel
SAMCO Capital Markets, Inc., Plano, Texas	Financial Advisor
Weaver and Tidwell, L.L.P., Fort Worth, Texas	Certified Public Accountants

For additional information, contact:

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

Doug 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

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

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

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

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

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

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

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

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

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

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

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

TABLE OF CONTENTS

SELECTED DATA FROM THE OFFICIAL STATEMENT

The selected data is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Bonds 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 the entire Official Statement.

The District	The Burleson Independent School District (the "District") is a political subdivision of the State of Texas located in Johnson and Tarrant Counties, Texas. The District is governed by a seven-member Board of Trustees (the "Board"). Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent of Schools who is the chief administrative officer of the District. Support services are supplied by consultants and advisors.
The Bonds	The Bonds are being issued in the principal amount of $19,990,000 (preliminary, subject to change) pursuant to the Constitution and general laws of the State of Texas, including Chapter 1207, Texas Government Code, as amended ("Chapter 1207"), Chapter 1371, Texas Government Code, as amended ("Chapter 1371"), and an order adopted by the Board of Trustees on March 9, 2020 (the "Bond Order"). As permitted by the provisions of Chapter 1207, and Chapter 1371, the Board, in the Bond Order, delegated the authority to certain District officials (each, a "Pricing Officer") to execute a pricing certificate establishing the pricing terms for the Bonds (the "Pricing Certificate" and together with the Bond Order, the "Order"). Proceeds from the sale of the Bonds will be used to (i) refund a portion of the District's outstanding bonds for debt service savings and (ii) pay the costs of issuing the Bonds. (See "THE BONDS - Authorization and Purpose" and "SCHEDULE I – Schedule of Refunded Bonds").
Paying Agent/Registrar	The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. The District intends to use the Book-Entry-Only System of DTC. (See "BOOK-ENTRY-ONLY SYSTEM" herein).
Security	The Bonds will constitute direct obligations of the District, payable as to principal and interest from ad valorem taxes levied annually against all taxable property located within the District, without legal limitation as to rate or amount. Payments of principal and interest on the Bonds will be guaranteed by the corpus of the Permanent School Fund of Texas. (See "THE BONDS – Security" and "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein).
Optional Redemption	The Bonds maturing on and after August 1, 2030 are subject to redemption at the option of the District in whole or in part, in principal amounts of $5,000 or integral multiples thereof, on February 1, 2030 or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. (See "THE BONDS – Optional Redemption"). If two or more serial bonds of consecutive maturities are combined into one or more "Term Bonds" by the Underwriter, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with the provisions of the Order (see "THE BONDS – Mandatory Sinking Fund Redemption").
Permanent School Fund Guarantee	The District has received conditional approval from the Texas Education Agency for the payment of the Bonds to be guaranteed under the Permanent School Fund Guarantee Program, which guarantee will automatically become effective when the Attorney General of Texas approves the Bonds. (See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").
Rating	The Bonds are rated "Aaa" by Moody's Investors Service, Inc. ("Moody's") based upon the guaranteed repayment thereof under the Permanent School Fund Guarantee Program (as defined herein) of the Texas Education Agency. The District's unenhanced, underlying rating, including the Bonds, is "Aa3" by Moody's. (See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM – Ratings of Bonds Guaranteed Under the Guarantee Program" and "RATING" herein.)
Tax Matters	In the opinion of Bond Counsel for the District, interest on the Bonds is excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein. (See "TAX MATTERS" and "Appendix C - Form of Legal Opinion of Bond Counsel" herein).
Payment Record	The District has never defaulted on the payment of its bonded indebtedness.
Legal Opinion	Delivery of the Bonds is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, Bond Counsel.
Delivery	When issued, anticipated to be on or about May 5, 2020.

INTRODUCTORY STATEMENT

This Official Statement (the "Official Statement"), which includes the cover page, Schedule I and the Appendices attached hereto, has been prepared by the Burleson Independent School District (the "District"), a political subdivision of the State of Texas (the "State") located in Johnson and Tarrant Counties, Texas, in connection with the offering by the District of its Unlimited Tax Refunding Bonds, Series 2020 (the "Bonds") 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 Bonds, the Order (as defined below) 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 by writing the Burleson Independent School District, 1160 SW Wilshire Blvd., Burleson, Texas 76028 and, during the offering period, from the Financial Advisor, SAMCO Capital Markets, Inc., 5800 Granite Parkway, Suite 210, Plano, Texas 75024, by electronic mail or upon payment of reasonable copying, mailing, and handling charges.

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

COVID-19

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, was first detected in China and has since spread to other countries, including the United States. On March 11, 2020, the World Health Organization declared a pandemic, and on March 13, 2020, Tarrant County Public Health declared a state of emergency for the area encompassing the District. The outbreak of the disease has affected travel, commerce, and financial markets globally and is widely expected to affect economic growth worldwide.

While the potential effects on the District cannot be predicted at this time, the continued spread of the outbreak could materially impact the District, its operations, and the surrounding area's economy. In response to the COVID-19 outbreak, the District is proactively implementing measures intended to mitigate the spread of the virus, including closing District facilities and cancelling extracurricular activities until at least April 5, 2020, in accordance with the recommendations provided by Tarrant County Public Health officials. It is unknown how long such modifications in operation will remain in effect and whether additional measures may be instituted to address the COVID-19 situation.

On March 16, 2020, Governor Greg Abbott announced a waiver of the State testing requirements and stated the Texas Education Agency ("TEA") is working in conjunction with the Governor's office to ensure schools, such as the District, continue to support students instructionally while at home. The District made the commitment and is providing instructional support for learners during their extended spring break with instructional resources that will keep students engaged while at home. Both online resources and "low tech" paper instructional materials are available for students during this time. Though no formal proclamations by the TEA or the State of Texas have been made concerning this matter, communications from TEA indicate that such distance education will satisfy requirements for average daily attendance for purposes of calculating and determining State financial assistance.

As of the date hereof, major national and local event cancellations and travel limitations are ongoing. Financial markets in the United States and globally have seen significant recent volatility attributed to concerns about the COVID-19 outbreak and there is no way to predict the short or long term impacts on the local, national, or global economies. Accordingly, the District makes no representation as to COVID-19's impact on its finances or on the advisability of an investment decision regarding the Bonds.

The value of the PSF Guarantee could also be adversely impacted by ongoing volatility in the diversified global markets in which the fund is invested.

THE BONDS

Authorization and Purpose

The Bonds are being issued in the principal amount of $19,990,000 (preliminary, subject to change) pursuant to the Constitution and general laws of the State, including Chapter 1207, Texas Government Code, as amended ("Chapter 1207"), Chapter 1371, Texas Government Code, as amended ("Chapter 1371") and an order adopted on March 9, 2020 (the "Bond Order") by the Board of Trustees of the District (the "Board") authorizing the issuance of the Bonds. As permitted by the provisions of Chapter 1207 and Chapter 1371, the Board, in the Bond Order, delegated the authority to certain District officials (each, a "Pricing Officer") to execute a pricing certificate establishing the pricing terms for the Bonds (the "Pricing Certificate" and together with the Bond Order, the "Order"). Proceeds from the sale of the Bonds will be used to (i) refund a portion of the District's outstanding bonds (the "Refunded Bonds") for debt service savings and (ii) pay the costs of issuing the Bonds. (See "Schedule I – Schedule of Refunded Bonds").

Refunded Bonds

The Bond Order provides that from a portion of the proceeds of the sale of the Bonds to the Underwriters, the District will deposit with The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, the escrow agent for the Refunded Bonds (the "Escrow Agent"), an amount, together with other lawfully available funds of the District, if required, which will be sufficient to accomplish the discharge and final payment of the Refunded Bonds on August 1, 2020 (the "Redemption Date"). Such funds will be held by the Escrow Agent in an escrow account (the "Escrow Fund") and invested in Defeasance Securities authorized by Section 1207.062 Texas Government Code and the bond order authorizing the Refunded Bonds. The investment earnings from such deposit will be paid to the District upon the payment of the Refunded Bonds on the Redemption Date, and deposited into the interest and sinking fund for the Bonds. SAMCO Capital Markets, Inc., in its capacity as Financial Advisor to the District, will certify as to the sufficiency of the amounts initially deposited with the Escrow Agent to pay the principal of and interest on the Refunded Bonds on the Redemption Date (the "Sufficiency Certificate"). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of principal of and interest on the Refunded Bonds.

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

General Description

The Bonds will be dated April 15, 2020 and will bear interest from the Dated Date. The Bonds will mature on the dates and in the principal amounts set forth on the inside cover page of this Official Statement. Interest on the Bonds will be computed on the basis of a 360-day year of twelve 30-day months, and is payable initially on August 1, 2020, and on each February 1 and August 1 thereafter until stated maturity.

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

Interest on the Bonds is payable by check mailed on or before each interest payment date by the Paying Agent/Registrar, initially, The Bank of New York Mellon Trust Company, N.A., 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 Bonds will be payable only upon presentation of such Bonds at the corporate trust office of the Paying Agent/Registrar at stated maturity or prior redemption. So long as the Bonds are registered in the name of CEDE & CO. or other nominee for The Depository Trust Company New York, New York ("DTC"), payments of principal and interest of the Bonds will be made as described in "BOOK-ENTRY-ONLY SYSTEM" herein.

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

Optional Redemption

The Bonds maturing on and after August 1, 2030 are subject to redemption, at the option of the District, in whole or in part, in principal amounts of $5,000 or integral multiples thereof, on February 1, 2030, 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 Bonds 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 Bonds, or portions thereof, to be redeemed.

Mandatory Sinking Fund Redemption

If two or more serial bonds of consecutive maturities are combined into one or more "Term Bonds" by the Underwriters, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with the provisions of the Order and as further set forth in the final Official Statement.

Notice of Redemption and DTC Notices

Not less than 30 days prior to a redemption date for the Bonds, the District shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to each registered owner of a Bond to be redeemed, in whole or in part, at the address of the holder appearing on the Bond Registrar 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 ONE OR MORE BONDHOLDERS FAILED TO RECEIVE SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

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

Security

The Bonds are direct obligations of the District and are payable as to both principal and interest from ad valorem taxes levied annually on all taxable property within the District, without legal limitation as to rate or amount. The District has received conditional approval from the Texas Education Agency for the payment of the Bonds to be guaranteed under the State of Texas Permanent School Fund Guarantee Program (hereinafter defined), which will automatically become effective when the Attorney General of Texas approves the Bonds. (See "AD VALOREM TAX PROCEDURES", "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein).

Permanent School Fund Guarantee

In connection with the sale of the Bonds, the District has received conditional approval from the Commissioner of Education of the State for the guarantee of the Bonds under the Permanent School Fund Guarantee Program (Chapter 45, Subchapter C, of the Texas Education Code, as amended). Subject to meeting certain conditions discussed under the heading "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein, the Bonds will be absolutely and unconditionally guaranteed by the corpus of the

Permanent School Fund of the State of Texas. In the event of a payment default by the District, registered owners will receive all payments due from the corpus of the Permanent School Fund.

In the event the District defeases any of the Bonds, the payment of such defeased Bonds will cease to be guaranteed by the Permanent School Fund Guarantee.

Legality

The Bonds are offered when, as and if issued, subject to the approval of legality by the Attorney General of the State and McCall, Parkhurst & Horton L.L.P., 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 Order, the District has reserved the right to amend the Order without the consent of any holder of the Bonds for the purpose of amending or supplementing the Order 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 Order that do not materially adversely affect the interests of the holders, (iv) qualify the Order 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 Order 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 Order further provides that the holders of the Bonds in majority principal amount of the outstanding Bonds shall have the right from time to time to approve any amendment not described above to the Order 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 Bonds so affected, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Bonds; (ii) reducing the rate of interest borne by any of the outstanding Bonds; (iii) reducing the amount of the principal of outstanding Bonds; (iv) modifying the terms of payment of principal or interest on outstanding Bonds or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Bonds necessary for consent to such amendment. Reference is made to the Order for further provisions relating to the amendment thereof.

Defeasance

The Order provides for the defeasance of the Bonds when payment of the principal of and premium, if any, on the Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption or otherwise), is provided by irrevocably depositing with a paying agent or other authorized escrow agent, in trust (1) money in an amount sufficient to make such payment and/or (2) Defeasance Securities, that will mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds, and thereafter the District will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased Bonds, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The District has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the District moneys in excess of the amount required for such defeasance. The Order provides that "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Bonds. A Pricing Officer may restrict such eligible securities and obligations as deemed appropriate. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of the refunding bonds are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (d) any additional securities and obligations hereafter authorized by Texas law as eligible for use to accomplish the discharge of obligations such as the Bonds. There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Order does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used for defeasance purposes or that for any other Defeasance Security will be maintained at any particular rating category.

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

Defeasance of the Bonds cancels the Permanent School Fund guarantee with respect to such defeased Bonds.

Sources and Uses of Funds

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

Sources		
Par Amount of the Bonds	$	
[Net] Original Issue Premium		
Accrued Interest on the Bonds		
Total Sources of Funds	$	
Uses		
Deposit to Escrow Fund	$	
Costs of Issuance		
Deposit to Interest and Sinking fund		
Underwriters' Discount		
Total Uses of Funds	$	

REGISTERED OWNERS' REMEDIES

The Order establishes specific events of default with respect to the Bonds and provides that if the District defaults in the payment of principal or interest on the Bonds when due, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Order, and the continuation thereof for a period of 60 days after notice of default is given by the District by any registered owner, the registered owners may seek a writ of mandamus to compel District officials to carry out their legally imposed duties with respect to the Bonds, if there is no other available remedy at law to compel performance of the Bonds or the Order covenants and the District's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Order does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the District to perform in accordance with the terms of the Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3rd 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Chapter 1371, which pertains to the issuance of public securities by issuers such as the District, including the Bonds, permits the District to waive sovereign immunity in the proceedings authorizing its bonds, but in connection with the issuance of the Bonds, the District has not waived sovereign immunity, as permitted by Chapter 1371. Because it is unclear whether the Texas Legislature has effectively waived the District's sovereign immunity from a suit for money damages, bondholders may not be able to bring such a suit against the District for breach of the Bonds or Order covenants. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein for a description of the procedures to be followed for payment of the Bonds by the Permanent School Fund in the event the District fails to make a payment on the Bonds when due. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Order and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors, 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 Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District, the Financial Advisor and the Underwriters believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

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

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

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

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC and the District and the Underwriters believe such information to be reliable, but none of the District, the Financial Advisor or the Underwriters 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 Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Direct or Indirect Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Order will be given only to DTC.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

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

Successor Paying Agent/Registrar

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

Initial Registration

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

Future Registration

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

Record Date For Interest Payment

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

Limitation on Transfer of Bonds

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 Bond or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date; provided, however, that such limitation shall not apply to uncalled portions of a Bond redeemed in part.

Replacement Bonds

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

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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

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

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

History and Purpose

The PSF was created with a $2,000,000 appropriation by the Texas Legislature (the "Legislature") in 1854 expressly for the benefit of the public schools of Texas. The Constitution of 1876 stipulated that certain lands and all proceeds from the sale of these lands should also constitute the PSF. Additional acts later gave more public domain land and rights to the PSF. In 1953, the U.S. Congress passed the Submerged Lands Act that relinquished to coastal states all rights of the U.S. navigable waters within state boundaries. If the state, by law, had set a larger boundary prior to or at the time of admission to the Union, or if the boundary had been approved by Congress, then the larger boundary applied. After three years of litigation (1957-1960), the U. S. Supreme Court on May 31, 1960, affirmed Texas' historic three marine leagues (10.35 miles) seaward boundary. Texas proved its submerged lands property rights to three leagues into the Gulf of Mexico by citing historic laws and treaties dating back to 1836. All lands lying within that limit belong to the PSF. The proceeds from the sale and the mineral-related rental of these lands, including bonuses, delay rentals and royalty payments, become the corpus of the Fund. Prior to the approval by the voters of the State of an amendment to the constitutional provision under which the Fund is established and administered, which occurred on September 13, 2003 (the "Total Return Constitutional Amendment"), and which is further described below, the PSF had as its main sources of revenues capital gains from securities transactions and royalties from the sale of oil and natural gas. The Total Return Constitutional Amendment provides that interest and dividends produced by Fund investments will be additional revenue to the PSF. The State School Land Board ("SLB") maintains the land endowment of the Fund on behalf of the Fund and is generally authorized to manage the investments of the capital gains, royalties and other investment income relating to the land endowment. The SLB is a five member board, the membership of which consists of the Commissioner of the Texas General Land Office (the “Land Commissioner”) and four citizen members appointed by the Governor. (See “2019 Texas Legislative Session” for a description of legislation that changed the composition of the SLB). As of August 31, 2019, the General Land Office (the “GLO”) managed approximately 26% of the PSF, as reflected in the fund balance of the PSF at that date.

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

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

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

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

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

The sole purpose of the PSF is to assist in the funding of public education for present and future generations. Prior to the adoption of the Total Return Constitutional Amendment, all interest and dividends produced by Fund investments flowed into the Available School Fund (the “ASF”), where they are distributed to local school districts and open-enrollment charter schools based on average daily attendance. Any net gains from investments of the Fund accrue to the corpus of the PSF. Prior to the approval by the voters of the State of the Total Return Constitutional Amendment, costs of administering the PSF were allocated to the ASF. With the approval of the Total Return Constitutional Amendment, the administrative costs of the Fund have shifted from the ASF to the PSF. In fiscal year 2019, distributions to the ASF amounted to an estimated $306 per student and the total amount distributed to the ASF was $1,535.8 million.

Audited financial information for the PSF is provided annually through the PSF Comprehensive Annual Financial Report (the “Annual Report”), which is filed with the Municipal Securities Rulemaking Board (“MSRB”). The Annual Report includes the Message of the Executive Administrator of the Fund (the “Message”) and the Management’s Discussion and Analysis (“MD&A”). The Annual Report for the year ended August 31, 2019, as filed with the MSRB in accordance with the PSF undertaking and agreement made in accordance with Rule 15c2-12 (“Rule 15c2-12”) of the federal Securities and Exchange Commission (the “SEC”), as described below, is hereby incorporated by reference into this disclosure. Information included herein for the year ended August 31, 2019 is derived from the audited financial statements of the PSF, which are included in the Annual Report as it is filed and posted. Reference is made to the Annual Report for the complete Message and MD&A for the year ended August 31, 2019 and for a description of the financial results of the PSF for the year ended August 31, 2019, the most recent year for which audited financial information regarding the Fund is available. The 2019 Annual Report speaks only as of its date and the TEA has not obligated itself to update the 2019 Annual Report or any other Annual Report. The TEA posts each Annual Report, which includes statistical data regarding the Fund as of the close of each fiscal year, the most recent disclosure for the Guarantee Program, the Statement of Investment Objectives, Policies and Guidelines of the Texas Permanent School Fund, which is codified at 19 Texas Administrative Code, Chapter 33 (the “Investment Policy”), monthly updates with respect to the capacity of the Guarantee Program (collectively, the “Web Site Materials”) on the TEA web site at http://tea.texas.gov/Finance_and_Grants/Permanent_School_Fund/ and with the MSRB at www.emma.msrb.org. Such monthly updates regarding the Guarantee Program are also incorporated herein and made a part hereof for all purposes. In addition to the Web Site Materials, the Fund is required to make quarterly filings with the SEC under Section 13(f) of the Securities Exchange Act of 1934. Such filings, which consist of a list of the Fund’s holdings of securities specified in Section 13(f), including exchange-traded (e.g., NYSE) or NASDAQ-quoted stocks, equity options and warrants, shares of closed-end investment companies and certain convertible debt securities, is available from the SEC at www.sec.gov/edgar.shtml. A list of the Fund’s equity and fixed income holdings as of August 31 of each year is posted to the TEA web site and filed with the MSRB. Such list excludes holdings in the Fund’s securities lending program. Such list, as filed, is incorporated herein and made a part hereof for all purposes.

2019 Texas Legislative Session

During the 86th Regular Session of the Texas Legislature, which concluded on May 27, 2019 (the “86th Session”), various bills were enacted that relate to the PSF. Among such enacted legislation are bills that relate to the composition of the SLB and its relationship to the SBOE with respect to the management of the PSF. Legislation was approved that will change the composition of the SLB to a five member board from a three member board. Under that bill, the Land Commissioner will continue to head the SLB, but the remaining four members will be appointed by the Governor, and of those four members, two are required to be selected from a list of nominees to be submitted to the Governor by the SBOE. That legislation also requires an annual joint meeting of the SLB and the SBOE for the purpose of discussing the allocation of the assets of the PSF and the investment of money in the PSF. Other enacted legislation requires the SLB and the SBOE to provide quarterly financial reports to each other and creates a “permanent school fund liquid account” in the PSF for the purpose of receiving funds transferred from the SLB on a quarterly basis that are not then invested by the SLB or needed within the forthcoming quarter for investment by the SBOE. Such funds shall be invested in liquid assets in the same manner that the PSF is managed until such time as the funds are required for investment by the SLB. That legislation also requires the Texas Education Agency, in consultation with the GLO, to conduct a study regarding distributions to the ASF from the PSF. In addition, a joint resolution was approved that proposed a constitutional amendment to the Texas Constitution to increase the permissible amount of distributions to the ASF from revenue derived during a year from PSF land or other properties from $300 million to $600 million annually by one or more entities. That constitutional change was approved by State voters at a referendum on November 5, 2019. See “2011 and 2019 Constitutional Amendments.”

Other legislation enacted during the 86th Session provides for the winding up of the affairs of an open-enrollment charter school that ceases operations, including as a result of the revocation or other termination of its charter. In particular, among other provisions, the legislation addresses the disposition of real and personal property of a discontinued charter school and provides under certain circumstances for reimbursement to be made to the State, if the disposed property was acquired with State funds; authorizes the Commissioner to adopt a rule to govern related party transactions by charter schools; and creates a "charter school liquidation fund" for the management of any reclaimed State funds, including, in addition to other potential uses, for the use of deposit of such reclaimed funds to the Charter District Reserve Fund.

No assessment has been made by the TEA or PSF staff as to the potential financial impact of any legislation enacted during the 86th Session, including the increase in the permissible amount that may be transferred from the PSF to the ASF, as approved by State voters at the November 5, 2019 referendum.

The Total Return Constitutional Amendment

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

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

See "2011 and 2019 Constitutional Amendments" below for a discussion of the historic and current Distribution Rates, and a description of amendments made to the Texas Constitution on November 8, 2011 and November 5, 2019 that may affect Distribution Rate decisions.

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

With respect to the management of the Fund's financial assets portfolio, the single most significant change made to date as a result of the Total Return Constitutional Amendment has been new asset allocation policies adopted from time to time by the SBOE. The SBOE generally reviews the asset allocations during its summer meeting in even numbered years. The first asset allocation policy adopted by the SBOE following the Total Return Constitutional Amendment was in February 2004, and the policy was reviewed and modified or reaffirmed in the summers of each even-numbered year, most recently in 2018. The Fund's investment policy provides for minimum and maximum ranges among the components of each of the asset classifications: equities, fixed income and alternative asset investments. The 2004 asset allocation policy decreased the fixed income target from 45% to 25% of Fund investment assets and increased the allocation for equities from 55% to 75% of investment assets. Subsequent asset allocation policies have continued to diversify Fund assets, and have added an alternative asset allocation to the fixed income and equity allocations. The alternative asset allocation category includes real estate, real return, absolute return and private equity components. Alternative asset classes diversify the SBOE-managed assets and are not as correlated to traditional asset classes, which is intended to increase investment returns over the long run while reducing risk and return volatility of the portfolio. The most recent asset allocation, from 2016, which was reviewed and reaffirmed in June 2018, is as follows: (i) an equity allocation of 35% (consisting of U.S. large cap equities targeted at 13%, international large cap equities at 14%, emerging market equities at 3%, and U.S. small/mid cap equities at 5%), (ii) a fixed income allocation of 19% (consisting of a 12% allocation for core bonds and a 7% allocation for emerging market debt in local currency), and (iii) an alternative asset allocation of 46% (consisting of a private equity allocation of 13%, a real estate allocation of 10%, an absolute return allocation of 10%, a risk parity allocation of 7% and a real return allocation of 6%). The 2016 asset allocation decreased U.S. large cap equities and international equities by 3% and 2%, respectively, and increased the allocations for private equity and real estate by 3% and 2%, respectively. In accordance with legislation enacted during the 86th Session and effective September 1, 2019, the PSF has established an investment account for purposes of investing cash received from the GLO to be invested in liquid assets and managed by the SBOE in the same manner it manages the PSF. That cash has previously been included in the PSF valuation, but was held and invested by the State Comptroller.

For a variety of reasons, each change in asset allocation for the Fund, including the 2016 modifications, have been implemented in phases, and that approach is likely to be carried forward when and if the asset allocation policy is again modified. At August 31, 2019, the Fund's financial assets portfolio was invested as follows: 34.91% in public market equity investments; 13.35% in fixed income investments; 10.58% in absolute return assets; 11.31% in private equity assets; 8.71% in real estate assets; 7.46% in risk parity assets; 6.16% in real return assets; 7.03% in emerging market debt; and 0.49% in unallocated cash.

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

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

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

Management and Administration of the Fund

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

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

Texas law assigns control of the Fund's land and mineral rights to the SLB. Administrative duties related to the land and mineral rights reside with the GLO, which is under the guidance of the Commissioner of the GLO. In 2007, the Legislature established the real estate special fund account of the PSF (the "Real Estate Account") consisting of proceeds and revenue from land, mineral or royalty interest, real estate investment, or other interest, including revenue received from those sources, that is set apart to the PSF under the Texas Constitution and laws, together with the mineral estate in riverbeds, channels, and the tidelands, including islands. The investment of the Real Estate Account is subject to the sole and exclusive management and control of the SLB and the Land Commissioner, who is also the head of the GLO. The 2007 legislation presented constitutional questions regarding the respective roles of the SBOE and the SLB relating to the disposition of proceeds of real estate transactions to the ASF, among other questions. Amounts in the investment portfolio of the PSF are taken into account by the SBOE for purposes of determining the Distribution Rate. An amendment to the Texas Constitution was approved by State voters on November 8, 2011, which permits the SLB to make transfers directly to the ASF, see "2011 and 2019 Constitutional Amendments" below.

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

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

Capacity Limits for the Guarantee Program

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

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

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

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

At its September 2015 meeting, the SBOE voted to modify the SDBGP Rules and the CDBGP Rules to increase the State Law Capacity from 3 times the cost value multiplier to 3.25 times. At that meeting, the SBOE also approved a new 5% capacity reserve for the Charter District Bond Guarantee Program. The change to the State Law Capacity became effective on February 1, 2016. At its November 2016 meeting, the SBOE again voted to increase the State Law Capacity and, in accordance with applicable requirements for the modification of SDBGP and CDBGP Rules, a second and final vote to approve the increase in the State Law Capacity occurred on February 3, 2017. As a result, the State Law Capacity increased from 3.25 times the cost value multiplier to 3.50 times effective March 1, 2017. The State Law Capacity increased from $118,511,255,268 on August 31, 2018 to $123,509,204,770 on August 31, 2019 (but at such date the IRS Limit was lower, $117,318,653,038, so it is the currently effective capacity limit for the Fund).

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

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

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

The School District Bond Guarantee Program

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

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

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

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

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

The Charter District Bond Guarantee Program

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

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

As of March 20, 2020 (the most recent date for which data is available), the percentage of students enrolled in open-enrollment charter schools (excluding charter schools authorized by school districts) to the total State scholastic census was approximately 6.15%. At March 24, 2020, there were 183 active open-enrollment charter schools in the State and there were 790 charter school campuses operating under such charters (though as of such date, four of such campuses are not currently serving students for various reasons). Section 12.101, Texas Education Code, as amended by the Legislature in 2013, limits the number of charters that the Commissioner may grant to 215 charters as of the end of fiscal year 2014, with the number increasing in each fiscal year thereafter through 2019 to a total number of 305 charters. While legislation limits the number of charters that may be granted, it does not limit the number of campuses that may operate under a particular charter. For information regarding the capacity of the Guarantee Program, see "Capacity Limits for the Guarantee Program." The Act provides that the Commissioner may not approve the guarantee of refunding or refinanced bonds under the Charter District Bond Guarantee Program in a total amount that exceeds one-half of the total amount available for the guarantee of charter district bonds under the Charter District Bond Guarantee Program.

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

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

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

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

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

From time to time, TEA has limited new guarantees under the Charter District Bond Guarantee Program to conform to capacity limits specified by the Act. Legislation enacted during the Legislature's 2017 regular session modified the manner of calculating the capacity of the Charter District Bond Guarantee Program (the "CDBGP Capacity"), which further increased the amount of the CDBGP Capacity, beginning with State fiscal year 2018, but that provision of the law does not increase overall Program capacity, it merely allocates capacity between the School District Bond Guarantee Program and the Charter District Bond Guarantee Program. See "Capacity Limits for the Guarantee Program" and "2017 Legislative Changes to the Charter District Bond Guarantee Program." Other factors that could increase the CDBGP Capacity include Fund investment performance, future increases in the Guarantee Program multiplier, changes in State law that govern the calculation of the CDBGP Capacity, as described below, growth in the relative percentage of students enrolled in open-enrollment charter schools to the total State scholastic census, legislative and administrative changes in funding for charter districts, changes in level of school district or charter district participation in the Program, or a combination of such circumstances.

2017 Legislative Changes to the Charter District Bond Guarantee Program

The CDBGP Capacity is established by the Act. During the 85th Texas Legislature, which concluded on May 29, 2017, Senate Bill 1480 ("SB 1480") was enacted. The complete text of SB 1480 can be found at http://www.capitol.state.tx.us/tlodocs/85R/billtext/pdf/SB01480F.pdf#navpanes=0. SB 1480 modified how the CDBGP Capacity will be established under the Act effective as of September 1, 2017, and made other substantive changes to the Act that affects the Charter District Bond Guarantee Program. Prior to the enactment of SB 1480, the CDBGP Capacity was calculated as the State Capacity Limit less the amount of outstanding bond guarantees under the Guarantee Program multiplied by the percentage of charter district scholastic population relative to the total public school scholastic population. As of August 31, 2019, the amount of outstanding bond guarantees represented 71.94% of the IRS Limit (which is currently the applicable capacity limit) for the Guarantee Program (based on unaudited data). SB 1480 amended the CDBGP Capacity calculation so that the State Capacity Limit is multiplied by the percentage of charter district scholastic population relative to the total public school scholastic population prior to the subtraction of the outstanding bond guarantees, thereby potentially substantially increasing the CDBGP Capacity. However, certain provisions of SB 1480, described below, and other additional factors described herein, could result in less than the maximum amount of the potential increase provided by SB 1480 being implemented by the SBOE or otherwise used by charter districts. Still other factors used in determining the CDBGP Capacity, such as the percentage of the charter district scholastic population to the overall public school scholastic population, could, in and of itself, increase the CDBGP Capacity, as that percentage has grown from 3.53% in September, 2012 to 5.85% in February 2019. TEA is unable to predict how the ratio of charter district students to the total State scholastic population will change over time.

SB 1480 provides that the implementation of the new method of calculating the CDBGP Capacity will begin with the State fiscal year that commences September 1, 2021 (the State's fiscal year 2022). However, for the intervening four fiscal years, beginning with fiscal year 2018, SB 1480 provides that the SBOE may establish a CDBGP Capacity that increases the amount of charter district bonds that may be guaranteed by up to a cumulative 20% in each fiscal year (for a total maximum increase of 80% in fiscal year 2021) as compared to the capacity figure calculated under the Act as of January 1, 2017. However, SB 1480 provides that in making its annual determination of the magnitude of an increase for any year, the SBOE may establish a lower (or no) increase if the SBOE determines that an increase in the CDBGP Capacity would likely result in a negative impact on the bond ratings for the Bond Guarantee Program (see "Ratings of Bonds Guaranteed Under the Guarantee Program") or if one or more charter districts default on payment of principal or interest on a guaranteed bond, resulting in a negative impact on the bond ratings of the Bond Guarantee Program. The provisions of SB 1480 that provide for discretionary, incremental increases in the CDBGP expire September 1, 2022. If the SBOE makes a determination for any year based upon the potential ratings impact on the Bond Guarantee Program and modifies the increase that would otherwise be implemented under SB 1480 for that year, the SBOE may also make appropriate adjustments to the schedule for subsequent years to reflect the modification, provided that the CDBGP Capacity for any year may not exceed the limit provided in the schedule set forth in SB 1480. As a result of SB 1480, the amount of charter district bonds eligible for guarantee in fiscal years 2018, 2019 and 2020 increased by the full 20% increase permitted by SB 1480, which increased the relative capacity of the Charter District Bond Guarantee Program to the School District Bond Guarantee Program for those fiscal years.

Taking into account the enactment of SB 1480 and the increase in the CDBGP Capacity effected thereby, at the Winter 2018 meeting the SBOE determined not to implement a previously approved multiplier increase to 3.75 times market value, opting to increase the multiplier to 3.50 times effective in late March 2018.

In addition to modifying the manner of determining the CDBGP Capacity, SB 1480 provides that the Commissioner, in making a determination as to whether to approve a guarantee for a charter district, may consider any additional reasonable factor that the Commissioner determines to be necessary to protect the Bond Guarantee Program or minimize risk to the PSF, including: (1) whether the charter district had an average daily attendance of more than 75 percent of its student capacity for each of the preceding three school years, or for each school year of operation if the charter district has not been in operation for the preceding three school years; (2) the performance of the charter district under certain performance criteria set forth in Education Code Sections 39.053 and 39.054; and (3) any other indicator of performance that could affect the charter district's financial performance. Also, SB 1480 provides that the Commissioner's investigation of a charter district application for guarantee may include an evaluation of whether the charter district bond security documents provide a security interest in real property pledged as collateral for the bond and the repayment obligation under the proposed guarantee. The Commissioner may decline to approve the application if the Commissioner determines that sufficient security is not provided. The Act and the CDBGP Rules previously required the Commissioner to make an investigation of the accreditation status and certain financial criteria for a charter district applying for a bond guarantee, which remain in place.

Since the initial authorization of the Charter District Bond Guarantee Program, the Act has established a bond guarantee reserve fund in the State treasury (the "Charter District Reserve Fund"). Formerly, the Act provided that each charter district that has a bond guaranteed must annually remit to the Commissioner, for deposit in the Charter District Reserve Fund, an amount equal to 10 percent of the savings to the charter district that is a result of the lower interest rate on its bonds due to the guarantee by the PSF. SB 1480 modified the Act insofar as it pertains to the Charter District Reserve Fund. Effective September 1, 2017, the Act provides that a charter district that has a bond guaranteed must remit to the Commissioner, for deposit in the Charter District Reserve Fund, an amount equal to 20 percent of the savings to the charter district that is a result of the lower interest rate on the bond due to the guarantee by the PSF. The amount due shall be paid on receipt by the charter district of the bond proceeds. However, the deposit requirement will not apply if the balance of the Charter District Reserve Fund is at least equal to three percent (3.00%) of the total amount of outstanding guaranteed bonds issued by charter districts. As of February 29, 2020, the Charter District Reserve Fund contained $35,183,564, which represented approximately 1.49% of the guaranteed charter district bonds. SB 1480 also authorized the SBOE to manage the Charter District Reserve Fund in the same manner as it manages the PSF. Previously, the Charter District Reserve Fund was held by the Comptroller, but effective April 1, 2018, the management of the Reserve Fund was transferred to the PSF division of TEA, where it will be held and invested as a non-commingled fund under the administration of the PSF staff.

Charter District Risk Factors

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

Other than credit support for charter district bonds that is provided to qualifying charter districts by the Charter District Bond Guarantee Program, State funding for charter district facilities construction is limited to a program established by the Legislature in 2017, which provides $60 million per year for eligible charter districts with an acceptable performance rating for a variety of funding purposes, including for lease or purchase payments for instructional facilities. Since State funding for charter facilities is so limited, charter schools generally issue revenue bonds to fund facility construction and acquisition, or fund facilities from cash flows of the school. Some charter districts have issued non-guaranteed debt in addition to debt guaranteed under the Charter District Bond Guarantee Program, and such non-guaranteed debt is likely to be secured by a deed of trust covering all or part of the charter district's facilities. In March 2017, the TEA began requiring charter districts to provide the TEA with a lien against charter district property as a condition to receiving a guarantee under the Charter District Bond Guarantee Program. However, charter district bonds issued and guaranteed under the Charter District Bond Guarantee Program prior to the implementation of the new requirement did not have the benefit of a security interest in real property, although other existing debts of such charter districts that are not guaranteed under the Charter District Bond Guarantee Program may be secured by real property that could be foreclosed on in the event of a bond default.

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

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

Infectious Disease Outbreak

A respiratory disease named "2019 novel coronavirus" ("COVID-19") has recently spread to many parts of the world, including Texas and elsewhere in the U.S. On March 13, 2020, the U.S. president declared a national emergency and the Governor of Texas (the "Governor") declared COVID-19 as a statewide public health disaster (the "COVID-19 Declarations"). Subsequent actions by the

Governor imposed temporary restrictions on certain businesses and ordered all schools in the State to temporarily close. This situation is rapidly developing; for additional information on these events in the State, reference is made to the website of the Governor, https://gov.texas.gov/, and, with respect to public school events, the website of TEA, https://tea.texas.gov/texas-schools/safe-and-healthy-schools/coronavirus-covid-19-support-and-guidance.

Potential Impact of COVID-19 in the State and Investment Markets

The anticipated continued spread of COVID-19, and measures taken to prevent or reduce its spread, will likely adversely impact State, national and global economic activities and, accordingly, materially adversely impact the financial condition and performance of the State. The continued spread of COVID-19, and measures taken to prevent or reduce its spread, may also adversely affect the tax bases of school districts in the State, including districts that have bonds that are guaranteed under the Guarantee Program.

As noted herein, the PSF investments are in diversified investment portfolios and it is expected that the Fund will reflect the general performance returns of the markets in which it is invested. Stock values, crude oil prices and other investment categories in the U.S. and globally in which the Fund is invested or which provide income to the Fund, have seen significant volatility attributed to COVID-19 concerns, which could adversely affect the Fund's values.

TEA Continuity of Operations

Since 2007, Texas Labor Code Section 412.054 has required each State agency to develop and submit to the State Office of Risk Management an agency-level continuity of operations plan to keep the agency operational in case of disruptions to production, finance, administration or other essential operations. Such plans may be implemented during the occurrence or imminent threat of events such as extreme weather, natural disasters and infectious disease outbreaks. TEA has adopted a continuity of operations plan, which provides for, among other measures and conditions, steps to be taken to ensure performance of its essential missions and functions under such threats and conditions in the event of a pandemic event. TEA annually conducts risk assessments and risk impact analysis that include stress testing and availability analysis of system resources, including systems that enable TEA employees to work remotely, as is occurring as a result of the COVID-19 declarations. As noted above, under “The School District Bond Guarantee Program,” the Guarantee Program is in significant part an intercept program whereby State funding for school districts and charter districts reimburse the Fund for any guarantee payment from the Fund for a non-performing district. In addition to the continuity of operations plan provisions noted above, the Fund maintains cash positions in its portfolios that are intended to provide liquidity to the Fund for payments under the Guarantee Program pending reimbursement of the Fund by the Comptroller. Fund management is of the view that its liquidity position, which changes from time to time in light of then current circumstances, is sufficient for payment of claims made on the Guarantee Program.

Impact of COVID-19 on School Districts and Charter Districts

TEA cannot predict whether any school or charter district may experience short- or longer-term cash flow emergencies as a direct or indirect effect of COVID-19 that would require a payment from the PSF to be made to a paying agent for a guaranteed bond. Most school district bonds in the State are issued as fixed rate debt, with semiannual payments in February and August. Taxes levied by school districts for payment of bonds are generally collected by the end of January in each year. Consequently, PSF management is of the view that scheduled bond payments for school districts for the 2020 calendar year are unlikely to be affected by COVID-19. TEA has issued guidance to school districts and charter districts regarding, among other matters, the closure of schools, and TEA has established waivers for payment to school districts and charter districts, as such payments are in large part based on school attendance. Those waivers are intended to provide continued funding during the period of closure, although certain of the waivers require schools to provide on-line or at home curriculum in order to benefit from waivers. Reference is made to "Charter School Risk Factors," herein for a description of unique circumstances that pertain to the funding of charter districts.

Ratings of Bonds Guaranteed Under the Guarantee Program

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

Valuation of the PSF and Guaranteed Bonds

Permanent School Fund Valuations

Fiscal Year Ended 8/31	Book Value[(1)]	Market Value[(1)]
2015	$29,081,052,900	$36,196,265,273
2016	30,128,037,903	37,279,799,335
2017	31,870,581,428	41,438,672,573
2018	33,860,358,647	44,074,197,940
2019[(2)]	35,288,344,219	46,464,447,981

---

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

(2) At August 31, 2019, mineral assets, sovereign and other lands and internally managed discretionary real estate, external discretionary real estate investments, domestic equities, and cash managed by the SLB had book values of approximately $13.4 million, $216.7 million, $3,640.2 million, $7.5 million, and $4,457.3 million, respectively, and market values of approximately $3,198.2 million, $619.7 million, $3,927.6 million, $1.3 million, and $4,457.3 million, respectively. At February 29, 2020, the PSF had a book value of $35,908,691,818 and a market value of $46,992,040,588. February 29, 2020 values are based on unaudited data, which is subject to adjustment.

Permanent School Fund Guaranteed Bonds

At 8/31	Principal Amount[1]
2015	$63,955,449,047
2016	68,303,328,445
2017	74,266,090,023
2018	79,080,901,069
2019	84,397,900,203[2]

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

(2) As of August 31, 2019 (the most recent date for which such data is available), the TEA expected that the principal and interest to be paid by school districts and charter districts over the remaining life of the bonds guaranteed by the Guarantee Program was $133,188,149,265, of which $48,790,249,062 represents interest to be paid. As shown in the table above, at August 31, 2019, there were $84,397,900,203 in principal amount of bonds guaranteed under the Guarantee Program, and using the IRS Limit at that date of $117,318,653,038 (the IRS Limit is currently the lower of the two federal and State capacity limits of Program capacity), 97.22% of Program capacity was available to the School District Bond Guarantee Program and 2.78% was available to the Charter District Bond Guarantee Program.

Permanent School Fund Guaranteed Bonds by Category[1]

	School District Bonds		Charter District Bonds		Totals	
Fiscal Year Ended 8/31	No. of Issues	Principal Amount	No. of Issues	Principal Amount	No. of Issues	Principal Amount
2015	3,089	$63,197,514,047	28	$757,935,000	3,117	$63,955,449,047
2016	3,244	67,342,303,445	35	961,025,000	3,279	68,303,328,445
2017	3,253	72,884,480,023	40	1,381,610,000	3,293	74,266,090,023
2018	3,249	77,647,966,069	44	1,432,935,000	3,293	79,080,901,069
2019[2]	3,297	82,537,755,203	49	1,860,145,000	3,346	84,397,900,203

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

(2) At February 29, 2020 (based on unaudited data, which is subject to adjustment), there were $87,684,853,251 of bonds guaranteed under the Guarantee Program, representing 3,361 school district issues, aggregating $85,321,228,251 in principal amount and 54 charter district issues, aggregating $2,363,625,000 in principal amount. At February 29, 2020, the capacity allocation of the Charter District Bond Guarantee Program was $4,551,091,422 (based on unaudited data, which is subject to adjustment).

Discussion and Analysis Pertaining to Fiscal Year Ended August 31, 2019

The following discussion is derived from the Annual Report for the year ended August 31, 2019, including the Message of the Executive Administrator of the Fund and the Management's Discussion and Analysis contained therein. Reference is made to the Annual Report, as filed with the MSRB, for the complete Message and MD&A. Investment assets managed by the fifteen member SBOE are referred to throughout this MD&A as the PSF(SBOE) assets. As of August 31, 2019, the Fund's land, mineral rights and certain real assets are managed by the three-member SLB and these assets are referred to throughout as the PSF(SLB) assets. The current PSF asset allocation policy includes an allocation for real estate investments, and as such investments are made, and become a part of the PSF investment portfolio, those investments will be managed by the SBOE and not the SLB.

At the end of fiscal 2019, the Fund balance was $46.5 billion, an increase of $2.4 billion from the prior year. This increase is primarily due to overall increases in value of all asset classes in which the Fund has invested and restatements of fund balance. During the year, the SBOE continued implementing the long-term strategic asset allocation, diversifying the PSF(SBOE) to strengthen the Fund. The asset allocation is projected to increase returns over the long run while reducing risk and portfolio return volatility. The PSF(SBOE) annual rates of return for the one-year, five-year, and ten-year periods ending August 31, 2019, net of fees, were 4.17%, 5.25% and 8.18%, respectively (total return takes into consideration the change in the market value of the Fund during the year as well as the interest and dividend income generated by the Fund's investments). In addition, the SLB continued its shift into externally managed real asset investment funds, and the one-year, five-year, and ten-year annualized total returns for the PSF(SLB) externally managed real assets, net of fees and including cash, were 5.84%, 6.13%, and 6.41%, respectively.

The market value of the Fund's assets is directly impacted by the performance of the various financial markets in which the assets are invested. The most important factors affecting investment performance are the asset allocation decisions made by the SBOE and SLB. The current SBOE long term asset allocation policy allows for diversification of the PSF(SBOE) portfolio into alternative asset classes whose returns are not as positively correlated as traditional asset classes. The implementation of the long term asset allocation will occur over several fiscal years and is expected to provide incremental total return at reduced risk. As of August 31, 2019, the PSF(SBOE) portion of the Fund had diversified into emerging market and large cap international equities, absolute return funds, real estate, private equity, risk parity, real return Treasury Inflation-Protected Securities, real return commodities, and emerging market debt.

As of August 31, 2019, the SBOE has approved and the Fund made capital commitments to externally managed real estate investment funds in a total amount of $5.1 billion and capital commitments to private equity limited partnerships for a total of $6.3 billion. Unfunded commitments at August 31, 2019, totaled $1.9 billion in real estate investments and $2.3 billion in private equity investments.

The PSF(SLB) portfolio is generally characterized by three broad categories: (1) discretionary real assets investments, (2) sovereign and other lands, and (3) mineral interests. Discretionary real assets investments consist of externally managed real estate, infrastructure, and energy/minerals investment funds; internally managed direct real estate investments, and cash. Sovereign and other lands consist primarily of the lands set aside to the PSF when it was created. Mineral interests consist of all of the minerals that are associated with PSF lands. The investment focus of PSF(SLB) discretionary real assets investments has shifted from internally managed direct real estate investments to externally managed real assets investment funds. The PSF(SLB) makes investments in certain limited partnerships that legally commit it to possible future capital contributions. At August 31, 2019, the remaining commitments totaled approximately $2.5 billion.

The PSF(SBOE)'s investment in domestic large cap, domestic small/mid cap, international large cap, and emerging market equity securities experienced returns, net of fees, of 3.14%, -8.99%, -2.93%, and -4.15%, respectively, during the fiscal year ended August 31, 2019. The PSF(SBOE)'s investment in domestic fixed income securities produced a return of 10.54% during the fiscal year and absolute return investments yielded a return of 2.28%. The PSF(SBOE) real estate and private equity investments returned 7.22% and 11.93%, respectively. Risk parity assets produced a return of 10.89%, while real return assets yielded 0.71%. Emerging market debt produced a return of 10.40%. Combined, all PSF(SBOE) asset classes produced an investment return, net of fees, of 4.17% for the fiscal year ended August 31, 2019, out-performing the benchmark index of 3.76% by approximately 41 basis points. All PSF(SLB) externally managed investments (including cash) returned 6.41% net of fees for the fiscal year ending August 31, 2019.

For fiscal year 2019, total revenues, inclusive of unrealized gains and losses and net of security lending rebates and fees, totaled $3.7 billion, a decrease of $0.3 billion from fiscal year 2018 earnings of $4.0 billion. This decrease reflects the performance of the securities markets in which the Fund was invested in fiscal year 2019. In fiscal year 2019, revenues earned by the Fund included lease payments, bonuses and royalty income received from oil, gas and mineral leases; lease payments from commercial real estate; surface lease and easement revenues; revenues from the resale of natural and liquid gas supplies; dividends, interest, and securities lending revenues; the net change in the fair value of the investment portfolio; and, other miscellaneous fees and income.

Expenditures are paid from the Fund before distributions are made under the total return formula. Such expenditures include the costs incurred by the SLB to manage the land endowment, as well as operational costs of the Fund, including external management fees paid from appropriated funds. Total operating expenditures, net of security lending rebates and fees, decreased 10.0% for the fiscal year ending August 31, 2019. This decrease is primarily attributable to a decrease in PSF(SLB) quantities of purchased gas for resale in the State Energy Management Program, which is administered by the SLB as part of the Fund.

The Fund supports the public school system in the State by distributing a predetermined percentage of its asset value to the ASF. For fiscal years 2018 and 2019, the distribution from the SBOE to the ASF totaled $1.2 billion and $1.2 billion, respectively. Distributions from the SLB to the ASF for fiscal years 2018 and 2019 totaled $0 and $300 million, respectively.

At the end of the 2019 fiscal year, PSF assets guaranteed $84.4 billion in bonds issued by 863 local school districts and charter districts, the latter of which entered into the Program during the 2014 fiscal year. Since its inception in 1983, the Fund has guaranteed 7,443 school district and charter district bond issues totaling $186.2 billion in principal amount. During the 2019 fiscal year, the number of outstanding issues guaranteed under the Guarantee Program totaled 3,346. The dollar amount of guaranteed school and charter bond issues outstanding increased by $5.3 billion or 6.7%. The State Capacity Limit increased by $5.0 billion, or 4.2%, during fiscal year 2019 due to continued growth in the cost basis of the Fund used to calculate that Program capacity limit. The effective capacity of the Program did not increase during fiscal year 2019 as the IRS Limit was reached during the prior fiscal year, and it is the lower of the two State and federal capacity limits for the Program.

2011 and 2019 Constitutional Amendment

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

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

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

The Distribution Rates for the Fund were set at 3.5%, 2.5%, 4.2%, 3.3%, 3.5% and 3.7% for each of two year periods 2008-2009, 2010-2011, 2012-2013, 2014-2015, 2016-2017 and 2018-2019, respectively. In November 2018, the SBOE approved a $2.2 billion distribution to the ASF for State fiscal biennium 2020-2021, to be made in equal monthly increments of $92.2 million, which represents a 2.981% Distribution Rate for the biennium and a per student distribution of $220.97, based on 2018 preliminary student average daily attendance of 5,004,998. In making the 2020-2021 biennium distribution decision, the SBOE took into account a commitment of the SLB to transfer $10 million to the PSF in fiscal year 2020 and $45 million in fiscal year 2021.

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

The constitutional amendments approved on November 8, 2011 also provided authority to the GLO or any other entity (other than the SBOE) that has responsibility for the management of land or other properties of the PSF to determine whether to transfer an amount each year to the ASF from the revenue derived during the current year from such land or properties. Prior to November 2019, the amount authorized to be transferred to the ASF from the GLO was limited to $300 million per year. On November 5, 2019, a constitutional amendment was approved by State voters that increased the maximum transfer to the ASF to $600 million each year from the revenue derived during that year from the PSF from each of the GLO, the SBOE or any other entity that may have the responsibility to manage such properties (at present there are no such other entities). Any amount transferred to the ASF pursuant to this constitutional provision is excluded from the 6% Distribution Rate limitation applicable to SBOE transfers. The exercise of the increased authorization for such transfers is subject to the discretion of the GLO and the SBOE, and such transfers could be taken into account by the SBOE for purposes of its distributions to the ASF that are made pursuant to the Total Return Constitutional Amendment. However, future legal and/or financial analysis may be needed before the impact on the Fund of the constitutional change effected in November 2019 can be determined.

Other Events and Disclosures

The State Investment Ethics Code governs the ethics and disclosure requirements for financial advisors and other service providers who advise certain State governmental entities, including the PSF. In accordance with the provisions of the State Investment Ethics Code, the SBOE periodically modifies its code of ethics, which occurred most recently in April 2018. The SBOE code of ethics includes prohibitions on sharing confidential information, avoiding conflict of interests and requiring disclosure filings with respect to contributions made or received in connection with the operation or management of the Fund. The code of ethics applies to members of the SBOE as well as to persons who are responsible by contract or by virtue of being a TEA PSF staff member for managing, investing, executing brokerage transactions, providing consultant services, or acting as a custodian of the PSF, and persons who provide investment and management advice to a member of the SBOE, with or without compensation under certain circumstances. The code of ethics is codified in the Texas Administrative Code at 19 TAC sections 33.5 et seq., and is available on the TEA web site at http://ritter.tea.state.tx.us/rules/tac/chapter033/ch033a.html#33.5.

In addition, the GLO has established processes and controls over its administration of real estate transactions and is subject to provisions of the Texas Natural Resources Code and its own internal procedures in administering real estate transactions for assets it manages for the Fund.

In the 2011 legislative session, the Legislature approved an increase of 31 positions in the full-time equivalent employees for the administration of the Fund, which was funded as part of an $18 million appropriation for each year of the 2012-13 biennium, in addition to the operational appropriation of $11 million for each year of the biennium. The TEA has begun increasing the PSF administrative staff in accordance with the 2011 legislative appropriation, and the TEA received an appropriation of $30.2 million for the administration of the PSF for fiscal years 2016 and 2017, respectively, and $30.4 million for each of the fiscal years 2018 and 2019.

As of August 31, 2019, certain lawsuits were pending against the State and/or the GLO, which challenge the Fund's title to certain real property and/or past or future mineral income from that property, and other litigation arising in the normal course of the investment activities of the PSF. Reference is made to the Annual Report, when filed, for a description of such lawsuits that are pending, which may represent contingent liabilities of the Fund.

PSF Continuing Disclosure Undertaking

The SBOE has adopted an investment policy rule (the "TEA Rule") pertaining to the PSF and the Guarantee Program. The TEA Rule is codified in Section I of the TEA Investment Procedure Manual, which relates to the Guarantee Program and is posted to the TEA web site at http://tea.texas.gov/Finance_and_Grants/Texas_Permanent_School_Fund/Texas_Permanent_School_Fund_Disclosure_Statement_-_Bond_Guarantee_Program/. The most recent amendment to the TEA Rule was adopted by the SBOE on February 1, 2019, and is summarized below. Through the adoption of the TEA Rule and its commitment to guarantee bonds, the SBOE has made the following agreement for the benefit of the issuers, holders and beneficial owners of guaranteed bonds. The TEA (or its successor with respect to the management of the Guarantee Program) is required to observe the agreement for so long as it remains an "obligated person," within the meaning of Rule 15c2-12, with respect to guaranteed bonds. Nothing in the TEA Rule obligates the TEA to make any filings or disclosures with respect to guaranteed bonds, as the obligations of the TEA under the TEA Rule pertain solely to the Guarantee Program. The issuer or an "obligated person" of the guaranteed bonds has assumed the applicable obligation under Rule 15c2-12 to make all disclosures and filings relating directly to guaranteed bonds, and the TEA takes no responsibility with respect to such undertakings. Under the TEA agreement, the TEA will be obligated to provide annually certain updated financial information and operating data, and timely notice of specified material events, to the MSRB.

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

Annual Reports

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

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

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

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

Event Notices

The TEA will also provide timely notices of certain events to the MSRB. Such notices will be provided not more than ten business days after the occurrence of the event. The TEA will provide notice of any of the following events with respect to the Guarantee Program: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if such event is material within the meaning of the federal securities laws; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax-exempt status of the Guarantee Program, or other material events affecting the tax status of the Guarantee Program; (7) modifications to rights of holders of bonds guaranteed by the Guarantee Program, if such event is material within the meaning of the federal securities laws; (8) bond calls, if such event is material within the meaning of the federal securities laws, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of bonds guaranteed by the Guarantee Program, if such event is material within the meaning of the federal securities laws; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the Guarantee Program (which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Guarantee Program in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Guarantee Program, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Guarantee Program); (13) the consummation of a merger, consolidation, or acquisition involving the Guarantee Program or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) the appointment of a successor or additional trustee with respect to the Guarantee Program or the change of name of a trustee, if such event is material within the meaning of the federal securities laws; (15) the incurrence of a financial obligation of the Guarantee Program, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Program, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Guarantee Program, any of which reflect financial difficulties. (Neither the Act nor any other law, regulation or instrument pertaining to the Guarantee Program make any provision with respect to the Guarantee Program for bond calls, debt service reserves, credit enhancement, liquidity enhancement, early redemption or the appointment of a trustee with respect to the Guarantee Program.) In addition, the TEA will provide timely notice of any failure by the TEA to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information

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

Limitations and Amendments

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

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

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

Compliance with Prior Undertakings

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

SEC Exemptive Relief

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

STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS

Litigation Relating to the Texas Public School Finance System

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

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

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

Possible Effects of Changes in Law on District Bonds

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

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

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

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.

CURRENT PUBLIC SCHOOL FINANCE SYSTEM AS APPLIED TO THE DISTRICT

For the 2019-2020 fiscal year, the District was not designated as an "excess local revenue" district by the 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 local revenue less than the maximum permitted level, 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 revenue" must be tested for each future school year and, if it exceeds the maximum permitted level, 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 continue to exceed the maximum permitted value in future school years, it may be required each year to exercise one or more of the wealth reduction options. If the District were to consolidate (or consolidate its tax base for all purposes) with a property-poor district, the outstanding debt of each district could become payable from the consolidated district's combined property tax base, and the District's ratio of taxable property to debt could become diluted. If the District were to detach property voluntarily, a portion of its outstanding debt (including the Bonds) could be assumed by the district to which the property is annexed, in which case timely payment of the Bonds could become dependent in part on the financial performance of the annexing district.

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

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. Prospective investors are encouraged to review 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 Johnson Central and Tarrant Counties Appraisal District (collectively, 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 – 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 – 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 and Goods-In-Transit 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 – 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 "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

The District is authorized to levy an M&O tax rate pursuant to the approval of the voters of the District at an election held on November 7, 2006, in accordance with the provisions of Section 45.003, Texas Education Code, as amended.

The 2019 Legislation established the following maximum M&O tax rate per $100 of taxable value that may be adopted by 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 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 school district's MCR. A school district's MCR is, generally, inversely proportional to the change in taxable property values both within the school district and the State, and is subject to recalculation annually. For any year, the highest possible MCR for a school district is $0.93 (see "TAX RATE LIMITATIONS – Public Hearing and Voter-Approval Tax Rate" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Funding for School Districts" herein).

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 BONDS – 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. Refunding bonds issued pursuant to Chapter 1207, Texas Government Code, are not subject to the 50-cent Test; however, taxes levied to pay debt service on such bonds (other than bonds issued to refund exempt bonds) are included in maximum annual debt service for calculation of the 50-cent Test when applied to subsequent bond issues that are subject to the 50-cent Test. The Bonds are issued as refunding bonds pursuant to Chapter 1207 and are, therefore, not subject to the 50-cent Test; however, taxes levied to pay debt service on the Bonds are included in the calculation of the 50-cent Test as applied to subsequent issues of "new debt". In connection with prior issues, the District has not used State financial assistance and has not used 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 Bonds.

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

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

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

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

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

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

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

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

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

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

The District grants a State mandated residence homestead exemption for disabled veterans, as well as various exemption afforded to surviving spouses of veterans and member of the armed forces.

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

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

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

EMPLOYEE BENEFIT PLANS AND OTHER POST-EMPLOYMENT BENEFITS

The District's employees participate in a retirement plan (the "Plan") with the State of Texas. The Plan is administered by the Teacher Retirement System of Texas ("TRS"). State contributions are made to cover costs of the TRS retirement plan up to certain statutory limits. The District is obligated for a portion of TRS costs relating to employee salaries that exceed the statutory limit. Aside from the District's contribution to TRS, the District has no pension fund expenditures or liabilities. For fiscal year ended June 30, 2019, the District made a contribution to TRS on a portion of their employee's salaries that exceeded the statutory minimum. For a discussion of the TRS retirement plan, see "Note 6 – Defined Benefit Pension Plans" to the audited financial statements of the District that are attached hereto as Appendix D (the "Financial Statements").

In addition to its participation in the TRS, the District contributes to the Texas Public School Retired Employees Group Insurance Program (the "TRS-Care Retired Plan"), a cost-sharing multiple-employer defined benefit post-employment health care plan. The TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the TRS. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. For more detailed information concerning the District's funding policy and contributions in connection with the TRS-Care Retired Plan, see "Note 7 – Defined Other Post-Employment Benefit Plan" to the Financial Statements.

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

During the year ended June 30, 2019, employees of the District were covered by a fully-insured health insurance plan (the "Health Care Plan"). The District paid premiums per month per employee to the Health Care Plan. Employees, at their option, authorize payroll withholdings to pay premiums for dependents. See "Note 11 RISK MANAGEMENT – Health Care" of the Financial Statements.

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

RATING

The Bonds are rated "Aaa" by Moody's Investors Service ("Moody's") based upon the guaranteed repayment thereof under the Permanent School Fund Guarantee Program of the Texas Education Agency. The District's current unenhanced, underlying rating, including the Bonds, is "Aa3" by Moody's. (See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM – Ratings of Bonds Guaranteed Under the Guarantee Program" herein).

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

LEGAL MATTERS

The delivery of the Bonds is subject to the approval of the Attorney General of Texas who will deliver its opinion to the effect that the Bonds are valid and legally binding obligations of the District payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property in the District, and based upon examination of such transcript of proceedings, the approving legal opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel to the District ("Bond Counsel"), to like effect and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under section 103(a) of the Internal Revenue Code, subject to the matters described under "TAX MATTERS" herein. The form of Bond Counsel's opinion is attached hereto as Appendix C. The legal fee to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed upon for the Underwriters by their counsel, Bracewell LLP, Dallas, Texas. The legal fee to be paid to counsel to the Underwriters for services rendered in connection with the issuance of the Bonds is contingent upon the sale of the delivery of the Bonds.

Though it represents the Financial Advisor and the Underwriters from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the District in the issuance of the Bonds. McCall, Parkhurst & Horton L.L.P. also advises the TEA in connection with its disclosure obligations under the federal securities laws, but such firm has not passed upon any TEA disclosures contained in this Official Statement. 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 BONDS" (except under the subcaptions "Permanent School Fund Guarantee", "Payment Record", "Sources and Uses of Funds", and the second paragraph under "Notice of Redemption and DTC Notices", as to which no opinion is expressed) "REGISTRATION, TRANSFER AND EXCHANGE", "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS", "CURRENT PUBLIC SCHOOL FINANCE SYSTEM", "TAX RATE LIMITATIONS" (except for the last sentence of the second paragraph under the subcaption "I&S Tax Rate Limitations"), "LEGAL MATTERS" (except for the last two sentences of the first paragraph thereunder), "TAX MATTERS", "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS", "REGISTRATION AND QUALIFICATION OF BONDS FOR SALE" and "CONTINUING DISCLOSURE OF INFORMATION" (except under the subcaption "Compliance with Prior Undertakings," as to which no opinion will be expressed) and such firm is of the opinion that the information relating to the Bonds and the Order contained under such captions is a fair and accurate summary of the information purported to be shown and that the information and descriptions contained under such captions relating to the provisions of applicable state and federal laws are correct as to matters of law.

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

TAX MATTERS

Opinion

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

In rendering its opinion, Bond Counsel will rely upon (a) the District's federal tax certificate and the Sufficiency Certificate of SAMCO Capital Markets, Inc. relating to the refunding of the Refunded Bonds, (b) covenants of the District with respect to arbitrage and the use of the proceeds of the Bonds and the Refunded Bonds and the property financed or refinanced therewith, and (c) the certificate with respect to arbitrage by the Commissioner of Education regarding the allocation and investment of certain investments in the Permanent School Fund. Failure by the District to observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

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

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

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

Federal Income Tax Accounting Treatment of Original Issue Discount

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

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

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

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

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

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

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

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

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

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

Future and Proposed Legislation

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

State, Local and Foreign Taxes

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

Information Reporting and Backup Withholding

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

INVESTMENT POLICIES

Investments

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

Legal Investments

Available District funds are invested as authorized by State law and in accordance with investment policies approved by the Board of Trustees. Both State law and the District's investment policies are subject to change. Under State law, the District is authorized to invest in: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund (the "NCUSIF") or their respective successors; (8) interest-bearing banking deposits, other than those described in clause (7), that (i) are invested through a broker or institution with a main office or branch office in this state and selected by the District in compliance with the Public Funds Investment Act (Chapter 2256, Government Code) as amended (the "PFIA"), (ii) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the District's account, (iii) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States, and (iv) the District appoints as its custodian of the banking deposits, in compliance with the PFIA, the institution in clause (8)(i) above, a bank, or a broker-dealer; (9) certificates of deposit and share certificates meeting the requirements of the PFIA (i) that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8), above, or secured in accordance with Chapter 2257, Texas Government Code, or in any other manner and amount provided by law for District deposits, or (ii) where (a) the funds are invested by the District through a broker or institution that has a main office or branch office in the State and selected by the District in compliance with the PFIA, (b) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the account of the District, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (d) the District appoints, in compliance with the PFIA, the institution in clause (9)(ii)(a) above, a bank, or broker-dealer as custodian for the District with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described by clause (1) above, clause (12) below, or, if applicable, which are pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party selected and approved by the District, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with a stated maturity of 270 days or less, if the short-term obligations of the accepting bank, or of the holding company of which the bank is the largest subsidiary, are rated not less than "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least "A-1" or "P-1" or an equivalent by either (i) two nationally recognized credit rating agencies, or (ii) one nationally recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission and complies with Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are registered and regulated by the Securities and Exchange Commission that have a weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations approved in this paragraph, or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset backed securities; (15) guaranteed investment contracts that have a defined termination date and are secured by obligations described in clause (1), excluding obligations which the District is explicitly prohibited from investing in, and in an amount at least equal to the amount of bond proceeds invested under such contract; and (16) securities lending programs if (i) the securities loaned under the program are 100% collateralized, including accrued income, (ii) a loan made under the program allows for termination at any time, (iii) a loan made under the program is either secured by (a) obligations described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent, or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (12) through (14) above, or an authorized investment pool, (iv) the terms of a loan made under the program require that the securities being held as collateral be pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party designated by the District, (v) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State, and (vi) the agreement to lend securities has a term of one year or less.

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

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

Under State law, the District may contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term of up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance or resolution. The District has not contracted with, and has no present intention of contracting with, any such investment management firm or the State Securities Board to provide such services.

As a school district that qualifies as an "issuer" under Chapter 1371, the District is also authorized to purchase, sell, and invest its funds in corporate bonds, but only if the District has formally amended its investment policy to authorize such investments. Texas law defines "corporate bonds" as senior secured debt obligations issued by a domestic business entity and rated not lower than

"AA-" or the equivalent by a nationally recognized investment rating firm. The term does not include a bond that is convertible into stocks or shares in the entity issuing the bond (or an affiliate or subsidy thereof) or any unsecured debt. Corporate bonds must finally mature not later than 3 years from their date of purchase by the school district. A school district may not (1) invest more than 15% of its monthly average fund balance (excluding bond proceeds, reserves, and other funds held for the payment of debt service) in corporate bonds; or (2) invest more than 25% of the funds invested in corporate bonds in any one domestic business entity (including subsidiaries and affiliates thereof). Corporate bonds held by a school district must be sold if they are at any time downgraded below "AA-" (or the equivalent thereof) or, with respect to a corporate bond rated "AA-" (or the equivalent thereof), such corporate bond is placed on negative credit watch.

Investment Policies

Under State law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for District funds, maximum allowable stated maturity of any individual investment owned by the District, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the PFIA. As an integral part of its investment policy, the District is required to adopt a separate written investment strategy for each of the funds under its control. All District funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

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

Additional Provisions

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

Current Investments

As of December 31, 2019, the District had approximately $46,641,252 (unaudited) invested in TexPool, $27,384,676 (unaudited) in Lone Star Investment Pool (both of which are government investment pools that generally have the characteristics of a money-market mutual fund) and $8,245,752 (unaudited) at a local bank. The market value of such investments (as determined by the District by reference to published quotations, dealer bids, and comparable information) is approximately 100% of the book value. No funds of the District are invested in derivative securities; i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

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

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

FINANCIAL ADVISOR

SAMCO Capital Markets Inc. is employed as Financial Advisor to the District to assist in the issuance of the Bonds. In this capacity, the Financial Advisor has compiled certain data relating to the Bonds that is contained in this 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 its limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The fee of the Financial Advisor for services with respect to the Bonds is contingent upon the issuance and sale of the Bonds. In the normal course of business, the Financial Advisor may from time to time sell investment securities to the District for the investment of bond proceeds or other funds of the District upon the request of the District.

The Financial Advisor has provided the following sentence for inclusion in this 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 Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State, the PFIA requires that the Bonds be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "RATING" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least $1 million of capital, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value.

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

CONTINUING DISCLOSURE OF INFORMATION

In the Order, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually and timely notice of specified events to the MSRB. The information provided to the MSRB will be available to the public free of charge via the EMMA system at www.emma.msrb.org. See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" for a description of the TEA's continuing disclosure undertaking to provide certain updated financial information and operating data annually with respect to the Permanent School Fund and the State, as the case may be, and to provide timely notice of certain specified events related to the guarantee, to the MSRB.

Annual Reports

The District will provide certain updated financial information and operating data annually to the MSRB. The information to be updated includes financial information and operating data with respect to the District of the general type included in this Official Statement in Appendix A (such information being the "Annual Operating Report"). The District will additionally provide financial statements of the District (the "Financial Statements"), that will be (i) prepared in accordance with the accounting principles described in Appendix D or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation and shall be in substantially the form included in Appendix D and (ii) audited, if the District commissions an audit of such Financial Statements and the audit is completed within the period during which they must be provided. The District will update and provide the Annual Operating Report within six months after the end of each fiscal year and the Financial Statements within 12 months of the end of each fiscal year, in each case beginning with the fiscal year ending in and after 2020. The District may provide the Financial Statements earlier, including at the time it provides its Annual Operating Report, but if the audit of such Financial Statements is not complete within 12 months after any such fiscal year end, then the District shall file unaudited Financial Statements within such 12-month period and audited Financial Statements for the applicable fiscal year, when and if the audit report on such Financial Statements becomes available.

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

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

Notice of Certain Events

The District will also provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material; and

(16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties. In addition, the District will provide timely notice of any failure by the District to provide annual financial information in accordance with their agreement described above under "Annual Reports". In the Order, the District adopted policies and procedures to ensure timely compliance with continuing disclosure undertakings. Neither the Bonds nor the Order make any provision for a bond trustee, debt service reserves, credit enhancement (except for the Permanent School Fund guarantee), or liquidity enhancement. The District will provide each notice described in this paragraph to the MSRB.

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

Availability of Information

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

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

Limitations and Amendments

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

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with Rule 15c2-12, taking into account any amendments or interpretations of Rule 15c2-12 to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any qualified person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the registered owners of the Bonds. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of Rule 15c2-12 are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the District so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

During the last five years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with Rule 15c2-12.

LITIGATION

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

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

FORWARD LOOKING STATEMENTS

The statements contained in this 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.

UNDERWRITING

The Underwriters have agreed, subject to certain customary conditions, to purchase the Bonds at a price equal to the initial offering prices to the public, as shown on the inside cover page hereof, less an Underwriters' discount of $_______ plus accrued interest from the Dated Date to the date of initial delivery of the Bonds. The Underwriter's obligations are subject to certain conditions precedent, and the Underwriters will be obligated to purchase all of the Bonds, if any Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriters.

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

FHN Financial Capital Markets is a division of First Horizon Bank and First Horizon Advisors, Inc., is a wholly owned subsidiary of First Horizon Bank. FHN Financial Capital Markets has entered into a distribution agreement with First Horizon Advisors, Inc., for the distribution of the offered Bonds at the original issue prices. Such arrangement generally provides that FHN Financial Capital Markets will share a portion of its underwriting compensation or selling concession with First Horizon Advisors, Inc.

On November 4, 2019 First Horizon and IberiaBank announced its intention to enter into a merger, pending regulatory approval, creating a leading regional financial services company. The new company will retain the First Horizon name and will have its headquarters in Memphis, TN, while maintaining a significant operating presence in all of the markets in which both companies operate today. The transaction is expected to be completed in the second quarter of 2020, following the satisfaction of closing conditions, including approval by shareholders of both companies. Until all conditions, including regulatory approvals are provided, First Horizon and IberiaBank will continue to be separate, independent companies and until transaction closing, both companies will operate as they do today.

Piper Sandler & Co., one of the underwriters of the Bonds, has entered into a distribution agreement ("Distribution Agreement") with Charles Schwab & Co., Inc. ("CS&Co") for the retail distribution of certain securities offerings including the Bonds, at the original issue prices. Pursuant to the Distribution Agreement, CS&Co. will purchase Bonds from Piper at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that CS&Co. sells.

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.

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

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

The Bond Order authorized the Pricing Officer to approve 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 Bonds by the Underwriters. This Official Statement will be approved by the Pricing Officer of the District for distribution in accordance with the provisions of the Rule.

/s/

____
Pricing Officer

BURLESON INDEPENDENT SCHOOL DISTRICT

Schedule I - Schedule of Refunded Bonds*

Unlimited Tax School Building and Refunding Bonds, Series 2010

Maturities Being Redeemed	Original CUSIP	Principal Amount Outstanding	Interest Rate	Principal Amount Being Refunded		Call Date	Principal Amount Unrefunded
8/1/2021	121403ZS1	$ 2,005,000.00	4.000%	$ 2,005,000.00		August 1, 2020 @ Par	-
8/1/2022	121403ZT9	2,095,000.00	4.000%	2,095,000.00		August 1, 2020 @ Par	-
8/1/2023	121403ZU6	2,180,000.00	4.000%	2,180,000.00		August 1, 2020 @ Par	-
8/1/2024	121403ZV4	935,000.00	4.000%	935,000.00		August 1, 2020 @ Par	-
8/1/2025	121403ZW2	585,000.00	4.000%	585,000.00		August 1, 2020 @ Par	-
8/1/2026	121403ZX0	605,000.00	4.000%	605,000.00		August 1, 2020 @ Par	-
8/1/2027	121403ZY8	630,000.00	4.000%	630,000.00		August 1, 2020 @ Par	-
8/1/2028	121403ZZ5	655,000.00	4.000%	655,000.00		August 1, 2020 @ Par	-
8/1/2029	121403A25	685,000.00	4.000%	685,000.00		August 1, 2020 @ Par	-
8/1/2030	121403A33	715,000.00	4.000%	715,000.00		August 1, 2020 @ Par	-
8/1/2031	121403A41	740,000.00	4.000%	740,000.00		August 1, 2020 @ Par	-
8/1/2032		770,000.00	4.000%	770,000.00	(1)	August 1, 2020 @ Par	-
8/1/2033		800,000.00	4.000%	800,000.00	(1)	August 1, 2020 @ Par	-
8/1/2034		835,000.00	4.000%	835,000.00	(1)	August 1, 2020 @ Par	-
8/1/2035	121403A82	870,000.00	4.000%	870,000.00	(1)	August 1, 2020 @ Par	-
8/1/2036		905,000.00	4.000%	905,000.00	(2)	August 1, 2020 @ Par	-
8/1/2037		940,000.00	4.000%	940,000.00	(2)	August 1, 2020 @ Par	-
8/1/2038		975,000.00	4.000%	975,000.00	(2)	August 1, 2020 @ Par	-
8/1/2039		1,010,000.00	4.000%	1,010,000.00	(2)	August 1, 2020 @ Par	-
8/1/2040	121403B57	1,055,000.00	4.000%	1,055,000.00	(2)	August 1, 2020 @ Par	-
		$ 19,990,000.00		$ 19,990,000.00			$ -

**Preliminary, subject to change.*

(1) Represents a mandatory sinking fund redemption of the term bond outstanding in the principal amount of $3,275,000 that matures August 1, 2035.

(2) Represents a mandatory sinking fund redemption of the term bond outstanding in the principal amount of $4,885,000 that matures August 1, 2040.

APPENDIX A

FINANCIAL INFORMATION OF THE DISTRICT

BURLESON INDEPENDENT SCHOOL DISTRICT

Financial Information

ASSESSED VALUATION [1]

2019/20 Total Valuation……		$ 6,299,508,120
Less Exemptions & Deductions [2]:		
State Homestead Exemption	$ 367,589,283	
State Over-65 Exemption	49,950,110	
Disabled Homestead Exemption Loss	43,444,079	
Local Option Over-65 Exemption	121,630,021	
Veterans Exemption Loss	6,469,399	
Surviving Spouse of Veteran Exemption Loss	1,240,542	
Surviving Spouse Killed in Action Exemption Loss	269,258	
Freeport Exemption	4,320,383	
Pollution Control Exemption Loss	871,024	
Solar/Wind Exemption	362,453	
Productivity Loss	134,714,787	
Homestead Cap Loss	198,637,272	
	$ 929,498,611	
2019/20 Net Taxable Valuation ……		$ 5,370,009,509

(1) Source: Comptroller of Public Accounts - Property Tax Division. The passage of a Texas constitutional amendment on November 3, 2015 increased the homestead exemption from $15,000 to $25,000.
(2) Excludes the values on which property taxes are frozen for persons 65 years of age or older and disabled taxpayers which totaled $283,264,619 in 2019/20.

VOTED GENERAL OBLIGATION DEBT

Unlimited Tax Bonds Outstanding [1]		$ 326,345,852
Less: The Refunded Bonds [1] [2]		(19,990,000)
Plus: The Bonds [1] [2]		19,990,000
Total Unlimited Tax Bonds [1] [2]		$ 326,345,852
Less: Interest & Sinking Fund Balance (As of June 30, 2019) [3]		(16,280,074)
Net General Obligation Debt		$ 310,065,778
Ratio of Net G.O. Debt to Net Taxable Valuation [4]	5.77%	
2019 Population Estimate [5]	71,623	
Per Capita Net Taxable Valuation	$74,976	
Per Capita Net G.O. Debt	$4,329	

(1) Excludes the interest accreted on outstanding capital appreciation bonds.
(2) Preliminary, subject to change.
(3) Source: Burleson ISD Audited Financial Statement.
(4) See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in the body of the Official Statement and "DEBT SERVICE REQUIREMENTS" in this appendix and see the "Audited Financial Report Fiscal Year Ended June 30, 2019" in Appendix D for more information relative to the District's outstanding obligations.
(5) Source: Municipal Advisory Council of Texas.

PROPERTY TAX RATES AND COLLECTIONS

Fiscal Year	Net Taxable Valuation [1]	Tax Rate	% Collections [3] Current [4]	Total [4]
2006/07	$ 2,226,990,971 [1]	$ 1.5904	97.90%	100.41%
2007/08	2,498,065,323 [1]	1.4051 [5]	98.38%	100.40%
2008/09	3,275,241,977 [1]	1.4688	97.16% [6]	98.06% [6]
2009/10	3,658,222,717 [1]	1.5400	97.25%	99.48%
2010/11	3,502,366,339 [1]	1.5400	98.06%	100.57%
2011/12	3,489,472,149 [1]	1.5400	98.06%	99.79%
2012/13	3,438,826,788 [1]	1.5400	98.05%	100.07%
2013/14	3,356,825,551 [1]	1.5400	98.27%	100.31%
2014/15	3,642,584,992 [1]	1.5400	98.41%	100.04%
2015/16	3,714,178,058 [1][2]	1.5400	98.35%	99.96%
2016/17	3,910,986,806 [1]	1.5400	98.73%	100.26%
2017/18	4,399,179,017 [1]	1.6700	98.48%	99.58%
2018/19	4,824,792,558 [1]	1.6700	98.69%	100.11%
2019/20	5,370,009,509 [1]	1.5684 [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 election increased the homestead exemption from $15,000 to $25,000.
(3) Source: Burleson ISD Audited Financial Statements.
(4) Excludes penalties and interest.
(5) 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 body of the Official Statement.
(6) During the 2009 Fiscal Year, the District changed its fiscal year from ending August 31 to June 30.
(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 (1)	2018/19	2019/20 (2)
Maintenance & Operations	$1.0400	$1.0400	$1.1700	$1.1700	$1.0684
Debt Service	$0.5000	$0.5000	$0.5000	$0.5000	$0.5000
Total Tax Rate	$1.5400	$1.5400	$1.6700	$1.6700	$1.5684

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

Fiscal Year	Net Taxable Valuation	Bond Debt Outstanding (1)	Ratio Debt to A.V. (2)
2006/07	$ 2,226,990,971	$ 147,910,029	6.64%
2007/08	2,498,065,323	146,852,976	5.88%
2008/09	3,275,241,977	228,104,009	6.96%
2009/10	3,658,222,717	293,143,199	8.01%
2010/11	3,502,366,339	312,862,942	8.93%
2011/12	3,489,472,149	310,441,276	8.90%
2012/13	3,438,826,788	307,661,944	8.95%
2013/14	3,356,825,551	304,395,852	9.07%
2014/15	3,642,584,992	297,495,852	8.17%
2015/16	3,714,178,058	291,140,852	7.84%
2016/17	3,910,986,806	334,260,852	8.55%
2017/18	4,399,179,017	345,695,852	7.86%
2018/19	4,824,792,558	332,790,852	6.90%
2019/20	5,370,009,509	320,787,015 (3)	5.97%

(1) The Bonds are illustrated on the State of Texas fiscal year end of August 31st, although the District's fiscal year ends June 30th. Excludes interest accreted on outstanding capital appreciation bonds.
(2) See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in the body of the Official Statement, "DEBT SERVICE REQUIREMENTS" in this Appendix and see the "Audited Financial Report Fiscal Year Ended June 30, 2019" in Appendix D for more information.
(3) Includes the Bonds and excludes the Refunded Bonds. Preliminary, subject to change.

ESTIMATED OVERLAPPING DEBT STATEMENT

Taxing Body	Amount	Percent Overlapping	Amount Overlapping
Burleson, City of	$ 70,614,327	76.21%	$ 53,815,179
Crowley, City of	18,469,020	3.23%	596,549
Fort Worth, City of	655,571,333	0.99%	6,490,156
Johnson County	21,340,000	25.88%	5,522,792
Tarrant County	266,375,000	0.85%	2,264,188
Tarrant County Hospital District	16,135,000	0.85%	137,148
Total Overlapping Debt (1)			$ 68,826,011
Burleson Independent School District (2)			310,065,778
Total Direct & Overlapping Debt (2)			$ 378,891,789
Ratio of Net Direct & Overlapping Debt to Net Taxable Valuation		7.06%	
Per Capita Direct & Overlapping Debt		$5,290	

(1) Equals gross debt less self-supporting debt.
(2) Includes the Bonds and excludes the Refunded Bonds. Excludes the accreted value of outstanding capital appreciation bonds. Preliminary, subject to change.

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

PRINCIPAL TAXPAYERS [1]

2019/20 Top Ten Taxpayers

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
Burleson Gateway Station LP	Retail	$ 52,061,755	0.97%
Halliburton Energy Services	Oil & Gas	34,629,175	0.64%
TEP Barnett USA LLC	Oil & Gas	33,420,256	0.62%
Welltower TCG	Real Estate Investments	29,730,085	0.55%
Wagner Smith Equipment Co.	Electric Equipment Services	28,237,011	0.53%
FDL Operating LLC	Oil & Gas	24,009,835	0.45%
XTO Energy Inc.	Oil & Gas	23,792,556	0.44%
McAlister Square 18 LLC	Retail	20,764,034	0.39%
Sam's Real Estate Business	Real Estate	19,064,673	0.36%
Oncor Electric Delivery Co LLC	Electric Utility	16,582,219	0.31%
		$ 282,291,599	5.26%

2018/19 Top Ten Taxpayers

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
Burleson Gateway Station LP	Retail	$ 35,633,519	0.74%
Wagner Smith Equipment Co.	Electric Equipment Services	30,119,928	0.62%
XTO Energy Inc.	Oil & Gas	21,266,153	0.44%
BRE DDR BR Mcalister TX LLC	Commercial	20,930,000	0.43%
FDL Operating LLC	Oil & Gas	20,203,448	0.42%
Sam's Real Estate Business	Real Estate	19,343,170	0.40%
HEB Grocery Co.	Grocery Store	18,539,539	0.38%
Halliburton Energy Services	Oil & Gas	18,193,405	0.38%
MA Summercrest at Burleson LLC	Apartments	16,538,853	0.34%
EB Reserve LLC & RL Reserve LLC	Commercial Land	15,808,651	0.33%
		$ 216,576,666	4.49%

2017/18 Top Ten Taxpayers

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

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

CLASSIFICATION OF ASSESSED VALUATION BY USE CATEGORY [1]

Category	2019/20	% of Total	2018/19	% of Total	2017/18	% of Total
Real, Residential, Single-Family	$ 4,188,630,978	66.49%	$ 3,808,303,289	66.47%	$ 3,423,474,572	64.99%
Real, Residential, Multi-Family	167,427,773	2.66%	144,250,307	2.52%	143,702,063	2.73%
Real, Vacant Lots/Tracts	98,692,515	1.57%	100,903,758	1.76%	90,862,747	1.73%
Real, Acreage	138,686,900	2.20%	141,061,826	2.46%	133,380,591	2.53%
Real, Farm & Ranch Improvements	231,047,469	3.67%	199,083,496	3.47%	196,543,173	3.73%
Real, Commercial & Industrial	802,353,137	12.74%	751,844,850	13.12%	709,933,223	13.48%
Oil & Gas	156,795,723	2.49%	118,628,585	2.07%	108,600,269	2.06%
Utilities	103,204,173	1.64%	99,509,736	1.74%	102,419,447	1.94%
Tangible Personal, Commercial	274,051,377	4.35%	278,737,900	4.87%	268,910,843	5.11%
Tangible Personal, Industrial	72,149,932	1.15%	33,226,461	0.58%	30,631,494	0.58%
Tangible Personal, Mobile Homes & Other	9,897,966	0.16%	9,614,296	0.17%	8,684,857	0.16%
Tangible Personal, Residential Inventory	23,080,786	0.37%	8,815,356	0.15%	16,908,872	0.32%
Special Inventory	33,489,391	0.53%	35,310,383	0.62%	33,258,295	0.63%
Total Appraised Value	$ 6,299,508,120	100.00%	$ 5,729,290,243	100.00%	$ 5,267,310,446	100.00%
Less:						
Homestead Cap Adjustment	$ 198,637,272		$ 201,355,858		$ 203,421,619	
Productivity Loss	134,714,787		136,858,417		129,165,673	
Exemptions	596,146,552		566,283,410		535,544,137	
Total Exemptions/Deductions [2]	$ 929,498,611		$ 904,497,685		$ 868,131,429	
Net Taxable Assessed Valuation	$ 5,370,009,509		$ 4,824,792,558		$ 4,399,179,017	

Category	2016/17	% of Total	2015/16	% of Total	2014/15	% of Total
Real, Residential, Single-Family	$ 2,955,593,945	63.44%	$ 2,562,167,641	58.73%	$ 2,387,793,570	57.57%
Real, Residential, Multi-Family	115,018,985	2.47%	85,613,129	1.96%	80,339,150	1.94%
Real, Vacant Lots/Tracts	87,713,197	1.88%	86,785,848	1.99%	78,551,629	1.89%
Real, Acreage	118,782,154	2.55%	119,105,338	2.73%	113,135,733	2.73%
Real, Farm & Ranch Improvements	170,765,168	3.67%	164,935,173	3.78%	161,742,279	3.90%
Real, Commercial & Industrial	649,495,338	13.94%	616,722,092	14.14%	565,926,241	13.64%
Oil & Gas	117,434,856	2.52%	307,548,025	7.05%	347,307,816	8.37%
Utilities	104,704,509	2.25%	111,982,226	2.57%	123,005,055	2.97%
Tangible Personal, Commercial	252,320,658	5.42%	210,786,016	4.83%	213,916,998	5.16%
Tangible Personal, Industrial	37,224,583	0.80%	46,007,773	1.05%	45,776,347	1.10%
Tangible Personal, Mobile Homes & Other	8,264,507	0.18%	8,363,165	0.19%	7,297,809	0.18%
Tangible Personal, Residential Inventory	11,511,118	0.25%	17,524,141	0.40%	15,526,404	0.37%
Special Inventory	29,996,190	0.64%	25,003,416	0.57%	7,340,567	0.18%
Total Appraised Value	$ 4,658,825,208	100.00%	$ 4,362,543,983	100.00%	$ 4,147,659,598	100.00%
Less:						
Homestead Cap Adjustment	$ 116,767,170		$ 41,274,120		$ 46,209,351	
Productivity Loss	115,109,137		115,298,598		109,327,231	
Exemptions	515,962,095		491,793,207 [3]		349,538,024	
Total Exemptions/Deductions [2]	$ 747,838,402		$ 648,365,925		$ 505,074,606	
Net Taxable Assessed Valuation	$ 3,910,986,806		$ 3,714,178,058		$ 3,642,584,992	

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

PRINCIPAL REPAYMENT SCHEDULE [1]

Fiscal Year Ending 8/31	Outstanding Bonds [2] [3]	Less: Refunded Bonds [2]	Plus: The Bonds [2]	Total [2] [3]	Bonds Unpaid At Year End	Percent of Principal Retired
2020	$ 11,773,837.00	$ -	$ 230,000.00	$ 12,003,837.00	$ 320,787,015.30	3.61%
2021	7,770,416.05	2,005,000.00	2,170,000.00	7,935,416.05	312,851,599.25	5.99%
2022	8,112,650.30	2,095,000.00	2,220,000.00	8,237,650.30	304,613,948.95	8.47%
2023	8,395,411.20	2,180,000.00	2,265,000.00	8,480,411.20	296,133,537.75	11.02%
2024	7,953,537.75	935,000.00	980,000.00	7,998,537.75	288,135,000.00	13.42%
2025	10,535,000.00	585,000.00	615,000.00	10,565,000.00	277,570,000.00	16.59%
2026	10,945,000.00	605,000.00	620,000.00	10,960,000.00	266,610,000.00	19.89%
2027	11,360,000.00	630,000.00	635,000.00	11,365,000.00	255,245,000.00	23.30%
2028	12,815,000.00	655,000.00	655,000.00	12,815,000.00	242,430,000.00	27.15%
2029	13,325,000.00	685,000.00	675,000.00	13,315,000.00	229,115,000.00	31.15%
2030	13,875,000.00	715,000.00	700,000.00	13,860,000.00	215,255,000.00	35.32%
2031	14,470,000.00	740,000.00	715,000.00	14,445,000.00	200,810,000.00	39.66%
2032	15,045,000.00	770,000.00	740,000.00	15,015,000.00	185,795,000.00	44.17%
2033	15,625,000.00	800,000.00	760,000.00	15,585,000.00	170,210,000.00	48.85%
2034	16,230,000.00	835,000.00	785,000.00	16,180,000.00	154,030,000.00	53.72%
2035	16,865,000.00	870,000.00	810,000.00	16,805,000.00	137,225,000.00	58.77%
2036	17,520,000.00	905,000.00	835,000.00	17,450,000.00	119,775,000.00	64.01%
2037	18,215,000.00	940,000.00	860,000.00	18,135,000.00	101,640,000.00	69.46%
2038	18,930,000.00	975,000.00	880,000.00	18,835,000.00	82,805,000.00	75.12%
2039	19,680,000.00	1,010,000.00	905,000.00	19,575,000.00	63,230,000.00	81.00%
2040	20,480,000.00	1,055,000.00	935,000.00	20,360,000.00	42,870,000.00	87.12%
2041	8,765,000.00			8,765,000.00	34,105,000.00	89.75%
2042	4,850,000.00			4,850,000.00	29,255,000.00	91.21%
2043	5,150,000.00			5,150,000.00	24,105,000.00	92.76%
2044	5,480,000.00			5,480,000.00	18,625,000.00	94.40%
2045	5,830,000.00			5,830,000.00	12,795,000.00	96.16%
2046	6,200,000.00			6,200,000.00	6,595,000.00	98.02%
2047	6,595,000.00			6,595,000.00	-	100.00%
Total	$ 332,790,852.30	$ 19,990,000.00	$ 19,990,000.00	$ 332,790,852.30		

(1) The Bonds are illustrated on the State of Texas fiscal year end of August 31st, although the District's fiscal year ends June 30th.
(2) Excludes the accreted value of outstanding capital appreciation bonds. Preliminary, subject to change.
(3) Principal payments in years 2042 through 2047 represent madatory sinking fund payments for a term bond maturing on February 1, 2047.

DEBT SERVICE REQUIREMENTS [1]

Fiscal Year Ending 8/31	Outstanding Debt Service [2] [3] [4]	Less: Refunded Bonds [2] [5]	Plus: The Bonds [2] [5] Principal	Interest	Total	Combined Total [2] [3] [4] [5] [6]
2020	$ 28,825,481.26	$ 399,800.00	$ 230,000.00	$ 169,302.08	$ 399,302.08	$ 28,824,983.34
2021	22,876,481.26	2,804,600.00	2,170,000.00	503,306.26	2,673,306.26	22,745,187.52
2022	22,876,581.26	2,814,400.00	2,220,000.00	459,906.26	2,679,906.26	22,742,087.52
2023	23,959,431.26	2,815,600.00	2,265,000.00	415,506.26	2,680,506.26	23,824,337.52
2024	23,956,856.26	1,483,400.00	980,000.00	370,206.26	1,350,206.26	23,823,662.52
2025	23,957,931.26	1,096,000.00	615,000.00	350,606.26	965,606.26	23,827,537.52
2026	23,958,506.26	1,092,600.00	620,000.00	338,306.26	958,306.26	23,824,212.52
2027	23,956,756.26	1,093,400.00	635,000.00	325,906.26	960,906.26	23,824,262.52
2028	23,961,156.26	1,093,200.00	655,000.00	307,650.00	962,650.00	23,830,606.26
2029	23,961,706.26	1,097,000.00	675,000.00	288,000.00	963,000.00	23,827,706.26
2030	23,956,693.76	1,099,600.00	700,000.00	267,750.00	967,750.00	23,824,843.76
2031	23,957,543.76	1,096,000.00	715,000.00	246,750.00	961,750.00	23,823,293.76
2032	23,961,568.76	1,096,400.00	740,000.00	225,300.00	965,300.00	23,830,468.76
2033	23,960,343.76	1,095,600.00	760,000.00	203,100.00	963,100.00	23,827,843.76
2034	23,959,743.76	1,098,600.00	785,000.00	180,300.00	965,300.00	23,826,443.76
2035	23,961,556.26	1,100,200.00	810,000.00	156,750.00	966,750.00	23,828,106.26
2036	23,957,125.00	1,100,400.00	835,000.00	132,450.00	967,450.00	23,824,175.00
2037	23,961,737.50	1,099,200.00	860,000.00	107,400.00	967,400.00	23,829,937.50
2038	23,958,362.50	1,096,600.00	880,000.00	81,600.00	961,600.00	23,823,362.50
2039	23,960,150.00	1,092,600.00	905,000.00	55,200.00	960,200.00	23,827,750.00
2040	23,957,362.50	1,097,200.00	935,000.00	28,050.00	963,050.00	23,823,212.50
2041	25,031,562.50					25,031,562.50
2042	6,983,525.00					6,983,525.00
2043	6,948,550.00					6,948,550.00
2044	6,921,675.00					6,921,675.00
2045	6,891,125.00					6,891,125.00
2046	6,855,450.00					6,855,450.00
2047	6,818,075.00					6,818,075.00
	$ 572,293,037.66	$ 27,862,400.00	$ 19,990,000.00	$ 5,213,345.90	$ 25,203,345.90	$ 569,633,983.56

(1) Debt service for the Bonds is illustrated on the State of Texas fiscal year end of August 31st, although the District's fiscal year ends on June 30th.
(2) Includes the accreted value of outstanding capital appreciation bonds.
(3) Principal payments in years 2042 through 2047 represent mandatory sinking fund payments for a term bond maturing on February 1, 2047.
(4) The interest rate on the variable rate portion of the District's Fixed Rate and Variable Rate Unlimited Tax School Building Bonds, Series 2018 (currently in a term rate mode) is calculated at the actual term rate of 2.50% through the next scheduled mandatory tender date of August 1, 2022, and for the purposes of this table, thereafter at an assumed rate of 8.00% through final stated maturity.
(5) Preliminary, subject to change.
(6) 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 body of the Official Statement.

TAX ADEQUACY WITH RESPECT TO THE DISTRICT'S BONDS

Projected Maximum Debt Service Requirement [1]	$ 28,824,983.34
Projected State Financial Assistance for Hold Harmless of Increased Homestead Exemption [2]	630,000.00
Projected Net Debt Service Requirement [1] [2]	$ 28,194,983.34
$0.52505 Tax Rate @ 100% Collections Produces [3]	$ 28,195,234.93
2019/20 Certified Net Taxable Assessed Valuation	$ 5,370,009,509

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

AUTHORIZED BUT UNISSUED BONDS

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

COMPARATIVE STATEMENT OF GENERAL FUND REVENUES AND EXPENDITURES [1]

	Fiscal Year Ended June 30				
	2015	2016	2017	2018	2019
Beginning Fund Balance	**$ 23,918,366**	**$ 25,212,152**	**$ 22,439,419**	**$ 23,252,166**	**$ 25,582,124**
Revenues:					
Local and Intermediate Sources	$ 39,558,660	$ 39,177,826	$ 40,229,411	$ 49,946,643	$ 54,599,247
State Program Revenues	41,292,797	45,140,571	47,345,766	52,049,435	50,897,675
Federal Sources & Other	813,330	769,818	1,155,895	1,427,874	2,370,606
Total Revenues	**$ 81,664,787**	**$ 85,088,215**	**$ 88,731,072**	**$ 103,423,952**	**$ 107,867,528**
Expenditures:					
Instruction	$ 44,948,461	$ 49,767,935	$ 53,332,030	$ 55,684,614	$ 57,562,917
Instructional Resources & Media Services	1,042,128	1,053,674	1,072,215	1,166,925	1,172,134
Curriculum & Instructional Staff Development	965,009	1,258,089	1,319,349	1,490,989	1,634,007
Instructional Leadership	1,435,268	1,580,270	1,723,372	1,842,099	1,669,182
School Leadership	5,087,161	5,464,189	5,722,176	5,910,006	6,254,815
Guidance, Counseling & Evaluation Services	2,629,219	3,021,583	3,196,795	3,664,525	4,116,154
Social Work Services	64,471	67,334	112,998	102,198	104,419
Health Services	983,808	1,101,801	1,152,444	1,149,067	1,230,636
Student (Pupil) Transportation	1,906,042	2,783,872	2,933,393	3,082,676	3,065,297
Food Services	2,945	8,188	32,953	17,346	67,426
Cocurricular/Extracurricular Activities	2,883,836	2,929,217	3,044,171	3,657,304	3,243,564
General Administration	2,234,538	2,325,148	2,942,363	2,643,583	2,781,770
Plant Maintenance and Operations	8,378,445	8,195,583	8,412,133	8,578,396	9,217,177
Security and Monitoring Services	247,934	275,646	312,399	381,888	562,808
Data Processing Services	2,654,663	1,783,605	1,935,745	2,462,969	2,420,182
Community Services	6,087	16,913	36,382	37,755	34,700
Facilities Acquisition and Construction	476,475	40,052	-	-	503,374
Payments to Juvenile Justice Alternative Ed. Program	1,501	1,343	-	-	2,322
Other Intergovernmental Charges	605,045	627,746	637,407	702,052	771,182
Total Expenditures	**$ 76,553,036**	**$ 82,302,188**	**$ 87,918,325**	**$ 92,574,392**	**$ 96,414,066**
Excess (Deficiency) of Revenues over Expenditures	$ 5,111,751	$ 2,786,027	$ 812,747	$ 10,849,560	$ 11,453,462
Other Resources and (Uses):					
Transfer Out	$ (3,829,741)	$ (5,558,760)	$ -	$ (8,519,602)	$ (8,868,087)
Transfer In	-	-	-	-	426
Sale of Real or Personal Property	11,776	-	-	-	-
Total Other Resources (Uses)	**$ (3,817,965)**	**$ (5,558,760)**	**$ -**	**$ (8,519,602)**	**$ (8,867,661)**
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	$ 1,293,786	$ (2,772,733)	$ 812,747	$ 2,329,958	$ 2,585,801
Ending Fund Balance	**$ 25,212,152**	**$ 22,439,419** [2]	**$ 23,252,166**	**$ 25,582,124**	**$ 28,167,925**

(1) See "MANAGEMENT'S DISCUSSION AND ANALYSIS" in Appendix D and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in the Official Statement.
(2) Due to the District's adoption of GASB Statement No. 68 for Accounting and Reporting Pensions, which was later amended by GASB Statement No. 71 Pension Transition for Contributions Made Subsequent to the Measurement Date during Fiscal Year 2015.

CHANGE IN NET ASSETS [1]

	Fiscal Year Ended June 30				
	2015	2016	2017	2018	2019
Revenues:					
Program Revenues:					
Charges for Services	$ 6,620,392	$ 6,639,595	$ 6,998,299	$ 7,141,089	$ 7,385,986
Operating Grants and Contributions	6,396,028	9,749,505	8,245,324	(7,522,786)	18,537,571
General Revenues:					
Property Taxes Levied for General Purposes	37,232,750	37,793,546	39,179,085	48,692,234	52,882,627
Property Taxes Levied for Debt Service	17,896,527	18,104,303	18,733,850	20,963,615	22,463,135
State Aid - Formula Grants	42,264,958	46,369,557	53,075,316	53,159,874	51,524,236
Investment Earnings	58,632	213,369	351,980	1,501,201	2,558,767
Miscellaneous	1,689,255	1,096,123	957,418	896,023	831,670
	$ 112,158,542	$ 119,965,998	$ 127,541,272	$ 124,831,250	$ 156,183,992
Expenses:					
Instruction	$ 52,121,810	$ 59,854,511	$ 65,545,974	$ 46,765,905	$ 74,085,797
Instruction Resources & Media Services	1,174,637	1,232,622	1,259,513	1,027,506	1,444,932
Curriculum & Staff Development	1,412,597	1,931,145	2,126,353	1,593,667	2,682,213
Instruction Leadership	1,642,223	1,935,294	2,184,617	1,530,629	2,352,001
School Leadership	5,698,793	6,271,740	6,829,731	4,930,009	7,786,400
Guidance, Counseling & Evaluation Services	3,432,098	4,046,727	4,393,048	3,111,946	5,754,459
Social Work Services	64,471	67,371	130,744	76,802	130,288
Health Services	1,088,384	1,261,473	1,351,624	938,338	1,492,499
Student Transportation	1,915,025	2,794,187	2,942,211	3,087,009	3,075,072
Food Service	5,371,267	5,746,504	5,997,147	4,803,198	7,098,022
Cocurricular/Extracurricular Activities	3,753,960	3,955,992	4,315,441	3,861,508	4,371,801
General Administration	3,080,199	3,339,681	4,082,942	3,073,986	4,094,256
Plant Maintenance & Operations	8,936,625	8,761,763	9,329,370	7,879,454	10,094,402
Security and Monitoring Services	314,735	361,066	377,468	424,889	688,565
Data Processing Services	2,643,544	2,265,949	2,603,464	2,307,625	2,815,807
Community Services	671,939	815,466	973,505	616,331	1,002,886
Debt Service - Interest on Long-term Debt	15,143,300	12,307,683	12,017,106	14,085,772	15,707,900
Debt Service - Bond Issuance Cost and Fees	5,000	1,417,599	320,831	1,223,629	-
Business Type Activities - Child Care	552,290	562,388	566,394	604,849	655,083
Total Expenditures	$ 109,022,897	$ 118,929,161	$ 127,347,483	$ 101,943,052	$ 145,332,383
Change in Net Assets	$ 3,135,645	$ 1,036,837	$ 193,789	$ 22,888,198	$ 10,851,609
Beginning Net Assets	$ 1,712,436	$ (4,034,161)	$ (2,997,324)	$ (2,803,535)	$ (38,286,431)
Prior Period Adjustment	$ (8,882,242) [2]	$ -	$ -	$ (58,371,094) [3]	$ -
Ending Net Assets	$ (4,034,161)	$ (2,997,324)	$ (2,803,535)	$ (38,286,431)	$ (27,434,822)

(1) The foregoing information represents government-wide financial information provided in accordance with GASB 34, which the District adopted in the 2002 fiscal year.
(2) In accordance with GASB 68, local governments participating in defined benefit pensions are required to recognize their portion of the present value of the projected benefit payments to be provided through the pension plan.
(3) In fiscal year 2018, the District implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension. As a result, the beginning net position has been restated to reflect the net OPEB liability and deferred outflow of resources relating to TRS-Care contributions made after the prior measurement date.

APPENDIX B

GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY

BURLESON INDEPENDENT SCHOOL DISTRICT

General and Economic Information

Burleson Independent School District (the “District”) contains an area of 55.23 square miles in the northern portion of Johnson County and the south central portion of Tarrant County. The District encompasses the City of Burleson, a commercial center, which is located seven miles south of the City of Fort Worth at the intersection of Interstate Highway 35W and State Highway 174. Additionally, the District is traversed by Farm-to-Market roads 731 and 1187. The District’s current estimated population is 71,263.

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

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

Enrollment Statistics

Year Ending 6/30	Enrollment
2008	9,023
2009	9,541
2010	9,846
2011	9,989
2012	10,221
2013	10,457
2014	10,711
2015	10,957
2016	11,375
2017	11,748
2018	12,054
2019	12,340
Current	12,805

District Staff

Teachers	780
Auxiliary Personnel	404
Teachers’ Aides & Secretaries	150
Other	157
Administrators	60
	1,551

Facilities

Campus	Grades	Current Enrollment	Capacity	Year Built	Year of Addition/ Renovation
Academy at Nola Dunn	K-5	666	730	2010	
Academy of the Arts at Bransom	EE-5	622	600	2002	
Academy of Leadership & Technology at Mound	EE-5	468	570	1962	
STEAM Academy at Stribling	K-5	553	630	1998	
Brock Elementary	EE-5	650	700	2008	
Clinkscale Elementary	K-5	641	680	2009	
Frazier Elementary	PK-5	595	650	2008	
Hajek Elementary	PK-5	675	670	2008	
Norwood Elementary	PK-5	398	720	1976	
Taylor Elementary	EE-5	494	640	1986	2016
Hughes Middle School	6-8	1,074	900	1968	2019
Kerr Middle School	6-8	1,177	1,200	1960	2019
STEAM Middle School of Choice	6-8	577	600	1963	2015
Burleson High School	9-12	1,710	2,000*	1997	2019
Burleson Collegiate High School	9-12	244	*	2016	
Centennial High School	9-12	1,882	2,000	2010	
Crossroads High School	9-12	80	150	2002	
REALM Secondary School	9-12	299	**	-	2019

**Capacity is included in the Burleson High School capacity. Both schools share a single campus.*
***REALM of Burleson Collegiate High School assumed instructional space of Old Kerr Middle School. Will add one grade annually through 6th grade.*

Principal Employers within the District

Name of Company	Type of Business	Number of Employees
Burleson ISD	Public Education	1,551
City of Burleson	Municipal Government	405
Wal-Mart	Retail	385
HEB Grocery	Grocery Retail	353
Champion Buildings	Manufacturing	340
Target	Retail	175
Sam's Club	Retail	170
Basden Steel	Manufacturing	150
Lowe's	Home Improvement Retail	145
Thomas Conveyor	Conveyor Equipment	126

Unemployment Rates

	December 2017	December 2018	December 2019
Johnson County	3.3%	3.2%	3.0%
State of Texas	3.9%	3.6%	3.3%

Source: Texas Workforce Commission

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

May 5, 2020

BURLESON INDEPENDENT SCHOOL DISTRICT
UNLLIMITED TAX REFUNDING BONDS, SERIES 2020
DATED AS OF APRIL 15, 2020
IN THE AGGREGATE PRINCIPAL AMOUNT OF $______________

AS BOND COUNSEL FOR THE BURLESON INDEPENDENT SCHOOL DISTRICT (the *District*) in connection with the issuance of the bonds described above (the *Bonds*), we have examined into the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds until maturity or prior redemption at the rates and are payable on the dates as stated in the text of the Bonds, all in accordance with the terms and conditions stated in the text of the Bonds.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and general laws of the State of Texas and a transcript of certified proceedings of the District, and other pertinent instruments authorizing and relating to the issuance of the Bonds including (i) the order authorizing the issuance of the Bonds (the *Order*), (ii) the Escrow and Trust Agreement, dated as of March 9, 2020, between the District and The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, as Escrow Agent (the *Escrow Agreement*), (iii) the certificate of SAMCO Capital Markets, Inc., with respect to the adequacy of certain escrowed funds and securities to accomplish the refunding purposes of the Bonds (the *Sufficiency Certificate*) (iv) one of each of the executed Bonds, and (v) the District's Federal Tax Certificate of even date herewith.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been authorized, issued and delivered in accordance with law; that the Bonds constitute valid and legally binding general obligations of the District in accordance with their terms except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted relating to creditors' rights generally; that the District has the legal authority to issue the Bonds and to repay the Bonds; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of the Bonds, as such interest comes due, and as such principal matures, have been levied and ordered to be levied against all taxable property in the District, and have been pledged for such payment, without limit as to rate or amount.

IT IS FURTHER OUR OPINION that the Escrow Agreement has been duly authorized, executed and delivered by the District and constitutes a binding and enforceable agreement in accordance with its terms and that the "Refunded Obligations" (as defined in the Order) being refunded by the Bonds are outstanding under the orders authorizing their issuance only for the purpose of receiving the funds provided by, and are secured solely by and payable solely from, the Escrow Agreement and the cash and investments, including the income therefrom, held by the Escrow Agent pursuant to the Escrow

Agreement. In rendering this opinion, we have relied upon the Sufficiency Certificate concerning the sufficiency of the cash and investments deposited pursuant to the Escrow Agreement for the purpose of paying the principal of, redemption premium, if any, and interest on the Refunded Obligations.

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

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

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

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

Respectfully,

APPENDIX D

AUDITED FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2019

Burleson Independent School District

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2019
Burleson, Texas

Independent School District
Burleson, Texas

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2019

Prepared by:
Brenda Mize, Chief Financial Officer

This Page Intentionally Left Blank

Burleson Independent School District

Comprehensive Annual Financial Report

This Page Intentionally Left Blank

Burleson Independent School District
Comprehensive Annual Financial Report
For the Year Ended June 30, 2019
Table of Contents

Burleson Independent School District

Comprehensive Annual Financial Report
For the Year Ended June 30, 2019
Table of Contents - Continued

Burleson Independent School District
Comprehensive Annual Financial Report
For the Year Ended June 30, 2019
Table of Contents - Continued

This Page Intentionally Left Blank

Introductory Section

This Page Intentionally Left Blank

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

November 11, 2019

Board of Trustees and Citizens of
Burleson Independent School District

Dear Board Members and Citizens:

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

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

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

The District engaged Weaver and Tidwell, L.L.P., Certified Public Accountants, to audit the District's financial statements. Their unmodified opinion based upon the audit of the Burleson Independent School District's financial statements for the fiscal year ended June 30, 2019 is presented as the first component of the financial section of this report.

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

Profile of the District

In 1901, Burleson's first school, the Red Oak Academy was constructed. It was destroyed by fire in 1909. The State of Texas granted a charter for an independent school district and the citizens of Burleson voted to construct a new school. By 1910 the new school was opened. Burleson Independent School District is located just south of Fort Worth in Tarrant and Johnson Counties. Burleson ISD covers 52 square miles. Burleson ISD has a tradition of providing an excellent education with highly-qualified teachers passionate and dedicated to student success. Burleson ISD has 17 schools serving 12,000 students. BISD employs approximately 1,500 staff members with 60% serving as classroom instructional employees.

Governing Body

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

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

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

Strategic Plan

Core Values:

- We believe in setting high expectations for all.
- We believe in cultivating and sustaining intellectual curiosity.
- We believe each student's voice is important in the decisions made about their education.
- We believe families matter and deserve the opportunity to be heard and considered.
- We believe in the intentional development of student character.
- We believe strong, positive relationships develop engaged students, respectful communities and a sense of belonging.
- We believe in recognizing and nurturing each individual's strengths and talents.
- We believe in honoring the unique needs of the individual while creating a physically and emotionally safe learning environment.
- We believe that fun is an integral part of the learning process.
- We believe growth occurs through challenge.

Objectives:

- Each student will be able to communicate and compete globally.
- Each student will graduate with the ability to showcase and communicate their unique talents and achievements.
- Each student will be able to independently identify a problem, effectively collaborate, and communicate innovative solutions that positively impact society.
- Each student will successfully transition out of high school with the opportunity to earn a debt-free college degree or post-secondary certification.

Strategies:

- We will design an engaging and challenging curriculum that develops each student's ability to read, write, think, and defend.
- We will provide students with multiple avenues for specialized instruction and opportunities to advance at their own pace.
- We will equip teachers with the resources, training, and time necessary to achieve our strategic objectives.
- We will establish a college-going culture on every BISD campus that intentionally prepares students for future endeavors.
- We will offer educational programs of choice that nurture students' unique talents and promote global citizenship.

Budget Process

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

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

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

Tax Rate Adoption. The District Tax Assessor-Collector and Chief Financial Officer calculated the estimated rollback tax rate and published the required legal notice in June 2018. The Board of Trustees held the required public meeting on June 11, 2018, to discuss the proposed tax rate of $1.17 maintenance and operations (General Fund) + $.50 interest and sinking (Debt Service Fund) = $1.67 per $100 taxable valuation, however no action was taken. The Board of Trustees held the required public meeting on August 13, 2018, to discuss and adopt the 2018 proposed tax rate.

Accounting System

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

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

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

Economic Condition and Outlook

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

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

State Funding Components

- Maintenance and Operations Tax Rate – $1.17
- Interest and Sinking Tax Rate – $0.50
- Basic Allotment – $5,140
- Equalized Wealth Level – $319,500
- A guaranteed yield to $106.28 per penny of tax effort on the first 6 cents of local option
- A guaranteed yield to $31.95 per penny of tax effort on the last 11 cents of local option

State Accountability System

The 85th Texas Legislature passed House Bill (HB) 22, establishing three domains for measuring the academic performance of districts and campuses: Student Achievement, School Progress, and Closing the Gaps. Starting with the 2018-19 school year, districts will receive a rating of A, B, C, D, or F for overall performance, as well as for the performance in each domain. The District received an overall rating of B.

Awards

GFOA Certificate of Achievement. Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Burleson Independent School District for its comprehensive annual financial report for the fiscal year ended June 30, 2019. This was the tenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine eligibility for another certificate.

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

The previous transparency system, the Texas Transparency Leadership Circle, was an online system which ensured that taxpayer dollars were spent efficiently by ensuring decisions were made in the open and on the record. Burleson ISD received that award, the Gold Level **Leadership Circle** for Financial Transparency, from 2011-2018.

Acknowledgements

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

Sincerely,

Dr. Bret Jimerson
Superintendent

Brenda Mize
Chief Financial Officer

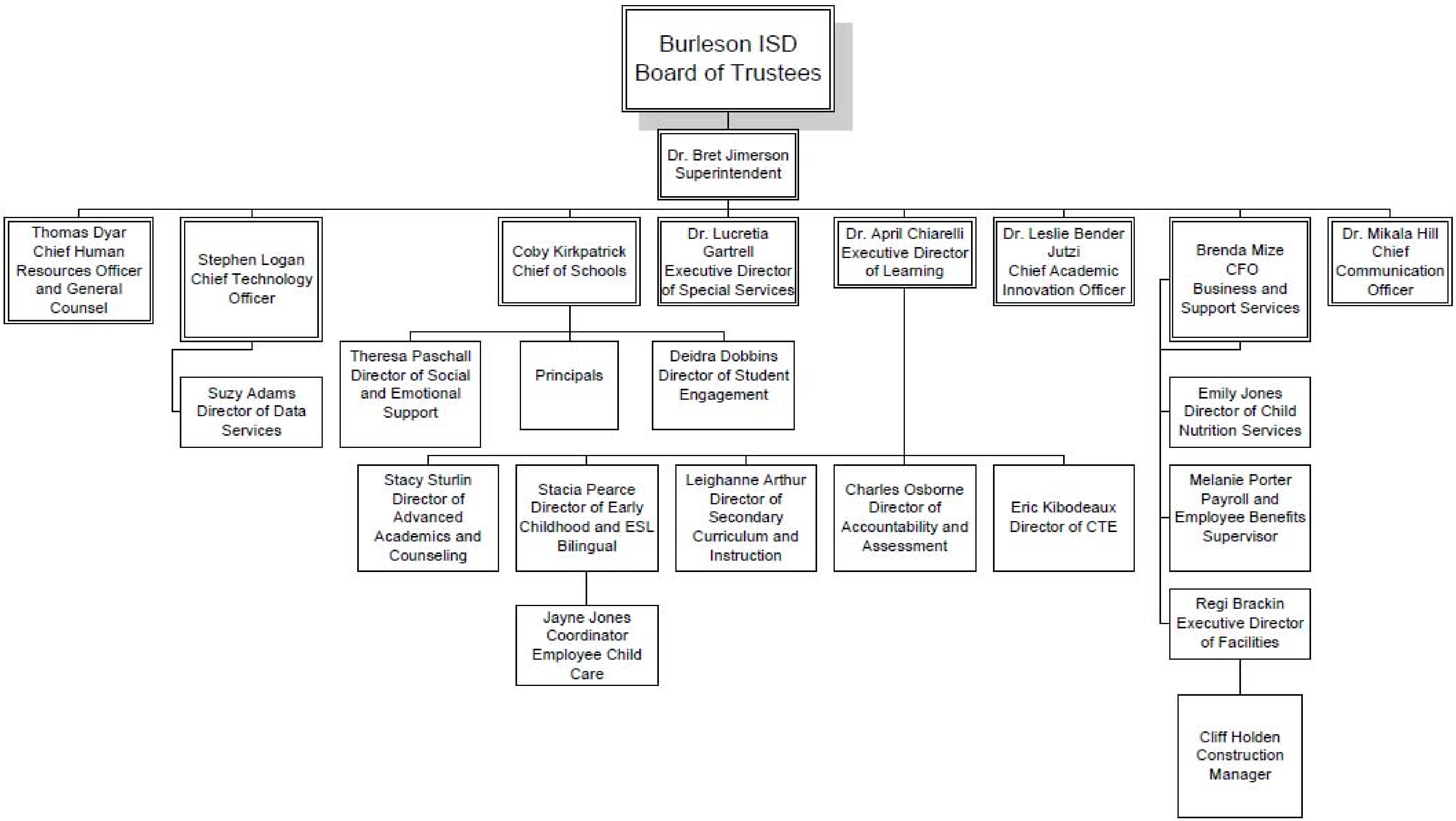
Burleson Independent School District

Board of Trustees, Administrators, and Consultants

Board of Trustees

Administrative Staff

Consultants and Advisors


Burleson ISD
Board of Trustees
Dr. Bret Jimerson
Superintendent
Thomas Dyar
Chief Human
Resources Officer
and General
Counsel
Stephen Logan
Chief Technology
Officer
Suzy Adams
Director of Data
Services
Coby Kirkpatrick
Chief of Schools
Theresa Paschall
Director of Social
and Emotional
Support
Principals
Deidra Dobbins
Director of Student
Engagement
Dr. Lucretia
Gartrell
Executive Director
of Special Services
Dr. April Chiarelli
Executive Director
of Learning
Stacy Sturlin
Director of
Advanced
Academics and
Counseling
Stacia Pearce
Director of Early
Childhood and ESL
Bilingual
Jayne Jones
Coordinator
Employee Child
Care
Leighanne Arthur
Director of
Secondary
Curriculum and
Instruction
Charles Osborne
Director of
Accountability and
Assessment
Eric Kibodeaux
Director of CTE
Dr. Leslie Bender
Jutzi
Chief Academic
Innovation Officer
Brenda Mize
CFO
Business and
Support Services
Emily Jones
Director of Child
Nutrition Services
Melanie Porter
Payroll and
Employee Benefits
Supervisor
Regi Brackin
Executive Director
of Facilities
Cliff Holden
Construction
Manager
Dr. Mikala Hill
Chief
Communication
Officer

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Burleson Independent School District

Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morrill

Executive Director/CEO

Certificate of the Board

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

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) ✓ approved ________ disapproved for the year ended June 30, 2019, at a meeting of the Board of Trustees of such school district on the 11th day of November, 2019.

Pat Worrell
Signature of Board Secretary

Signature of Board President

This Page Intentionally Left Blank

Financial Section

This Page Intentionally Left Blank

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Burleson Independent School District (the District), as of and for the year ended June 30, 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 June 30, 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.

Weaver and Tidwell, L.L.P.
2821 West 7th Street, Suite 700 | Fort Worth, Texas 76107
Main: 817.332.7905 | Fax: 817.429.5936
CPAs AND ADVISORS | WEAVER.COM

The Board of Trustees of
Burleson Independent School District

Other Matters

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

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

The combining and individual nonmajor fund financial statements, compliance schedules – required by the Texas Education Agency, budgetary comparison schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, compliance schedules – required by the Texas Education Agency, budgetary comparison schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

The Board of Trustees of
Burleson Independent School District

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas
November 11, 2019

This Page Intentionally Left Blank

BURLESON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019
(UNAUDITED)

As management of Burleson Independent School District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended June 30, 2019. Please read this narrative in conjunction with the independent auditor's report on page 3, and the District's Basic Financial Statements that begin on page 17.

Financial Highlights

- On a government-wide basis, the liabilities and deferred inflows of Burleson Independent School District exceeded its assets and deferred outflows at the close of the most recent fiscal year by $27,434,822 (net position). This is primarily the result of a prior period adjustment of $58,371,094 related to other post-employment benefit obligation (OPEB) because of the implementation of GASB 75 in 2018, and changes in deferred outflows-pension in 2019. Unrestricted net position was ($31,769,875) as of June 30, 2019.
- The District's total restated net position increased by $10,851,609, which is due to an increase in attendance and property tax revenue.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of $87,241,501. Approximately 31% of this total amount, $27,461,897, is unassigned and available for use within the District's designations and policies.
- At the end of the current fiscal year, the unassigned fund balance of the general fund was $27,481,804 or 28.5% of the total general fund expenditures.
- The District's Enterprise Fund net position increased by $85,080 from operations with net position of $326,589. Increase in the Enterprise Fund was the result of an increase in the number of clients by approximately 10% and client composition falling within the higher rate classification. This was met with more favorable expenses, leading to an overall increase in net position.

Overview of the Financial *Statements*

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

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

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

These proprietary fund statements may be found on pages 27-29 of this report.
The notes to the financial statements (starting on page 33) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

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

Reporting the District as a Whole

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

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

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

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

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

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

Reporting the District's Most Significant Funds

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

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

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

The District as Trustee

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

Government-Wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. On June 30, 2019, assets and deferred outflows have fallen behind liabilities and deferred inflows by $27.4 million with an increase in net position of $10,851,609, indicating that the District's overall financial position remains sound. A portion of the District's net position represented resources subject to external restrictions on how they may be used. As of June 30, 2019, the District's restricted net position for grant funds was $1,317,519 and restricted net assets for debt service was $9.8 million. As of June 30, 2019, the unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or legal requirements were a deficit of $31.8 million.

The net investment in capital assets is a deficit $6.9 million. The District uses capital assets to provide services; consequently, these assets are not available for future appropriation. Although the District's investment in its capital assets is reported net of related debt, it should be understood that the resources needed to repay District debt is provided from other resources, since the capital assets themselves cannot be used to meet debt obligations.

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

The following table presents a comparison summary of the District's net assets for the fiscal year ended June 30, 2019 and fiscal year ended June 30, 2018:

Table I
Burleson Independent School Disttrict
Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	110,243,637	123,979,076	$ 401,268	$ 306,303	$ 110,644,905	$ 124,285,379
Capital assets	329,033,697	283,935,010	-	-	329,033,697	283,935,010
Long term investments	998,421	2,732,325	-	-	998,421	2,732,325
Total assets	440,275,755	410,646,411	401,268	306,303	440,677,023	410,952,714
Deferred outflow of resources	$ 40,994,129	24,872,679	-	-	40,994,129	24,872,679
Current Liabilities	$ 44,926,053	$ 37,908,654	$ 74,679	$ 64,794	$ 45,000,732	$ 37,973,448
Long-term liabilities	449,238,213	419,272,418	-	-	449,238,213	419,272,418
Total liabilities	494,164,266	457,181,072	74,679	64,794	494,238,945	457,245,866
Deferred inflow of resources	14,867,029	16,866,028	-	-	14,867,029	16,866,028
Net position						
Net investment in capital assets	(6,871,592)	(14,623,939)	-	-	(6,871,592)	(14,623,939)
Restricted	11,206,645	11,320,215	-	-	11,206,645	11,320,215
Unrestricted	(32,096,464)	(35,224,216)	326,589	241,509	(31,769,875)	(34,982,707)
Total net position	$ (27,761,411)	$ (38,527,940)	$ 326,589	$ 241,509	$ (27,434,822)	$ (38,286,431)

Table II presents a summary of the changes in net position for the fiscal year ended June 30, 2019 with a comparison to the fiscal year ended June 30, 2018. Net position of the District's governmental activities increased $10.7 million from $38.5 million as restated in the prior year.

Revenues in the business-type activities exceeded costs, resulting in an $85,080 increase in net position.

Table II

Burleson Independent School District

Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program Revenues						
Charges for Services	$ 6,679,225	$ 6,486,971	$ 706,761	$ 654,118	$ 7,385,986	$ 7,141,089
Operating grants and contributions	18,504,169	(7,555,283)	33,402	32,497	18,537,571	(7,522,786)
General Revenues						
Maintenance and operations taxes	52,882,627	48,692,234	-	-	52,882,627	48,692,234
Debt service taxes	22,463,135	20,963,615	-	-	22,463,135	20,963,615
State aid	51,524,236	53,159,874	-	-	51,524,236	53,159,874
Investment Earnings	2,558,767	1,501,201	-	-	2,558,767	1,501,201
Miscellaneous	831,670	896,023	-	-	831,670	896,023
Total Revenue	155,443,829	124,144,635	740,163	686,615	156,183,992	124,831,250
Expenses						
Instruction, curriculum and media services	78,212,942	49,387,078	-	-	78,212,942	49,387,078
Instructional and school leadership	10,138,401	6,461,495	-	-	10,138,401	6,461,495
Student support services	10,452,318	7,214,095	-	-	10,452,318	7,214,095
Child nutrition	7,098,022	4,803,193	-	-	7,098,022	4,803,193
Extracurricular activities	4,371,801	3,861,508	-	-	4,371,801	3,861,508
General administration	4,094,256	3,073,986	-	-	4,094,256	3,073,986
Plant maintenance, security & data processing	13,598,774	10,611,116	-	-	13,598,774	10,611,116
Community Services	1,002,886	616,331	655,083	604,849	1,657,969	1,221,180
Debt service	15,707,900	15,309,401	-	-	15,707,900	15,309,401
Intergovernmental charges	-	-	-	-	-	-
Total Expenses	144,677,300	101,338,203	655,083	604,849	145,332,383	101,943,052
Excess before transfers	10,766,529	22,806,432	85,080	81,766	10,851,609	22,888,198
Transfers in (out)	-	-	-	-	-	-
Change in net position	10,766,529	22,806,432	85,080	81,766	10,851,609	22,888,198
Net position at beginning of year	(38,527,940)	(2,963,278)	241,509	159,743	(38,286,431)	(2,803,535)
Prior Period Adjustment	-	(58,371,094)	-	-	-	(58,371,094)
Net position at end of year	$ (27,761,411)	$ (38,527,940)	$ 326,589	$ 241,509	$ (27,434,822)	$ (38,286,431)

As shown in Table II, the cost of all governmental activities for the current fiscal year was $144,677,300. However, as shown in the Statement of Activities on page 18, the amount that our taxpayers ultimately financed for these activities through District taxes was only $75,345,762 because some of the costs were paid by those who directly benefited from the programs ($6,679,225) or by other governments and organizations that subsidized certain programs with grants and contributions offset by NECE contributions related to OPEB ($18,504,169) or by State equalization funding ($51,524,236).

The District's Funds

As the District completed the fiscal year, its governmental funds (as presented in the balance sheet on page 20) reported a combined fund balance of $87,241,501, which is $18,263,676 less than last year's total of $105,505,177. Included in this year's total change in fund balance is an increase of $2,585,801 in the District's General Fund, an increase of $155,070 in the District's Debt Service Fund, and a decrease of $22,259,987 in the District's Capital Projects Fund.

Over the course of the fiscal year, the Board of Trustees revised the District's budget several times. These budget amendments fall into three categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the fiscal year and reflect the actual beginning balances (versus the amounts we estimated in June 2018). The second category includes changes that the Board made during the fiscal year to reflect new information regarding revenue sources and expenditure needs. The third category involves amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs.

The District's General Fund balance of $28,167,925 reported on pages 20 differs from the General Fund's budgetary fund balance of $35,168,334 reported in the budgetary comparison schedule on page 66. This is principally due to expenditures less than budgeted of $536,280 and transfers out of $8,868,087.

The debt service fund has a total fund balance of $16,280,074, all of which is restricted for the payment of debt service. The District makes semi-annual debt service payments in February and August of each year. Debt service payments including bond fees for the year ended June 30, 2019 were $28,842,111.

The capital projects fund has a total fund balance of $39,446,097 of which $17,813,409 is committed for authorized construction and technology projects/enhancements and $21,632,688 is restricted related to bond proceeds. The net decrease in fund balance during the current year of $22,259,987 was due to the expenditure of funds in completing construction projects in the amount of $52,964,398.

The day care fund has total net position of $326,589, after recording a net gain of $85,080 for the year.

Capital Assets and Debt Administration

<u>Capital *Assets*</u>
At June 30, 2019, the District had $329,033,697 invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net increase of $45,098,687 above last year.

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

<u>Debt *Administration*</u>
At year-end, the District had $449,238,213 in bonds and other long-term liabilities outstanding (including accreted interest on bonds) versus $419,272,418 last year-an increase of $29,965,795. This increase was largely driven by issuance of $24,955,000 in school building bonds and OPEB liability of $40,995,985. The District's general obligation bond rating is AAA (as a result of guarantees of the Texas Permanent School Fund) according to national rating agencies.

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

Land	$	12,020,716
Buildings		337,326,269
Furniture and Equipment		10,359,580
Construction in Progress		56,257,549
Total Capital Assets	$	415,964,114
Less Accumulated Depreciation		(86,930,417)
Related Debt		
Bonds Payable		340,570,852
Premium on Capital Appreciation Bonds		31,697,041
Less Deferred Loss on Refunding		(14,729,916)
Net Related Debt		357,537,977
Unspend Bond Proceeds		21,632,688
Net Investment in capital assets		(6,871,592)

Net position: Net Investment in Capital Assets

At June 30, 2019, the District had invested $329,033,697 in capital assets with $357,537,977 from debt financing. Then the amount of unspent bond proceeds totaled $21,632,688. The net position of ($6,871,592) is derived from netting the total assets, net of related debt with accumulated depreciation (non-cash expenditure) resulting in a current year calculation of ($6,871,592) for Net Investment in Capital Assets.

Economic Factors and Next Year's Budgets and Rates

- The General Fund budgeted expenditures for the 2019-2020 year increased $1.9 million compared to the 2018-2019 budgeted expenditures. This budget is before implementation of House Bill 3 and will be amended in accordance with board policy.

- The District decreased the maintenance and operations property tax rate at $1.56835 per $100 valuation. The debt service rate remained $0.50 per $100 valuation. Based on this information and rates, original budgeted local tax revenues increased by approximately $5 million and original budgeted State foundation funding decreased approximately $2.9 million. This budget is before implementation of House Bill 3 and will be amended in accordance with board policy.

Contacting the District's Financial Management

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

This Page Intentionally Left Blank

Basic Financial Statements

This Page Intentionally Left Blank

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

Statement of Net Position

June 30, 2019

Control Data Codes		Primary Government: Governmental Activities	Business-Type Activities	Total
	ASSETS			
1110	Cash and temporary investments	$ 93,737,590	$ 322,391	$ 94,059,981
1220	Property taxes receivable (delinquent)	2,249,924	-	2,249,924
1230	Allowance for uncollectible taxes	(272,697)	-	(272,697)
1240	Due from other governments	13,831,899	-	13,831,899
1250	Accrued Interest	5,653	-	5,653
1290	Other receivables, net	-	78,877	78,877
1300	Inventories	65,024	-	65,024
1410	Prepaid expenses	626,244	-	626,244
	Capital assets			
1510	Land	12,020,716	-	12,020,716
1520	Buildings, net	257,805,856	-	257,805,856
1530	Furniture and equipment, net	2,949,576	-	2,949,576
1580	Construction in progress	56,257,549	-	56,257,549
1910	Long term investments	998,421	-	998,421
1000	Total assets	440,275,755	401,268	440,677,023
	DEFERRED OUTFLOWS OF RESOURCES			
1700	Deferred loss on refunding	14,729,916	-	14,729,916
1705	Deferred outflows - pension	19,860,621	-	19,860,621
1706	Deferred outflows - OPEB	6,403,592	-	6,403,592
	Total deferred outflows of resources	40,994,129	-	40,994,129
	LIABILITIES			
2110	Accounts payable	8,194,269	310	8,194,579
2140	Accrued interest payable	6,968,520	-	6,968,520
2150	Payroll deductions and withholdings	1,141,808	6,980	1,148,788
2160	Accrued wages payable	9,839,541	67,389	9,906,930
2180	Due to other governments	1,194,610	-	1,194,610
2300	Unearned revenues	-	-	-
	Noncurrent liabilities			
2501	Due within one year	17,587,305	-	17,587,305
2502	Due in more than one year	373,511,328	-	373,511,328
2540	Net pension liability	34,730,900	-	34,730,900
2545	Net OPEB liability	40,995,985	-	40,995,985
2000	Total liabilities	494,164,266	74,679	494,238,945
	DEFERRED INFLOWS OF RESOURCES			
2605	Deferred inflows - pension	1,903,111	-	1,903,111
2606	Deferred inflows - OPEB	12,963,918	-	12,963,918
	Total deferred inflows of resources	14,867,029	-	14,867,029
	NET POSITION			
3200	Net investment in capital assets	(6,871,592)	-	(6,871,592)
3820	Restricted for federal and state programs	1,317,519	-	1,317,519
3850	Restricted for debt service	9,889,126	-	9,889,126
3900	Unrestricted net position	(32,096,464)	326,589	(31,769,875)
3000	Total net position	$ (27,761,411)	$ 326,589	$ (27,434,822)

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

Burleson Independent School District
Statement of Activities
Year Ended June 30, 2019

Data Control Codes		Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions
	PRIMARY GOVERNMENT			
	Governmental activities			
11	Instruction	$ 74,085,797	$ 3,070,943	$ 7,772,948
12	Instructional resources and media services	1,444,932	-	140,618
13	Curriculum and staff development	2,682,213	-	435,062
21	Instructional leadership	2,352,001	-	290,014
23	School leadership	7,786,400	-	789,212
31	Guidance, counseling and evaluation services	5,754,459	-	716,183
32	Social work services	130,288	-	12,123
33	Health services	1,492,499	-	139,936
34	Student (pupil) transportation	3,075,072	-	84,077
35	Food services	7,098,022	2,939,390	5,900,508
36	Extracurricular activities	4,371,801	550,015	582,111
41	General administration	4,094,256	-	283,749
51	Plant maintenance and operations	10,094,402	118,877	707,455
52	Security and monitoring services	688,565	-	37,634
53	Data processing services	2,815,807	-	170,777
61	Community services	1,002,886	-	441,762
72	Debt service - interest on long term debt	15,707,900	-	-
	Total governmental activities	144,677,300	6,679,225	18,504,169
	Business-type activities			
	Child care	655,083	706,761	33,402
	Total business-type activities	655,083	706,761	33,402
[TP]	**TOTAL PRIMARY GOVERNMENT**	$ 145,332,383	$ 7,385,986	$ 18,537,571

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

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

EXHIBIT B-1

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
$ (63,241,906)	$ -	$ (63,241,906)
(1,304,314)	-	(1,304,314)
(2,247,151)	-	(2,247,151)
(2,061,987)	-	(2,061,987)
(6,997,188)	-	(6,997,188)
(5,038,276)	-	(5,038,276)
(118,165)	-	(118,165)
(1,352,563)	-	(1,352,563)
(2,990,995)	-	(2,990,995)
1,741,876	-	1,741,876
(3,239,675)	-	(3,239,675)
(3,810,507)	-	(3,810,507)
(9,268,070)	-	(9,268,070)
(650,931)	-	(650,931)
(2,645,030)	-	(2,645,030)
(561,124)	-	(561,124)
(15,707,900)	-	(15,707,900)
(119,493,906)	-	(119,493,906)
-	85,080	85,080
-	85,080	85,080
$ (119,493,906)	$ 85,080	$ (119,408,826)
52,882,627	-	52,882,627
22,463,135	-	22,463,135
51,524,236	-	51,524,236
2,558,767	-	2,558,767
831,670	-	831,670
130,260,435	-	130,260,435
10,766,529	85,080	10,851,609
(38,527,940)	241,509	(38,286,431)
$ (27,761,411)	$ 326,589	$ (27,434,822)

Burleson Independent School District
Balance Sheet – Governmental Funds
June 30, 2019

Data Control Codes		10 General Fund	50 Debt Service Fund
	ASSETS		
1110	Cash and temporary investments	$ 35,316,145	$ 10,825,427
1220	Property taxes receivable (delinquent)	1,595,292	654,632
1230	Allowance for uncollectible taxes	(195,637)	(77,060)
1240	Due from other governments	12,913,643	-
1250	Accrued interest	3,547	-
1260	Due from other funds	589,356	5,500,000
1290	Other receivables	-	-
1300	Inventories	59,877	-
1410	Prepaid items	626,244	-
1910	Long term investments	998,421	-
1000	Total assets	51,906,888	16,902,999
1700	**DEFERRED OUTFLOWS OF RESOURCES**	-	-
1000A	**TOTAL ASSETS AND DEFERRED OUTFLOWS**	$ 51,906,888	$ 16,902,999
	LIABILITIES		
2110	Accounts payable	$ 1,112,946	$ -
2150	Payroll deductions and withholdings	1,109,576	-
2160	Accrued wages payable	9,226,902	-
2170	Due to other funds	8,982,052	-
2181	Due to state	1,148,897	45,353
2300	Unearned revenues	-	-
2000	Total liabilities	21,580,373	45,353
	DEFERRED INFLOWS OF RESOURCES		
2600	Deferred revenue and property taxes	2,158,590	577,572
	FUND BALANCES		
	Nonspendable		
3410	Inventories	59,877	-
3430	Prepaid items	626,244	-
	Restricted		
3480	Debt service	-	16,280,074
3470	Capital acquisitions	-	-
3450	Grant funds	-	-
	Committed		
3545	Other purposes	-	-
3600	Unassigned	27,481,804	-
3000	Total fund balances	28,167,925	16,280,074
4000	**TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES**	$ 51,906,888	$ 16,902,999

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

60 Capital Projects	Other Funds	Total Governmental Funds
$ 42,908,263	$ 3,778,256	$ 92,828,091
-	-	2,249,924
-	-	(272,697)
-	918,256	13,831,899
-	2,106	5,653
3,482,078	38,779	9,610,213
-	-	-
-	5,147	65,024
-	-	626,244
-	-	998,421
46,390,341	4,742,544	119,942,772
-	-	-
$ 46,390,341	$ 4,742,544	$ 119,942,772
$ 6,927,101	$ 138,890	$ 8,178,937
476	31,756	1,141,808
16,667	595,972	9,839,541
-	628,161	9,610,213
-	360	1,194,610
-	-	-
6,944,244	1,395,139	29,965,109
-	-	2,736,162
-	5,147	65,024
-	-	626,244
-	-	16,280,074
21,632,688	-	21,632,688
-	1,317,519	1,317,519
17,813,409	2,044,646	19,858,055
-	(19,907)	27,461,897
39,446,097	3,347,405	87,241,501
$ 46,390,341	$ 4,742,544	$ 119,942,772

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

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2019

Total fund balances - governmental funds	$ 87,241,501
Capital assets used in governmental activities are not financial resources; therefore are not reported in the fund financial statements.	415,964,114
Accumulated depreciation is not reported in the fund financial statements.	(86,930,417)
Bonds payable and accumulated sick leave benefits are not reported in the fund financial statements.	(340,982,920)
Net pension liability is not reported in the fund financial statements.	(34,730,900)
Net OPEB liability is not reported in the fund financial statements.	(40,995,985)
Accreted interest on capital appreciation bonds is not reported in the fund financial statements.	(18,219,764)
Bond premiums on outstanding bonds payable are not recorded in the fund financial statements.	(31,697,041)
Deferred loss on bond refunding has not been reflected in the fund financial statements.	14,729,916
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.	(6,968,520)
Property tax and other revenue reported as deferred inflows in the fund financial statements is recognized as revenue in the government-wide financial statements.	2,736,162
Deferred outflows of resources for pension related liabilities are recognized in the government-wide statements but are not recorded in the fund financial statements.	19,860,621
Deferred inflows of resources for pension related liabilities are recognized in the government-wide statements but are not recorded in the fund financial statements.	(1,903,111)
Deferred outflows of resources for OPEB related liabilities are recognized in the government-wide statements but are not recorded in the fund financial statements.	6,403,592
Deferred inflows of resources for OPEB related liabilities are recognized in the government-wide statements but are not recorded in the fund financial statements.	(12,963,918)
The District uses internal service funds to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.	695,259
Net position of governmental activities	$ (27,761,411)

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

This Page Intentionally Left Blank

Burleson Independent School District
Statement of Revenues, Expenditures, and Changes in
Fund Balances – Governmental Funds
Year Ended June 30, 2019

Data Control Codes		10 General Fund	50 Debt Service Fund
	REVENUES		
5700	Local and intermediate sources	$ 54,599,247	$ 22,792,507
5800	State program revenues	50,897,675	704,674
5900	Federal program revenues	2,370,606	-
5020	Total revenues	107,867,528	23,497,181
	EXPENDITURES		
	Current		
0011	Instruction	57,562,917	-
0012	Instructional resources and media services	1,172,134	-
0013	Curriculum and instructional staff development	1,634,007	-
0021	Instructional leadership	1,669,182	-
0023	School leadership	6,254,815	-
0031	Guidance, counseling and evaluation services	4,116,154	-
0032	Social work services	104,419	-
0033	Health services	1,230,636	-
0034	Student (pupil) transportation	3,065,297	-
0035	Food services	67,426	-
0036	Extracurricular activities	3,243,564	-
0041	General administration	2,781,770	-
0051	Facilities maintenance and operations	9,217,177	-
0052	Security and monitoring services	562,808	-
0053	Data processing services	2,420,182	-
0061	Community services	34,700	-
	Debt service		
0071	Principal on long-term debt	-	13,590,000
0072	Interest on long-term debt	-	15,245,611
0073	Bond issuance cost and fees	-	6,500
	Capital outlay		
0081	Facilities acquisition and construction	503,374	-
	Intergovernmental		
0093	Payments to fiscal agent/member districts of SSA	-	-
0095	Payments to juvenile justice alternative ed. prg.	2,322	-
0099	Other intergovernmental charges	771,182	-
6030	Total expenditures	96,414,066	28,842,111
1100	Excess (deficiency) of revenues over (under) expenditures	11,453,462	(5,344,930)
7900	**OTHER FINANCING SOURCES (USES)**		
7911	Issuance of bonds	-	-
7915	Transfers in	426	5,500,000
7916	Premium or discount on issuance of bonds	-	-
8911	Transfers out	(8,868,087)	-
7080	Total other financing sources (uses)	(8,867,661)	5,500,000
1200	Net change in fund balances	2,585,801	155,070
0100	**FUND BALANCE at July 1 (beginning)**	25,582,124	16,125,004
3000	**FUND BALANCE at June 30 (ending)**	$ 28,167,925	$ 16,280,074

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

Exhibit C-3

60 Capital Projects	Other Funds	Total Governmental Funds
$ 2,074,274	$ 6,012,834	$ 85,478,862
6,176	1,923,210	53,531,735
-	6,341,802	8,712,408
2,080,450	14,277,846	147,723,005
315,214	3,406,634	61,284,765
-	50,329	1,222,463
-	647,465	2,281,472
-	233,394	1,902,576
-	131,734	6,386,549
-	600,391	4,716,545
-	-	104,419
-	2,467	1,233,103
-	-	3,065,297
-	6,123,457	6,190,883
-	837,793	4,081,357
24,803	2,848	2,809,421
109,250	55,526	9,381,953
71,451	51,043	685,302
168,632	-	2,588,814
-	839,463	874,163
-	-	13,590,000
-	-	15,245,611
254,652	-	261,152
52,020,396	-	52,523,770
-	39,862	39,862
-	-	2,322
-	-	771,182
52,964,398	13,022,406	191,242,981
(50,883,948)	1,255,440	(43,519,976)
24,955,000	-	24,955,000
3,368,087	-	8,868,513
301,300	-	301,300
(426)	-	(8,868,513)
28,623,961	-	25,256,300
(22,259,987)	1,255,440	(18,263,676)
61,706,084	2,091,965	105,505,177
$ 39,446,097	$ 3,347,405	$ 87,241,501

Burleson Independent School District

Exhibit C-4

Reconciliation of the Governmental Funds Statement of
Revenues, Expenditures, and Changes in Fund Balances to
the Statement of Activities
Year Ended June 30, 2019

Total net change in fund balances - governmental funds	$ (18,263,676)
Current year capital asset additions are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The effect of reclassifying the current year capital asset additions is to increase net position.	52,437,312
Depreciation is not recognized as an expense in the governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position in the government-wide financial statements.	(7,338,625)
The current year issuance of bonds are shown as an other resource in the fund financial statements but are shown as an increase in long term debt in the government-wide financial statements.	(24,955,000)
Current year long-term debt principal payments on bonds payable are expenditures in the fund financial statements, but are shown as reductions in long-term debt in the government-wide financial statements.	13,590,000
The change in current year interest accretion on capital appreciation bonds is not reflected in the fund financial statements.	372,015
Interest is accrued on outstanding debt in the government-wide financial statements, including capital leases, whereas in the fund financial statements interest expenditures are reported when due.	(1,334,736)
The change in other long-term debt for local leave payable is not recognized in the fund financial statements.	4,145
Changes in the net pension liability, and related deferred inflows and outflows are recognized in the government-wide financials but are not reported in the fund financial statements. The effect of the change is an decrease to net position.	(3,417,508)
Changes in the net OPEB liability, and related deferred inflows and outflows are recognized in the government-wide financials but are not reported in the fund financial statements. The effect of the change is an decrease to net position.	(811,954)
Revenues from property taxes and other sources are deferred in the fund financial statements until they are considered available to finance current expenditures, but such revenues are recognized when assessed, net of an allowance for uncollectible amounts, in the government-wide financial statements.	(137,389)
Premiums associated with bonds payable are reported as revenue on the fund financial statements when bonds are issued. Amounts are reported net of amortization on the government-wide financial statements.	(301,300)
Current year amortization of the premium on bonds payable is not recorded in the fund financial statements, but is shown as a decrease in long-term debt in the government-wide financial statements.	1,616,952
Current year deferred loss on refunding associated with bonds payable is reported net of amortization on the government-wide financial statements.	(855,368)
The District uses internal service funds to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The net income of internal service funds is reported with governmental activities. The net effect of this consolidation is to increase net position.	161,661
Change in net position of governmental activities	$ 10,766,529

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

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

Statement of Net Position – Proprietary Funds

June 30, 2019

	Business-type Activities Enterprise Fund	Governmental Activities Internal Service Fund
	Day Care Fund	Insurance Fund
ASSETS		
Current assets		
Cash and temporary investments	$ 322,391	$ 909,499
Other receivables	78,877	-
Total current assets	401,268	909,499
TOTAL ASSETS	401,268	909,499
DEFERRED OUTFLOWS	-	-
LIABILITIES		
Current liabilities		
Accounts payable	310	15,332
Payroll deductions and withholdings	6,980	-
Accrued wages payable	67,389	-
Claims payable	-	157,152
Total current liabilities	74,679	172,484
Noncurrent liabilities		
Claims payable	-	41,756
Total noncurrent liabilities	-	41,756
TOTAL LIABILITIES	74,679	214,240
DEFERRED INFLOWS	-	-
NET POSITION		
Unrestricted	326,589	695,259
TOTAL NET POSITION	$ 326,589	$ 695,259

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

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

Statement of Revenues, Expenses, and Changes In
Net Position – Proprietary Funds
Year Ended June 30, 2019

	Business-type Activities Enterprise Fund — Day Care Fund	Governmental Activities Internal Service Fund — Insurance Fund
OPERATING REVENUES		
Charges for services	$ 706,761	$ 525,940
Total operating revenues	706,761	525,940
OPERATING EXPENSES		
Personnel services	593,243	-
Contractual services	7,977	-
Utilities	19,391	-
Other supplies and expenses	33,197	-
Other operating costs	1,275	364,279
Total operating expenses	655,083	364,279
Operating income	51,678	161,661
NONOPERATING REVENUES		
State on-behalf revenue	33,402	-
Total nonoperating revenue	33,402	-
Income before contributions and transfers	85,080	161,661
Change in net position	85,080	161,661
TOTAL NET POSITION, beginning	241,509	533,598
TOTAL NET POSITION, ending	$ 326,589	$ 695,259

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

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

Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2019

	Business-type Activities Enterprise Fund — Day Care Fund	Governmental Activities Internal Service Fund — Insurance Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and interfund services	$ 694,127	$ 525,940
Payments to suppliers	(61,862)	(385,678)
Payments to employees	(549,369)	-
Net cash provided by operating activities	82,896	140,262
Net increase in cash and temporary investments	82,896	140,262
BALANCES, beginning of the year	239,495	769,237
BALANCES, end of the year	$ 322,391	$ 909,499
RECONCILIATION OF OPERATING INCOME		
TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating income	$ 51,678	$ 161,661
Adjustments to reconcile operating income		
to net cash provided by operating activities		
State on-behalf revenue	33,402	-
Change in assets and liabilities		
Receivables	(12,634)	-
Prepaid expenses	565	-
Accounts and payroll taxes payables	1,084	(223)
Accrued wages payable	8,801	-
Claims payable	-	(21,176)
Net cash provided by (used in) operating activities	$ 82,896	$ 140,262

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

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

Statement of Fiduciary Net Position – Fiduciary Funds

June 30, 2019

	Private Purpose Trust Fund	Agency Fund
ASSETS		
Cash and temporary investments	$ 32,715	$ 132,848
Accounts receivable	-	26
Total assets	$ 32,715	$ 132,874
LIABILITIES		
Accounts payable	$ -	$ 1,620
Due to other governments	-	4
Due to student groups	-	131,250
Total liabilities	-	$ 132,874
NET POSITION		
Held in trust for scholarships and other purposes	$ 32,715	

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

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

Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2019

		Private Purpose Trust Fund
NET POSITION, beginning of the year	$	32,715
Deductions		
Scholarships granted		-
NET POSITION, end of year	$	32,715

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

This Page Intentionally Left Blank

Note 1. Summary of Significant Accounting Policies

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

Reporting Entity

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

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

Basis of Presentation

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

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

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

Fund Financial Statements

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

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

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

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

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

Additionally, the District reports the following fund types:

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

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

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

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

Measurement Focus/Basis of Accounting

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

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

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

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

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

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

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

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

Budgetary Control

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

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

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

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

The budgetary comparison schedule for the General Fund indicates one function, school leadership, with an excess of expenditures over appropriations for the period ended June 30, 2019. The expenditures are related to period-end salary accruals.

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

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

A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds at June 30, 2019 is as follows:

Appropriated budget funds		
Child nutrition program	$	329,517
Nonappropriated budget funds		3,017,888
All special revenue funds	$	3,347,405

Encumbrance Accounting

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

As of June 30, 2019, there were no outstanding purchase orders.

Cash Equivalents

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

Prepaid Items

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

Investments

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

Inventories

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

Interfund Receivables and Payables

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

Capital Assets

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

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

Buildings	25-50 years
Furniture and equipment	10 years

Categories and Classifications of Fund Balances

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

Fund balance categories are Nonspendable and Spendable. Classifications under the Spendable category are Restricted, Committed, Assigned, and Unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Unassigned fund balance is a residual classification within the General Fund. The General Fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance. For further details on the various fund balance classifications, refer to Note 15.

Net Position

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

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

Long-term Obligations

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

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

Oil and Gas Royalties

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

Estimates

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

The amount of state revenue from the Foundation School Program a school district earns for a year can and does vary until the time when final values for each of the factors in the formula becomes available.

Availability can be as late as midway into the next fiscal year. It is at least reasonably possible that the foundation revenue estimate as of June 30, 2019 will change.

Deferred Outflows and Deferred Outflows of Resources

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

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

The portion of the District's property tax levy that was not collected until more than 60 days after the end of the current year and therefore not considered available has been reported as a deferred inflow of resources in the Governmental Funds Balance Sheet totaling $1,399,655 and $577,572 in the General Fund and Debt Service Fund, respectively. The remaining amounts reported in the General Fund represent governmental revenue not expected to be collected within one year and has therefore, been reported as deferred outflow of resources.

Defined Benefit Pension Plan

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

Other Post-Employment Benefits

The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and 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.

Note 2. Deposits and Investments

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

Investments

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

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

Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

Cash and investments as of June 30, 2019 are classified in the accompanying financial statements as follows:

Primary government	$ 95,058,402
Fiduciary funds	165,563
	$ 95,223,965

Cash and investments as of June 30, 2019 consist of the following:

Cash and temporary investments	$	94,225,544
Long term investments		998,421
	$	95,223,965

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

Custodial Credit Risk: Deposits: In the case of deposits, this is the risk that, in the event of a bank failure, the District's deposits may not be returned to it.

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

- Depository: Wells Fargo;
- Securities pledged as of the date of the highest balance: $20,491,767;
- Largest cash, savings, and certificate of deposit combined account balance amounted to $15,514,584 and occurred during June 2019;
- Total amount of FDIC coverage at the time of the largest combined balance was $250,000.

The District was fully collateralized throughout the fiscal year ended June 30, 2019, including the date of the highest combined balance.

Custodial Credit Risk – Investments: The District's investments are insured, registered, or the District's agent holds the securities in the District's name; therefore, the District is not exposed to custodial risk. Custodial risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in the possession of another party.

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

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

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

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

Foreign Currency Risk: This is the risk that exchange rates will adversely affect the fair value of an investment. At June 30, 2019, the District was not exposed to foreign currency risk.

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

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

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

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

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

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

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

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

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

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

	Value at June 30, 2019	Percent of Total Investments	Weighted Average Maturity (Days)	Credit Risk
Investments measured at amortized cost				
Investment pools				
TexPool	$ 54,240,852	62%	39	AAAm
Lonestar	32,758,152	37%	46	AAA
Other investments				
Certificates of deposit	998,421	1%	391	AAAm
Total	$ 87,997,425	100%		
Portfolio weighted average maturity			45.11	

The investment pools meet the criteria to be recorded at amortized cost, which in most cases approximates fair value. The objective of the external investment pools is to maintain a stable $1.00 net asset value. The investment pools have weighted average maturity of 60 days or less and weighted average life of 120 days or less, investments held are highly rated by nationally recognized statistical rating organizations, have no more than 5% of portfolio with one issuer (excluding US government securities), and can meet reasonably foreseeable redemptions. Texpool and Lone Star have a redemption notice period of one day and no maximum transaction amounts. The investment pools' authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pools' liquidity.

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2019, was as follows:

	Balance June 30, 2018	Additions/ Completions	(Retirements)/ Adjustments	Balance June 30, 2019
Governmental activities				
Capital assets not being depreciated				
Land	$ 12,020,716	$ -	$ -	$ 12,020,716
Construction in progress	13,285,980	52,188,728	(9,217,159)	56,257,549
Total capital assets not being depreciated	25,306,696	52,188,728	(9,217,159)	68,278,265
Capital assets being depreciated				
Buildings	328,109,110	-	9,217,159	337,326,269
Furniture and equipment	10,110,996	248,584	-	10,359,580
Total assets being depreciated	338,220,106	248,584	9,217,159	347,685,849
Less accumulated depreciation for				
Buildings	(72,707,998)	(6,812,415)	-	(79,520,413)
Furniture and equipment	(6,883,794)	(526,210)	-	(7,410,004)
Total accumulated depreciation	(79,591,792)	(7,338,625)	-	(86,930,417)
Total capital assets being depreciated, net	258,628,314	(7,090,041)	9,217,159	260,755,432
Governmental activities capital assets, net	$ 283,935,010	$ 45,098,687	$ 18,434,318	$ 329,033,697

Depreciation expense was charged as direct expense as follows:

Governmental activities		
Instruction	$	4,941,017
Instructional resources and media services		91,556
Curriculum and staff development		123,522
Instructional leadership		143,673
School leadership		562,402
Guidance, counseling and evaluation services		359,570
Social Services		9,445
Health services		107,509
Student (pupil) transportation		5,071
Food services		243,382
Extracurricular activities		19,892
General administration		190,413
Plant maintenance and operations		429,623
Data processing services		108,601
Community services		2,949
Total depreciation expense - governmental activities	$	7,338,625

Note 4. Long-Term Debt

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

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

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

The following is a summary of the changes in the District's long-term debt for the year ended June 30, 2019:

	Interest Rate Payable	Amounts Outstanding 7/1/2018	Issued Current Year	Refunded Current Year	Interest Accretion	Retired	Amounts Outstanding 6/30/2019	Due Within One Year
Bond indebtedness								
1995 Refunding bonds	5.90-5.95%	$ 65,852	$ -	$ -	$ -	$ -	$ 65,852	$ -
2008 School building bonds	4.00-5.50%	140,000	-	-	-	140,000	-	-
2009 School building bonds	2.45-5.00%	75,000	-	-	-	35,000	40,000	20,000
2010 School building and refunding bonds	4.00%	24,180,000	-	-	-	1,345,000	22,835,000	1,395,000
2011 School building and refunding bonds	2.00-5.00%	21,825,000	-	-	-	305,000	21,520,000	310,000
2012 School building and refunding bonds	.057-3.00%	7,720,000	-	-	-	215,000	7,505,000	230,000
2015 School building and refunding bonds	2.00-5.00%	25,290,000	-	-	-	3,715,000	21,575,000	3,900,000
2016 School building and refunding bonds	2.00-5.00%	119,095,000	-	-	-	375,000	118,720,000	385,000
2017 School building and refunding bonds	2.00-5.00%	17,450,000	-	-	-	965,000	16,485,000	1,150,000
2017 School building bonds	4.00-5.00%	47,640,000	-	-		2,870,000	44,770,000	3,430,000
2017A School building and refunding bonds	3.00-6.00%	65,725,000	-	-		1,370,000	64,355,000	390,000
2018 School building bonds	5.00%	-	24,955,000	-		2,255,000	22,700,000	3,015,000
Total bonded indebtedness		329,205,852	24,955,000	-	-	13,590,000	340,570,852	14,225,000
Other district obligations								
Accreted interest on Capital appreciation bonds		18,591,779	-	-	1,157,985	1,530,000	18,219,764	1,550,000
Premium on bonds		33,012,693	301,300	-	-	1,616,952	31,697,041	1,613,213
Accumulated unpaid sick leave benefits		416,213	38,217	-	-	42,362	412,068	41,940
Claims payable		220,084	161,132	-	-	182,308	198,908	157,152
Net Pension Liability		19,233,159	17,623,367	-	-	2,125,626	34,730,900	-
Net OPEB Liability		33,288,447	8,273,948	-	-	566,410	40,995,985	-
Total other obligations		104,762,375	26,397,964	-	1,157,985	6,063,658	126,254,666	3,362,305
Total obligation of district		$ 433,968,227	$ 51,352,964	$ -	$ 1,157,985	$ 19,653,658	$ 466,825,518	$ 17,587,305

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

	Principal	Interest	Total Requirements
2020	$ 14,225,000	$ 14,998,058	$ 29,223,058
2021	6,123,837	16,784,021	22,907,858
2022	7,810,416	14,934,117	22,744,533
2023	8,157,650	14,668,794	22,826,444
2024	8,440,411	14,421,545	22,861,956
2025-2029	53,853,538	60,156,485	114,010,023
2030-2034	72,620,000	41,089,552	113,709,552
2035-2039	88,175,000	25,397,669	113,572,669
2040-2044	62,540,000	22,104,426	84,644,426
2044-2047	18,625,000	1,455,650	20,080,650
	$ 340,570,852	$ 226,010,317	$ 566,581,169

The 1995, 2009, 2010 and 2011 bond series include Capital Appreciation Bonds. No interest is paid on these bonds prior to maturity. The bonds mature variously in 2019 through 2047. Interest accrues on these bonds each February 1 and August 1 even though the interest is not paid until maturity.

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

There are a number of limitations and restrictions contained in the various general obligation bonds indentures. The District is in compliance with all significant limitations and restrictions at June 30, 2019.

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

On July 1, 2018, the District issued Unlimited Tax School Building Bonds, Series 2018 of $24,955,000 to be used for the construction, acquisition and equipment of school buildings in the District. The bonds bear accrued interest at rates from 5%, which is due and payable on February 1 and August 1 of each year. The bonds are scheduled to mature between 2020 and 2047.

Note 5. Property Taxes

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

Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll upon which the levy for the 2019 fiscal year was based was $4,772,239,374. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to both penalty and interest charges plus 15% delinquent collection fees for attorney costs.

The tax rates assessed for the fiscal year ended June 30, 2019 to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were $1.17 and $0.50 per $100 valuation, respectively, for a total of $1.67 per $100 valuation.

Current tax collections for the year ended June 30, 2019 were 101% of the year-end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of June 30, 2019, property taxes receivable, net of estimated uncollectible taxes, totaled $1,399,655 and $577,572 for the General and Debt Service Funds, respectively.

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

Note 6. Defined Benefit Pension Plans

Plan Description

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

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

Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at https://www.trs.texas.gov/TRS%20Documents/cafr_2018.pdf; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided

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

Contributions

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 85th Texas Legislature, General Appropriations Act (GAA) affirmed that the employer contribution rates for fiscal years 2018 and 2019 would remain the same. Contribution rates can be found in the TRS 2018 CAFR, Note 11, on Page 76.

	Contribution Rates	
	2018	2019
Member	7.7%	7.7%
Non-employer contributing entity (State)	6.8%	6.8%
Employers	6.8%	6.8%

Employer #0442	2019
Employer contributions	$ 2,125,626
Member contributions	5,619,492
NECE on-behalf contributions	3,465,052

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

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

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

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

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

Actuarial Assumptions

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

Valuation date	August 31, 2017, rolled forward to 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	7.25%
Inflation	2.3%
Salary increases including inflation	3.05% to 9.05%
Payroll growth rate	3.0%
Benefit changes during the year	None
Ad hoc post-employment benefit changes	None

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

Discount Rate

The single 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 7.25% and a municipal bond rate of 3.69%. 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 projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that 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 fund asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TRS's target asset allocation as of August 31, 2018 are summarized below:

Asset Class	Target Allocation *	Long-Term Expected Geometric Real Rate of Return**	Contribution to Long-Term Portfolio Returns**
Global Equity			
U.S.	18.0%	5.70%	1.04%
Non-U.S. Developed	13.0%	6.90%	0.90%
Emerging Markets	9.0%	8.95%	0.80%
Directional Hedge Funds	4.0%	3.53%	0.14%
Private Equity	13.0%	10.18%	1.32%
Stable Value			
U.S. Treasuries	11.0%	1.11%	0.12%
Absolute Return	0.0%	0.00%	0.00%
Stable Value Hedge Funds	4.0%	3.09%	0.12%
Cash	1.0%	-0.30%	0.00%
Real Return			
Global Inflation Linked Bonds	3.0%	0.70%	0.02%
Real Assets	14.0%	5.21%	0.73%
Energy and Natural Resources	5.0%	7.48%	0.37%
Commodities	0.0%	0.00%	0.00%
Risk Parity			
Risk Parity	5.0%	3.70%	0.18%
Inflation Expectation			2.30%
Volatility drag***			-0.79%
Total	100%		7.25%

* Target allocations are based on the FT 2016 polict model

** Capital Market assumptions come from Aoon Hewitt (2017 04)

*** The volatility drag resulting from the conversion between arithmetic and geometric meah returns.

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (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	$ 52,417,256	$ 34,730,900	$ 20,412,745

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

At June 30, 2019, the District reported a liability of $34,730,900 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	$ 34,730,900
State's proportionate share that is associated with District	56,651,232
Total	$ 91,382,132

The net pension liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as August 31, 2017 rolled forward to August 31, 2018. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2017 through August 31, 2018.

At August 31, 2018, the employer's proportion of the collective net pension liability was 0.063098%, which was an increase from 0.002948%, 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 8.0% as of August 31, 2017 to 6.907% as of August 31, 2018.
- The long-term assumed rate of return changed from 8.0% to 7.25%.

The change in the 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.

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

For the year ended June 30, 2019, the District recognized pension expense of $2,809,374 and revenue of $5,606,962 for support provided by the State.

At June 30, 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 experience	$ 216,484	$ 852,159
Changes in actuarial assumptions	12,522,162	391,318
Differences between projected and actual investment earnings	-	658,994
Changes in proportion and difference between the employer's contributions and the proportionate share of the contributions	5,943,829	640
Contributions paid to TRS subsequent to the measurement dates	1,178,146	-
	$ 19,860,621	$ 1,903,111

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

Year ended August 31:	Pension Expense Amount
2020	$ 4,423,726
2021	3,036,915
2022	2,644,193
2023	2,813,769
2024	2,386,858
Thereafter	1,473,903
	$ 16,779,364

Note 7. Defined Other Post-Employment Benefit Plan

Plan Description

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

OPEB Plan Fiduciary Net Position

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

Benefits Provided

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

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

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

	Medicare	Non Medicare
Retiree*	$ 135	$ 200
Retiree and spouse	529	689
Retiree or surviving spouse and childern	468	408
Retiree and Family	1,020	999

* or surviving spouse

Contributions

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	2019	2018
Active employees	0.65%	0.65%
Non-employer contribution entity (State)	1.25%	1.25%
Employers/District	0.75%	0.75%
Federal/private funding remitted by Employers	1.25%	1.25%

The contribution amounts for the District's fiscal year 2019 are as follows:

Employer contributions	$	566,410
Member contributions		467,476
NECE on-behalf contributions		853,892

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 2018-19 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, 2018 actuarial valuation was determined using the following actuarial assumptions:

Rates of mortality	General inflationn
Rates of retirement	Wage inflation
Rates of termination	Expected payroll growth
Rates of disability incidence	

Additional Actuarial Methods and Assumptions:

Valuation date	August 31, 2017, rolled forward to August 31, 2018
Actuarial cost method	Individual entry age normal
Inflation	2.30%
Discount rate	3.69%. Sourced from 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.
Aging factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected salary increases	3.05% to 9.05%**
Healthcare trend rates	Initial medical trend rates of 107.74 percent and 9.00 percent for Medicare retirees and an initial medical trend rate of 6.75 percent for non-Medicare retirees. Initial prescription drug trend rate of 11.00 percent for all retirees. The first year trend increase for the Medicare Advantage (medical) premiums reflects the anticipated return of the Health Insurer Fee (HIF) in 2020.
Election rates	Normal retirement 70% participation prior to age 65 and 75% participation after age 65
Ad hoc post-employment benefit changes	None

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

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

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

Discount Rate

A single discount rate of 3.69% was used to measure the total OPEB liability. There was an increase 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. The source of the municipal bond rate was Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of August 31, 2018.

Asset Class	Target Allocation*	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns**
Global Equity			
U.S.	18.0%	5.70%	1.04%
Non-U.S. Developed	13.0%	6.90%	0.90%
Emerging Markets	9.0%	8.95%	0.80%
Directional Hedge Funds	4.0%	3.53%	0.14%
Private Equity	13.0%	10.18%	1.32%
Stable Value			
U.S. Treasuries	11.0%	1.11%	0.12%
Absolute Return	0.0%	0.00%	0.00%
Stable Value Hedge Funds	4.0%	3.09%	0.12%
Cash	1.0%	-0.30%	0.00%
Real Return			
Global Inflation Linked Bonds	3.0%	0.70%	0.02%
Real Assets	14.0%	5.21%	0.73%
Energy and Natural Resources	5.0%	7.48%	0.37%
Commodities	0.0%	0.00%	0.00%
Risk Parity			
Risk Parity	5.0%	3.70%	0.18%
Inflation Expectation			2.30%
Volatility drag***			-0.79%
Total	100%		7.25%

* Target allocations are based on the FT 2016 polict model
** Capital Market assumptions come from Aoon Hewitt (2017 04)
*** The volatility drag resulting from the conversion between arithmetic

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.69%) in measuring the Net OPEB Liability.

	1% Decrease (2.69%)	Current Single Discount Rate (3.69%)	1% Increase (4.69%)
District's proportionate share of the net OPEB liability	$ 48,799,307	$ 40,995,985	$ 34,823,054

Healthcare Cost Trend Rates The following table presents the District's proportionate share of net OPEB liability using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% lower or 1% higher than the assumed health-care cost trend rate:

	1% Decrease (7.5%)	Current Healthcare Cost Trend Rate (8.5%)	1% Increase (9.5%)
District's proportionate share of the net OPEB liability	$ 34,047,833	$ 40,995,985	$ 50,146,851

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

At June 30, 2019, the District reported a liability of $40,995,985 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's Proportionate share of the collective net OPEB liability	$ 40,995,985
State's proportionate share that is associated with District	61,891,748
Total	$ 102,887,733

The net OPEB liability was measured as of August 31, 2017 and rolled forward to 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 through August 31, 2018.

At August 31, 2018 the employer's proportion of the collective Net OPEB Liability was .082105% which was an increase of .005556% 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.
- The discount rate was 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 made effective September 1, 2017 by the 85th Texas Legislature.

For the fiscal year ended June 30, 2019, the District recognized OPEB expense of $3,621,548 and revenue of $2,251,250 for support provided by the State.

At June 30, 2019, the District reported the District's contribution after the measurement date and its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 2,175,504	$ 646,977
Changes in actuarial assumptions	684,112	12,316,941
Differences between projected and actual investment earnings	7,170	-
Changes in proportion and difference between the employer's contributions and the proportionate share of the contributions	3,046,127	-
Contributions paid subsequent to the measurement dates	490,679	-
	$ 6,403,592	$ 12,963,918

$490,679 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources (deferred inflows of resources) related to OPEB will be recognized in OPEB expense as follows:

Year ended August 31:	OPEB Expense Amount
2020	$ (1,234,568)
2021	(1,234,568)
2022	(1,234,568)
2023	(1,235,924)
2024	(1,236,700)
Thereafter	(874,677)
	$ (7,051,005)

Note 8. Medicare Part D

Plan Description

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments are recognized as equal revenues and expenditures/expenses by the District. For the years ended June 30, 2019, 2018 and 2017, the contributions made on behalf of the District were $274,832, $211,892 and $206,023, respectively.

Note 9. Accumulated Unpaid Sick Leave Benefits

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

Balance at July 1, 2018	$ 416,213
Additions	
new entrants, days earned (net), and salary increments	38,217
Deductions	
payments to participants	(42,362)
Balance at June 30, 2019	$ 412,068

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

Note 10. Interfund Activity

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

	Due from Other Funds	Due to Other Funds
Major governmental funds		
General fund	589,356	8,982,052
Capital projects fund	3,482,078	-
Debt service fund	5,500,000	-
Nonmajor governmental funds		
Special revenue funds		
Federal (funds 200-289)	-	608,705
State (funds 385-429)	-	19,456
Local (461-482)	38,779	
Total	$ 9,610,213	$ 9,610,213

Note 11. Risk Management

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

Health Care

Employees of the District are covered under the State of Texas statewide health insurance plan (TRS Active-Care). TRS Active-Care is a fully insured plan. During 2018-2019, the District contributed $235 per month per employee to the Plan and employees, at their option, authorized payroll withholdings to pay any additional contributions and contributions for dependents.

Workers' Compensation Pool Self-funded

Starting October 1, 2012, the District self-insures against workers' compensation. The costs associated with the self-insurance plan are reported as operating revenues and operating expenses of the Internal Service fund. The total estimated claims payable at June 30, 2019, includes $198,908 for workers' compensation case reserve losses, with $157,152 of this amount due within one year. This liability includes estimated outstanding claims from October 1, 2012 to June 30, 2019. The liabilities reported in the fund at June 30, 2019 are based on the requirements of Governmental Accounting Standards Board Statement Nos. 10 and 30, which require that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. This includes provisions for claims reported but not paid and claims incurred but not reported. The provision for reported claims is determined by estimating the amount which will ultimately be paid to each claimant. The provision for claims incurred but not yet reported is estimated based on the District's experience. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors. Workers' compensation liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time were computed by an actuary and are reported at their nominal value.

Unemployment Compensation Self-funded

During the year ended June 30, 2019, the District met its statutory unemployment compensation obligations by participating as a self-funded member of the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791, of the Texas Government Code and Chapter 504, Texas Labor Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties.

As a self-funded member of the TASB Risk Management Fund, the District is solely responsible for all claim costs, both reported and unreported. The Fund provides administrative services to its self-funded members including claims administration and customer service. The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2018 are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin, Texas.

Note 12. Due from Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of June 30, 2019, are summarized below:

	State Entitlements	Federal Grants	Total
General fund	$ 12,154,708	$ 758,935	$ 12,913,643
Debt service fund	-	-	-
Other funds	15,000	903,256	918,256
Total	$ 12,169,708	$ 1,662,191	$ 13,831,899

Note 13. Litigation and Contingencies

The District participates in numerous state and Federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at June 30, 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 financial statements for such contingencies.

From time to time, the District is a defendant in legal proceedings relating to its operations as a school district. In the opinion of the District's management, the outcome of any present legal proceedings will not have a material adverse effect on the accompanying financial statements. In the opinion of the District, there are neither significant contingent liabilities related to 2019 issues nor future costs that will have a material effect on the financial statements of the District.

Note 14. Revenues from Local and Intermediate Sources

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

	General Fund	Debt Service Fund	Capital Projects Fund	Other Funds	Total
Property taxes	$ 52,517,779	$ 22,444,853	$ -	$ -	$ 74,962,632
Food sales	-	-	-	2,939,390	2,939,390
Investment income	739,667	227,527	1,580,863	10,710	2,558,767
Penalties, interest and other tax related income	326,441	120,127	-	-	446,568
Co-curricular student activities	550,015	-	-	3,023,373	3,573,388
Mineral Interests	-	-	493,411	-	493,411
Other	465,345	-	-	39,361	504,706
Total	$ 54,599,247	$ 22,792,507	$ 2,074,274	$ 6,012,834	$ 85,478,862

Note 15. Classification of Fund Balance

The District classifies governmental fund balances, as follows:

Nonspendable Fund Balance

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

Spendable Fund Balance

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

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

As of June 30, 2019, total restricted fund balance was $39,230,281.

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

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

As of June 30, 2019, total committed fund balance was $19,858,055.

Assigned Fund Balance – comprises amounts intended to be used by the District for specific purposes. This intent can be expressed by an official or body to which the governing body delegates that authority. That authority has not been delegated to any official or body. The Board of Trustees is the only governing body that can assign fund balance for specific purposes by formal action recorded in the official minutes. Examples take on the similar appearance as those enumerated for committed fund balance, but may also include the appropriation of existing fund balance to eliminate a deficit in next year's budget. At June 30, 2019, there were no assignments of fund balance.

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

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

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

Per the District's Fiscal and Budget Strategy, the District will strive to maintain a General Fund balance in the general operating fund in which the total fund balance is twenty-five percent (25%) of the total operating expenditures and the unassigned fund balance is twenty-nine percent (29%) of the total operating expenditures.

Note 16. Instructional Materials Allotment

In May 2011, Senate Rule 6 created an Instructional Materials Allotment (IMA) for the purchase of instructional materials, technology equipment, and technology related services. Under the IMA, instructional material purchases must be made through TEA's online registration system. Instructional materials acquired through the IMA totaling $1,702,313 are recorded as revenues and expenditures in the State Instructional Materials Fund.

Ownership of textbooks previously purchased by the state and utilized by the District was transferred to the District. The majority of these textbooks were sold or otherwise disposed of in accordance with TEA guidelines. At June 30, 2019, the remainder of the textbooks, in possession of the District, have minimal value and are not otherwise reflected elsewhere in these statements.

Note 17. New Accounting Pronouncements

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

In June 2017, GASB issued Statement No. 87, Leases. This Statement establishes standards for accounting and financial reporting for leases by leases and lessors. This Statement increases the usefulness of financial statements by requiring recognition of certain lease assets and liabilities that were previously accounted for as operating leases. It establishes a single model for lease accounting based on the principle that leases are a financing of the right to use an underlying asset. Under this statement a lessee is required to recognize a lease liability and an intangible right-to-use asset and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

Required Supplementary Information

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

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
Year Ended June 30, 2019

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	REVENUES				
5700	Local and intermediate sources	$ 53,211,713	$ 54,211,713	$ 54,599,247	$ 387,534
5800	State program revenues	50,004,843	50,004,843	50,897,675	892,832
5900	Federal program revenues	1,470,000	2,320,000	2,370,606	50,606
5020	Total revenues	104,686,556	106,536,556	107,867,528	1,330,972
	EXPENDITURES				
	Current				
0011	Instruction	58,168,595	57,604,369	57,562,917	41,452
0012	Instructional resources and media services	1,161,930	1,182,840	1,172,134	10,706
0013	Curriculum and instructional staff development	1,613,903	1,634,197	1,634,007	190
0021	Instructional leadership	1,963,436	1,713,617	1,669,182	44,435
0023	School leadership	6,071,595	6,103,136	6,254,815	(151,679)
0031	Guidance, counseling and evaluation services	4,026,949	4,135,703	4,116,154	19,549
0032	Social work services	107,457	107,457	104,419	3,038
0033	Health services	1,207,426	1,242,535	1,230,636	11,899
0034	Student (pupil) transportation	3,039,464	3,139,464	3,065,297	74,167
0035	Food services	20,000	75,000	67,426	7,574
0036	Extracurricular activities	3,406,445	3,355,611	3,243,564	112,047
0041	General administration	2,877,412	2,852,412	2,781,770	70,642
0051	Facilities maintenance and operations	8,800,984	9,400,234	9,217,177	183,057
0052	Security and monitoring services	519,258	573,129	562,808	10,321
0053	Data processing services	2,469,150	2,463,650	2,420,182	43,468
0061	Community services	37,602	38,252	34,700	3,552
0081	Facilities acquistion and construction	-	550,000	503,374	46,626
	Debt services				
0095	Payments to juvenile justice alternative ed. prg.	3,500	3,500	2,322	1,178
0099	Other intergovernmental charges	775,240	775,240	771,182	4,058
6030	Total expenditures	96,270,346	96,950,346	96,414,066	536,280
1100	Excess of revenues over expenditures	8,416,210	9,586,210	11,453,462	1,867,252
	OTHER FINANCING SOURCES				
7915	Transfers in	-	-	426	(426)
8911	Transfers out	-	-	(8,868,087)	(8,868,087)
7080	Total other financing sources	-	-	(8,867,661)	(8,868,513)
1200	Net change in fund balances	8,416,210	9,586,210	2,585,801	(7,001,261)
0100	**FUND BALANCE - July 1 (beginning)**	25,582,124	25,582,124	25,582,124	-
3000	**FUND BALANCE - June 30 (ending)**	$ 33,998,334	$ 35,168,334	$ 28,167,925	$ (7,001,261)

Notes to the Required Supplementary Information are
an integral part of this schedule.

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

Schedule of the District's Proportionate Share of
the Net Pension Liability
Year Ended June 30, 2019

	2019	2018	2017	2016	2015
District's Proportion of the Net Pension Liability (Asset)	0.063098416%	0.060151343%	0.056092500%	0.051144300%	0.028050900%
District's Proportionate Share of Net Pension Liability (Asset)	$ 34,730,900	$ 19,233,159	$ 21,196,537	$ 18,078,829	$ 7,492,783
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	56,651,232	33,601,011	39,284,622	37,390,769	31,992,845
Total	$ 91,382,132	$ 52,834,170	$ 60,481,159	$ 55,469,598	$ 39,485,628
District's Covered Payroll	$ 71,885,704	$ 69,580,209	$ 65,990,540	$ 57,353,065	$ 56,750,102
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its covered Payroll	48.31%	27.64%	32.12%	31.52%	13.20%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.74%	82.17%	78.00%	78.43%	83.25%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2018 for Year 2019, August 31, 2017 for Year 2018, August 31, 2016 for 2017 and August 31, 2015 for 2016.

Note: In accordance with GASB 68, Paragraph 138, only five 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."

Burleson Independent School District

Exhibit G-3

Schedule of the District's Contributions
Year Ended June 30, 2019

	2019	2018	2017	2016	2015
Contractually Required Contribution	$ 1,390,203	$ 1,278,781	$ 1,151,179	$ 980,294	$ 767,797
Contribution in Relation to the Contractually Required Contribution	(1,390,203)	(1,278,781)	(1,151,179)	(980,294)	(767,797)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
District's Covered Payroll	72,980,410	$ 70,639,806	$ 66,995,472	$ 62,059,880	$ 56,750,102
Contributions as a Percentage of Covered Payroll	1.90%	1.81%	1.72%	1.58%	1.35%

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

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

Schedule of the District's Proportionate Share of the
Net OPEB Liability of a Cost-Sharing Multiple-Employer OPEB Plan –
Teacher Retirement System
Year Ended June 30, 2019

	2019	2018
District's proportion of the net OPEB liability	0.0821054138%	0.0765493643%
District's proportionate share of net OPEB liability	40,995,985	33,288,447
State's proportionate sare of the net OPEB liability associated with the District	61,891,748	54,213,057
Total	102,887,733	87,501,504
District's covered-employee payroll	71,885,704	69,580,209
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	57.03%	47.84%
Plan fiduciary net position as a percentage of the total OPEB liability	1.57%	0.91%

*Note: Only two years of data is presented in accordance with GASB Standard No. 75 as the data for the years other than 2019 and 2018 are not available.

Burleson Independent School District **Exhibit G-5**

Schedule of the District's Contributions to the OPEB Plan
Year Ended June 30, 2019

	2019	2018
Contractually required contribution	585,522	529,186
Contribution in relation to the contractually required contribution	(585,522)	(529,186)
Contribution deficiency (excess)	-	-
District's covered-employee payroll	72,980,410	70,639,806
Contributions as a percentage of covered-employee payroll	0.80%	0.75%

*Note: Only two years of data is presented in accordance with GASB Standard No. 75 as the data for the years other than 2019 and 2018 are not available.

Note 1. Budgetary Data

A. Budgetary Information

The official budget was prepared for adoption for the general, child nutrition, and debt service funds. The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

1. Prior to June 19 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning July 1.
2. A meeting of the Board is called for the purpose of adopting the proposed budget with public notice given at least 10 days prior to the meeting.
3. Prior to the expenditures of funds, the budget is adopted by the Board.

After adoption, the budget may be amended through action by the Board. Budget amendments are approved at the functional expenditure level. All amendments are before the fact and reflected in the official minutes of the Board. Budgets are controlled at the functional level by personnel responsible for the organizational financial reporting. All budget appropriations lapse at the year end. Budget amendments throughout the year were not significant.

B. Variances with Budget

A negative budget variance was noted in the following function. This function's expenditures exceeded appropriations due to payroll costs during the year ended June 30, 2019.

Function	Final Budget	Actual Expenditures	Variance
School Leadersip	6,103,136	6,254,815	(151,679)

This Page Intentionally Left Blank

Supplementary Information
Combining Statements and Schedules

This Page Intentionally Left Blank

Combining and Individual Nonmajor Fund Financial Statements

Burleson Independent School District
Combining Balance Sheet
Non Major Governmental Funds
June 30, 2019

Data Control Codes		211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
	ASSETS			
1110	Cash and temporary investments	$ -	$ -	$ -
1240	Due from other governments	332,561	402,210	20,576
1250	Accrued interest	-	-	-
1260	Due from other funds	-	-	-
1300	Inventories	-	-	-
1410	Prepaid items	-	-	-
1000	Total assets	332,561	402,210	20,576
	TOTAL ASSETS	$ 332,561	$ 402,210	$ 20,576
	LIABILITIES			
2110	Accounts payable	$ 27,270	$ 10,502	$ 1,400
2150	Payroll deductions and withholdings	5,028	6,251	543
2160	Accrued wages payable	112,293	125,252	3,448
2170	Due to other funds	187,970	260,205	15,185
2181	Due to state	-	-	-
2000	Total liabilities	332,561	402,210	20,576
	FUND BALANCES			
	Nonspendable			
3410	Inventories	-	-	-
3430	Prepaid items	-	-	-
	Restricted			
3450	Grant funds	-	-	-
	Committed			
3545	Other purposes	-	-	-
3600	Unassigned	-	-	-
3000	Total fund balances	-	-	-
4000	**TOTAL LIABILITIES AND FUND BALANCES**	$ 332,561	$ 402,210	$ 20,576

226 IDEA Part B, Discretionary	240 Child Nutrition Program	244 Career and Technical - Basic Grant	255 ESEA II, A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Summer School LEP
$ -	$ 642,744	$ -	$ -	$ -	$ -
-	-	8,139	63,226	43,508	33,036
-	-	-	-	-	-
-	-	-	-	-	-
-	5,147	-	-	-	-
-	-	-	-	-	-
-	647,891	8,139	63,226	43,508	33,036
$ -	$ 647,891	$ 8,139	$ 63,226	$ 43,508	$ 33,036
$ -	$ 4,672	$ -	$ 1,099	$ -	-
-	13,155	-	346	204	138
-	275,246	-	5,604	8,887	2,080
-	25,301	8,139	56,177	34,417	21,311
-	-	-	-	-	-
-	318,374	8,139	63,226	43,508	23,529
-	5,147	-	-	-	-
-	-	-	-	-	-
-	324,370	-	-	-	9,507
-	-	-	-	-	-
-	-	-	-	-	-
-	329,517	-	-	-	9,507
$ -	$ 647,891	$ 8,139	$ 63,226	$ 43,508	$ 33,036

Burleson Independent School District
Combining Balance Sheet
Non Major Governmental Funds
June 30, 2019

Data Control Codes		385 Visual Impairment	397 Advanced Placement Incentives
	ASSETS		
1110	Cash and temporary investments	$ 28	$ 21,488
1240	Due from other governments	-	15,000
1250	Accrued interest	-	-
1260	Due from other funds	-	-
1300	Inventories	-	-
1410	Prepaid items	-	-
1000	**Total assets**	28	36,488
	TOTAL ASSETS	$ 28	$ 36,488
	LIABILITIES		
2110	Accounts payable	$ 28	$ -
2150	Payroll deductions and withholdings	-	-
2160	Accrued wages payable	-	-
2170	Due to other funds	-	-
2181	Due to state	-	-
2000	**Total liabilities**	28	-
	FUND BALANCES		
	Nonspendable		
3410	Inventories	-	-
3430	Prepaid items	-	-
	Restricted		
3450	Grant funds	-	36,488
	Committed		
3545	Other purposes	-	-
3600	Unassigned	-	-
3000	**Total fund balances**	-	36,488
4000	**TOTAL LIABILITIES AND FUND BALANCES**	$ 28	$ 36,488

410 Instructional Materials Allotment	429 DATE / Read to Succeed / Recycling Grant	461 Campus Activity Funds	482 Fuel Up To Play 60	Total Nonmajor Governmental Funds
$ 1,001,769	$ -	$ 2,110,808	$ 1,419	$ 3,778,256
-	-	-	-	918,256
-	-	2,106		2,106
-	-	38,779	-	38,779
-	-	-	-	5,147
-	-	-	-	-
1,001,769	-	2,151,693	1,419	4,742,544
$ 1,001,769	$ -	$ 2,151,693	$ 1,419	$ 4,742,544
$ 56,034	$ -	$ 37,885	$ -	$ 138,890
-	451	5,640	-	31,756
-	-	63,162	-	595,972
-	19,456	-	-	628,161
-	-	360	-	360
56,034	19,907	107,047	-	1,395,139
-	-	-	-	5,147
-	-	-	-	-
945,735	-	-	1,419	1,317,519
-	-	2,044,646	-	2,044,646
-	(19,907)	-	-	(19,907)
945,735	(19,907)	2,044,646	1,419	3,347,405
$ 1,001,769	$ -	$ 2,151,693	$ 1,419	$ 4,742,544

Burleson Independent School District

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non Major Governmental Funds

Year Ended June 30, 2019

Data Control Codes		211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
	REVENUES			
5700	Local and intermediate sources	$ -	$ -	$ -
5800	State program revenues	-	-	-
5900	Federal program revenues	1,066,886	1,599,704	37,740
5020	**Total revenues**	1,066,886	1,599,704	37,740
	EXPENDITURES			
	Current			
0011	Instruction	903,319	725,489	36,063
0012	Instructional resources and media services	3,235	-	-
0013	Curriculum and Instructional staff development	101,677	184,765	1,677
0021	Instructional leadership	5,159	224,591	-
0023	School leadership	11,856	7,751	-
0031	Guidance, counseling and evaluation services	11,846	415,191	-
0033	Health services	-	-	-
0034	Student Pupil Transportation	-	-	-
0035	Food services	-	-	-
0036	Extracurricular activities	12,994	1,378	-
0041	General administration	825	475	-
0051	Facilities maintenance and operations	-	-	-
0052	Security and monitoring services	-	-	-
0053	Data processing services	-	-	-
0061	Community services	15,975	202	-
	Intergovernmental			
0093	Payments to fiscal agent/member districts of SSA	-	39,862	-
6030	Total expenditures	1,066,886	1,599,704	37,740
1100	Excess (deficiency) of revenues over (under) expenditures	-	-	-
7900	**OTHER FINANCING SOURCES (USES)**	-	-	-
1200	Net change in fund balances	-	-	-
0100	**Fund Balance - July 1 (Beginning)**	-	-	-
3000	**Fund Balance - June 30 (Ending)**	$ -	$ -	$ -

Exhibit H-2

226 IDEA Part B, Discretionary	240 Child Nutrition Program	244 Career and Technical - Basic Grant	255 ESEA II, A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Summer School LEP
$ -	$ 2,950,100	$ -	$ -	$ -	$ -
-	140,047	-	-	-	-
19,983	3,194,933	94,803	156,870	78,795	92,088
19,983	6,285,080	94,803	156,870	78,795	92,088
-	-	90,632	-	7,085	29,058
-	-	-	-	-	-
-	-	-	148,269	71,631	7,000
-	-	-	1,911	-	-
-	-	1,390	6,690	-	-
19,983	-	2,781	-	-	53,527
-	-	-	-	-	-
	-	-	-	-	-
-	6,123,457	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	30,739	-	-	-	-
-	-	-	-	-	-
	-	-	-	-	-
-	-	-	-	79	-
-	-	-	-	-	-
19,983	6,154,196	94,803	156,870	78,795	89,585
-	130,884	-	-	-	2,503
	-	-	-	-	-
-	130,884	-	-	-	2,503
-	198,633	-	-	-	7,004
$ -	$ 329,517	$ -	$ -	$ -	$ 9,507

Burleson Independent School District
Combining Statement of Revenues, Expenditures and Changes In Fund Balances – Non major Governmental Funds
Year Ended June 30, 2019

Data Control Codes		385 Visual Impairment	397 Advanced Placement Incentives
	REVENUES		
5700	Local and intermediate sources	$ -	$ -
5800	State program revenues	6,765	15,225
5900	Federal program revenues	-	-
5020	Total revenues	6,765	15,225
	EXPENDITURES		
	Current		
0011	Instruction	4,064	-
0012	Instructional resources and media services	-	-
0013	Curriculum and Instructional staff development	2,701	884
0021	Instructional leadership	-	-
0023	School leadership	-	-
0031	Guidance, counseling and evaluation services	-	-
0033	Health services	-	-
0034	Student Pupil Transportation	-	-
0035	Food services	-	-
0036	Extracurricular activities	-	-
0041	General administration	-	-
0051	Facilities maintenance and operations	-	-
0052	Security and monitoring services	-	-
0053	Data processing services	-	-
0061	Community services	-	-
	Intergovernmental		
0093	Payments to fiscal agent/member districts of SSA	-	-
6030	Total expenditures	6,765	884
1100	Excess (deficiency) of revenues over (under) expenditures	-	14,341
	OTHER FINANCING SOURCES (USES)	-	-
1200	**Net change in fund balances**	-	14,341
0100	**Fund Balance - July 1 (Beginning)**	-	22,147
3000	**Fund Balance - June 30 (Ending)**	$ -	$ 36,488

410 Instructional Materials Allotment	429 DATE / Read to Succeed / Recycling Grant	461 Campus Activity Funds	482 Fuel Up To Play 60	Total Nonmajor Governmental Funds
$ -	$ -	$ 3,062,734	$ -	$ 6,012,834
1,702,313	-	58,860	-	1,923,210
-	-	-	-	6,341,802
1,702,313	-	3,121,594	-	14,277,846
821,430	40	789,454	-	3,406,634
-	-	47,094	-	50,329
-	19,416	109,445	-	647,465
-	-	1,733	-	233,394
-	-	104,047	-	131,734
-	-	97,063	-	600,391
-	-	2,467	-	2,467
-	-	-	-	-
-	-	-	-	6,123,457
-	-	823,421	-	837,793
-	-	1,548	-	2,848
-	-	24,787	-	55,526
-	-	51,043	-	51,043
-	-	-	-	-
-	-	823,207	-	839,463
-	-	-	-	39,862
821,430	19,456	2,875,309	-	13,022,406
880,883	(19,456)	246,285	-	1,255,440
-	-	-	-	-
880,883	(19,456)	246,285	-	1,255,440
64,852	(451)	1,798,361	1,419	2,091,965
$ 945,735	$ (19,907)	$ 2,044,646	$ 1,419	$ 3,347,405

This Page Intentionally Left Blank

Agency Funds

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

Statement of Changes in Fiduciary Net Position - Agency Funds

Year Ended June 30, 2019

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
STUDENT ACTIVITY ACCOUNT				
Assets				
Cash and temporary investments	$ 103,052	$ 241,861	$ 212,065	$ 132,848
Accounts receivable	-	26	-	26
Total assets	$ 103,052	$ 241,887	$ 212,065	$ 132,874
Liabilities				
Accounts payable	$ 9,923	$ 1,620	$ 9,923	$ 1,620
Due to other governments	91	33	120	4
Due to student groups	93,038	241,666	203,454	131,250
Total liabilities	$ 103,052	$ 243,319	$ 213,497	$ 132,874

Compliance Schedule
(Required by Texas Education Agency)

Burleson Independent School District
Schedule of Delinquent Taxes Receivable
Year Ended June 30, 2019

Last Ten Years		(1) Tax Rates Maintenance	(2) Tax Rates Debt Service	(3) Assessed/Appraised Value for School Tax Purposes	(10) Beginning Balance 7/1/2018
2010	and prior years	Various	Various	Various	$ 513,471
2011		1.370000	0.500000	3,517,047,761	45,183
2012		1.040000	0.500000	3,471,316,519	68,776
2013		1.040000	0.500000	3,434,466,119	87,736
2014		1.040000	0.500000	3,342,805,197	80,267
2015		1.040000	0.500000	3,639,098,970	72,840
2016		1.040000	0.500000	3,638,375,969	176,663
2017		1.040000	0.500000	3,880,366,485	235,759
2018		1.170000	0.500000	4,336,695,747	1,053,020
2019	(School year under audit)	1.170000	0.500000	4,772,239,374	-
1000	TOTALS				$ 2,333,715

(a) Current year's total levy is net of $4,180,968 for levy loss due to frozen taxes on "over 65" accounts.

Exhibit J-1

(20) Current Year's Total Levy (a)	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2019
$ -	$ 2,548	$ 778	$ (113,481)	$ 396,664
-	1,642	599	-	42,942
-	3,179	1,529	-	64,068
-	(12,612)	(6,063)	(23,932)	82,479
-	1,301	626	(556)	77,784
-	10,359	4,980	3,881	61,382
-	16,685	8,022	(3,762)	148,194
-	8,275	3,979	(78,042)	145,463
-	303,773	129,817	(379,348)	240,082
75,235,750	52,182,852	22,300,364	238,332	990,866
$ 75,235,750	$ 52,518,002	$ 22,444,631	$ (356,908)	$ 2,249,924

This Page Intentionally Left Blank

Budgetary Comparison Schedules

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

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Child Nutrition Program
Year Ended June 30, 2019

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP BASIS)	Variance With Final Budget Over or (Under)
	REVENUES				
5700	Local and intermediate sources	$ 2,790,500	$ 2,965,500	$ 2,950,100	$ (15,400)
5800	State program revenues	100,000	110,000	140,047	30,047
5900	Federal program revenues	3,018,025	3,218,025	3,194,933	(23,092)
5020	Total revenues	5,908,525	6,293,525	6,285,080	(8,445)
	EXPENDITURES				
0035	Food services	5,777,067	6,162,067	6,123,457	38,610
0051	Facilities maintenance and operations	35,000	35,000	30,739	4,261
6030	Total expenditures	5,812,067	6,197,067	6,154,196	42,871
1200	Net change in fund balances	96,458	96,458	130,884	34,426
0100	Fund balance - July 1 (beginning)	198,633	198,633	198,633	-
3000	Fund balance - June 30 (ending)	$ 295,091	$ 295,091	$ 329,517	$ 34,426

Burleson Independent School District

Exhibit J-4

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Debt Service Fund
Year Ended June 30, 2019

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP BASIS)	Variance With Final Budget Over or (Under)
	REVENUES				
5700	Local and intermediate sources	$ 21,820,218	$ 22,713,010	$ 22,792,507	$ 79,497
5800	State program revenues	1,276,344	514,355.00	704,674	190,319
5020	Total revenues	23,096,562	23,227,365	23,497,181	269,816
	EXPENDITURES				
0071	Debt service	26,193,107	28,842,111	28,842,111	-
6030	Total expenditures	26,193,107	28,842,111	28,842,111	-
1100	Excess (deficiency) of revenues over (under) expenditures	(3,096,545)	(5,614,746)	(5,344,930)	269,816
	OTHER FINANCING SOURCES (USES)				
7915	Transfers in	-	-	5,500,000	5,500,000
7080	Total other financing sources (uses)	-	-	5,500,000	5,500,000
1200	Net change in fund balances	(3,096,545)	(5,614,746)	155,070	5,769,816
0100	Fund balance - July 1 (beginning)	16,125,004	16,125,004	16,125,004	-
3000	Fund balance - June 30 (ending)	$ 13,028,459	$ 10,510,258	$ 16,280,074	$ 5,769,816

This Page Intentionally Left Blank

Statistical Section (Unaudited)

This Page Intentionally Left Blank

This statistical section is organized in five sections:

- Financial Trends- Compiles information reported in the Comprehensive Annual Report over the past ten years (2010-2019) as a result of the implementation of GASB 34 reporting. Information for Government Wide statements dates back to 2002 when the District implemented. These schedules report how the District's financial position has changed over time.

- Revenue Capacity Information- Provides information regarding the District's major own source revenue (property taxes) and the stability/growth of that revenue for the past ten year period.

- Debt Capacity Information- Provides information on the District's outstanding debt, the District's ability to repay the debt, and its ability to issue additional debt, if needed, for the past ten years, where applicable.

- Demographic and Economic Information- Provides information regarding the District's socioeconomic environment: specially, its taxpayers, employers, and the changes to those groups over the past ten years, if applicable.

- Operating Information- Provides information on the District's employees, operations of the District, and facilities for the period stated in the reports.

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

	2010	2011	2012	2013
Governmental Activities				
Net investment in capital assets	$ (9,471,391)	$ (13,749,605)	$ (18,016,518)	$(20,842,058)
Restricted	13,963,180	17,531,664	15,934,357	12,663,826
Unrestricted	15,986,510	7,973,873	14,612,284	10,459,002
Business Type Activities				
Unrestricted	-	-	78,246	66,612
Total Primary Government Net Position	$ 20,478,299	$ 11,755,932	$ 12,608,369	$ 2,347,382

Schedule 1

2014	2015	2016	2017	2018	2019
$ (28,305,183)	$ (30,697,028)	$ (23,725,928)	$ (18,985,241)	$(14,623,939)	$ (6,871,592)
10,081,840	8,800,546	9,356,974	9,598,901	11,320,215	11,206,645
19,861,926	17,862,321	11,252,600	6,423,062	(35,224,216)	(32,096,464)
73,853	112,166	119,030	159,743	241,509	326,589
$ 1,712,436	$ (3,921,995)	$ (2,997,324)	$ (2,803,535)	$(38,286,431)	$ (27,434,822)

Burleson Independent School District

Governmental Activities Revenue and Expense
Last Ten Years
(accrual basis of accounting)
(Unaudited)

	2010	2011	2012	2013
Expenses by Function				
Governmental Activities				
Instruction	$ 46,550,341	$ 50,533,901	$ 48,097,966	$ 48,317,821
Instructional Resources & Media Services	1,031,336	1,254,218	1,090,999	1,176,099
Curriculum & Staff Development	1,417,810	1,834,757	1,394,480	1,387,812
Instructional Leadership	1,003,556	1,018,989	875,690	946,455
School Leadership	4,814,938	5,377,191	5,104,708	5,102,142
Guidance, Counseling, & Evaluation Services	3,067,309	3,012,553	2,911,712	3,096,151
Social Work Services	62,780	1,990	-	56,328
Health Services	940,645	1,061,363	1,011,880	1,093,506
Student (Pupil) Transportation	2,103,204	1,921,336	1,771,166	1,864,305
Food Services	4,066,610	4,501,219	4,351,854	4,750,681
Extracurricular Activities	3,258,847	3,646,269	2,825,755	3,026,639
General Administration	2,815,412	2,947,019	2,450,929	2,707,304
Plant Maintenance & Operations	7,831,173	9,371,292	7,997,299	9,040,355
Security & Monitoring Services	350,455	322,064	265,415	276,481
Data Processing Services	1,456,979	1,983,971	1,384,539	1,411,545
Community Services	970,831	920,207	1,391,995	643,776
Debt Service - Interest on Long Term Debt	14,623,053	16,109,185	15,522,282	15,492,377
Debt Service - Bond Issurance Cost & Fees	4,300	201,675	109,175	624,805
Facilities Acquisition & Construction	66,160	-	-	-
Total Governmental Activities Expense	96,435,739	106,019,199	98,557,844	101,014,582
Business Type Activities Expense				
Child Care	-	-	604,630	610,249
Program Revenues				
Charges for Services				
Instruction	404,912	433,452	44,285	2,573,230
Food Service	2,180,157	2,093,910	2,222,403	2,394,643
Extracurricular Activities	1,970,401	2,287,479	471,228	441,557
Community Services	580,681	691,256	-	-
Other	43,414	42,046	57,805	48,873
Operating Grants and Contributions	12,429,245	10,681,528	12,625,718	6,760,500
Total Governmental Activities Program Revenue	17,608,810	16,229,671	15,421,439	12,218,803
Business Type Activities Revenues				
Charges for Services	-	-	574,687	566,867
Operating Grants and Contributions	-	-	-	-
Net (Expense)/Revenue And Changes in Net Position	$(78,826,929)	$ (89,789,528)	$ (83,166,348)	$ (88,839,161)

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

Schedule 2

	2014	2015	2016	2017	2018	2019
	$ 51,233,610	$ 52,121,810	$ 59,854,511	$ 65,545,974	$ 46,765,905	$ 74,085,797
	1,241,127	1,174,637	1,232,622	1,259,513	1,027,506	1,444,932
	1,324,047	1,412,597	1,931,145	2,126,353	1,593,667	2,682,213
	1,075,638	1,642,223	1,935,294	2,184,617	1,530,629	2,352,001
	5,569,981	5,698,793	6,271,740	6,829,731	4,930,009	7,786,400
	3,330,123	3,432,098	4,046,727	4,393,048	3,111,946	5,754,459
	59,666	64,471	67,371	130,744	76,802	130,288
	1,042,166	1,088,384	1,261,473	1,351,624	938,338	1,492,499
	1,880,920	1,915,025	2,794,187	2,942,211	3,087,009	3,075,072
	5,188,060	5,371,267	5,746,504	5,997,147	4,803,193	7,098,022
	3,117,749	3,753,960	3,955,992	4,315,441	3,861,508	4,371,801
	2,852,421	3,080,199	3,339,681	4,082,942	3,073,986	4,094,256
	8,584,064	8,936,625	8,761,763	9,329,370	7,879,459	10,094,402
	445,356	314,735	361,066	377,468	424,889	688,565
	1,547,764	2,643,544	2,265,949	2,603,464	2,307,625	2,815,807
	687,624	671,939	815,466	973,505	616,331	1,002,886
	14,959,125	15,143,300	12,307,683	12,017,106	14,085,772	15,446,748
	128,539	5,000	1,417,599	320,831	1,223,629	261,152
	-	-	-	-	-	-
	104,267,980	108,470,607	118,366,773	126,781,089	101,338,203	144,677,300
	543,580	552,290	562,388	566,394	604,849	655,083
	2,775,865	2,908,785	3,023,031	3,258,332	3,180,944	3,070,943
	2,613,549	2,586,788	2,515,875	2,567,586	2,741,209	2,939,390
	415,322	436,947	461,277	489,433	460,985	550,015
	-	-	-	-	-	-
	140,105	127,308	99,008	105,560	103,833	118,877
	6,858,969	6,365,989	9,720,657	8,215,605	(7,555,283)	18,504,169
	12,803,810	12,425,817	15,819,848	14,636,516	(1,068,312)	25,183,394
	521,753	560,564	540,404	577,388	654,118	706,761
	29,068	30,039	28,848	29,719	32,497	33,402
	$ (91,456,929)	$ (96,006,477)	$ (102,540,061)	$ (112,103,860)	$ (102,324,749)	$ (119,408,826)

Burleson Independent School District

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

	2010	2011	2012	2013
Net (Expense)/Revenue				
Governmental Activities	$ (78,826,929)	$ (89,789,528)	$ (88,795,779)	$ (88,839,161)
Business-type Activities	-	-	(2,339)	(11,634)
	$ (78,826,929)	$ (89,789,528)	$ (88,798,118)	$ (88,850,795)
General Revenue and Other Changes in Net Position				
Governmental Activities:				
Taxes				
Property Taxes, Levied for General Purposes	$ 38,214,968	$ 35,719,185	$ 35,171,679	$ 35,332,535
Property Taxes, Levied for Debt Service	18,329,719	17,257,445	16,855,823	16,919,470
State Aid - Unrestricted Formula Grants	23,494,941	25,221,315	30,548,650	31,980,677
Investment Earnings	294,249	155,843	80,209	83,777
Miscellaneous Local and Intermediate Revenue	2,201,181	2,713,373	1,266,642	923,169
Total Governmental Activities	82,535,058	81,067,161	83,923,003	85,239,628
Business-type Activities:	-	-	-	-
Total Business-type Activities	-	-	-	-
Total Primary Government	$ 82,535,058	$ 81,067,161	$ 83,923,003	$ 85,239,628
Change in Net Position				
Governmental Activities	$ 3,708,129	$ (8,722,367)	$ 687,798	$ (3,556,151)
Business-type Activities	-	-	78,246	(11,634)
Total Change in Net Position	$ 3,708,129	$ (8,722,367)	$ 766,044	$ (3,567,785)

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

Schedule 3

2014	2015	2016	2017	2018	2019
$ (91,464,170)	$ (96,044,790)	$ (102,546,925)	$ (112,144,573)	$ (102,406,515)	$ (119,493,906)
7,241	38,313	6,864	40,713	81,766	85,080
$ (91,456,929)	$ (96,006,477)	$ (102,540,061)	$ (112,103,860)	$ (102,324,749)	$ (119,408,826)
$ 34,367,419	$ 37,232,750	$ 37,793,546	$ 39,179,085	$ 48,692,234	$ 52,882,627
16,495,771	17,896,527	18,104,303	18,733,850	20,963,615	22,463,135
38,320,076	42,264,958	46,369,557	53,075,316	53,159,874	51,524,236
57,588	58,632	213,369	351,980	1,501,201	2,558,767
1,581,129	1,689,255	1,096,123	957,418	896,023	831,670
90,821,983	99,142,122	103,576,898	112,297,649	125,212,947	130,260,435
-	-	-	-	-	
-	-	-	-	-	-
$ 90,821,983	$ 99,142,122	$ 103,576,898	$ 112,297,649	$ 125,212,947	$ 130,260,435
$ (642,187)	$ 3,097,332	$ 1,029,973	$ 153,076	$ 22,806,432	$ 10,766,529
7,241	38,313	6,864	40,713	81,766	85,080
$ (634,946)	$ 3,135,645	$ 1,036,837	$ 193,789	$ 22,888,198	$ 10,851,609

Burleson Independent School District

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

	2010	2011	2012	2013
General Fund				
Nonspendable	$ 127,843	$ 122,163	$ 226,556	$ 304,651
Committed	-	13,874,622	99,806	149,325
Unassigned	28,042,051	14,707,187	20,112,493	19,596,818
Total General Fund	28,169,894	28,703,972	20,438,855	20,050,794
All Other Governmental Funds				
Nonspendable	-	86,041	58,212	11,495
Committed	-	-	14,827,092	15,071,963
Restricted for:				
Debt Service	23,517,201	21,588,409	19,707,583	17,694,475
Capital Acquisitions	-	5,466,278	4,647,629	3,469,281
Grant Funds	711,665	1,134,146	396,979	241,104
Unassigned	-	-	-	-
Total All Other Governmental Funds	24,228,866	28,274,874	39,637,495	36,488,318
Total All Government Funds	$ 52,398,760	$ 56,978,846	$ 60,076,350	$ 56,539,112
Change in Fund Balance for Governmental Funds	$ (5,177,375)	$ 4,580,086	$ 3,097,504	$ (3,537,238)

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

2014	2015	2016	2017	2018	2019
$ 250,157	$ 400,292	$ 278,233	$ 270,614	$ 752,698	$ 686,121
20,706	287,680	161,186	-	-	-
23,647,503	24,524,180	22,000,000	22,981,552	24,829,426	27,481,804
23,918,366	25,212,152	22,439,419	23,252,166	25,582,124	28,167,925
34,886	30,963	27,825	8,114	4,225	5,147
15,068,464	18,835,540	15,422,545	11,696,613	15,430,133	19,858,055
15,061,089	14,137,487	13,088,136	13,542,177	16,125,004	16,280,074
1,934,410	-	-	-	48,074,312	21,632,688
312,276	181,750	181,239	432,066	289,830	1,317,519
-	-	-	-	(451)	(19,907)
32,411,125	33,185,740	28,719,745	25,678,970	79,923,053	59,073,576
$ 56,329,491	$ 58,397,892	$ 51,159,164	$ 48,931,136	$ 105,505,177	$ 87,241,501
$ (209,621)	$ 2,068,401	$ (7,238,728)	$ (2,228,028)	$ 56,574,041	$ (18,263,676)

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

	2010	2011	2012	2013
Local Sources:				
Local Maintenance and Debt Service Tax	$ 56,285,603	$ 53,763,202	$ 52,371,892	$ 52,219,304
Tuition from Patrons	108,451	90,193	-	-
Other Revenue from Local Sources	4,730,998	6,548,106	4,199,895	3,444,393
Other Revenue from Intermediate Sources	-	-	-	-
Co-curricular Revenues	2,552,714	2,505,836	3,309,125	3,020,855
Total Local Sources	63,677,766	62,907,337	59,880,912	58,684,552
State Programs:				
Per Capita and Foundation	23,927,656	21,849,929	27,372,818	28,670,064
Other State Program Revenues	3,946,145	4,250,107	4,741,181	4,034,466
Total State Programs	27,873,801	26,100,036	32,113,999	32,704,530
Federal Programs:				
State Distributed Revenues from Federal Source:	8,333,217	8,557,069	7,180,955	5,654,017
Total Federal Programs	8,333,217	8,557,069	7,180,955	5,654,017
Other Financing Sources:				
Bond Proceeds and Other	70,342,359	27,106,510	13,874,622	12,031,542
Total Revenues	$ 170,227,143	$ 124,670,952	$ 113,050,488	$ 109,074,641

Schedule 5

2014	2015	2016	2017	2018	2019
$ 51,003,758	$ 55,150,878	$ 55,876,497	$ 58,023,847	$ 69,455,629	$ 75,409,200
-	-	-	-	-	
3,888,383	3,961,718	3,868,962	4,000,853	5,244,204	3,556,885
-	-	-	-	-	
3,695,172	3,834,222	3,539,722	3,729,456	3,637,408	6,512,777
58,587,313	62,946,818	63,285,181	65,754,156	78,337,241	85,478,862
38,320,076	38,654,135	42,197,507	43,220,942	47,478,657	46,283,554
1,362,739	4,375,445	5,447,670	6,719,491	6,400,187	7,248,181
39,682,815	43,029,580	47,645,177	49,940,433	53,878,844	53,531,735
5,652,580	5,650,616	6,171,935	6,981,525	7,193,578	8,712,408
5,652,580	5,650,616	6,171,935	6,981,525	7,193,578	8,712,408
-	-	-	-	-	-
$ 103,922,708	$ 111,627,014	$ 117,102,293	$ 122,676,114	$ 139,409,663	$ 147,723,005

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

	2010	2011	2012	2013
Expenditures by Function				
Current				
Instruction	$ 44,527,640	$ 46,919,595	$ 44,241,226	$ 43,964,457
Instructional Resources & Media Services	985,550	1,181,495	1,053,707	1,083,010
Curriculum & Staff Development	1,367,305	1,718,588	1,273,094	1,282,555
Instructional Leadership	961,847	939,953	804,834	866,516
School Leadership	4,694,167	4,848,447	4,561,622	4,600,600
Guidance, Counseling, & Evaluation Services	2,915,507	2,738,289	2,721,542	2,860,732
Social Work Services	62,457	1,796	-	56,328
Health Services	890,829	958,774	959,767	986,455
Student (Pupil) Transportation	2,095,728	1,909,710	1,761,046	1,854,085
Food Services	3,963,316	4,291,391	4,138,943	4,850,615
Extracurricular Activities	3,201,740	3,639,118	2,819,380	3,015,594
General Administration	2,206,564	2,308,809	1,869,336	2,127,303
Plant Maintenance & Operations	7,868,048	8,872,279	7,453,681	8,559,424
Security & Monitoring Services	383,195	315,198	264,347	317,253
Data Processing Services	2,046,096	1,902,742	1,274,022	1,316,464
Community Services	959,657	899,742	784,338	648,288
Debt Service				
Principal on Long Term Debt	1,348,967	1,978,720	2,140,256	2,864,688
Interest on Long Term Debt	14,497,891	16,582,361	16,736,906	16,691,000
Bond Issurance Cost & Fees	1,621,180	359,923	3,800	276,535
Capital Outlay				
Facilities Acquisition & Construction	78,210,386	17,178,744	719,626	3,624,760
Intergovernmental				
Payments to Fiscal Agent/Member Districts of SSA	68,394	5,114	6,192	40,048
Payments to Juvenile Justice Alternative Ed. Prg.	6,225	316	10,625	158
Other Governmental Charges	521,829	539,762	418,146	384,873
Total Expenditures	$ 175,404,518	$120,090,866	$ 96,016,436	$ 102,271,741
Debt Service as a percentage of noncapital expenditures	17.97%	18.39%	19.81%	20.10%
Capital Outlay as a percentage of operating expenditures	45.23%	14.65%	0.91%	3.90%

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

Schedule 6

2014	2015	2016	2017	2018	2019
$ 46,101,876	$ 47,663,770	$ 53,309,040	$ 56,467,397	$ 58,660,695	$ 61,284,765
1,132,587	1,083,901	1,117,396	1,104,506	1,214,937	1,222,463
1,223,021	1,325,555	1,785,669	1,921,224	2,059,987	2,281,472
975,378	1,504,517	1,727,316	1,898,780	2,107,065	1,902,576
4,967,091	5,167,382	5,552,533	5,831,744	6,085,281	6,386,549
3,044,477	3,171,903	3,603,519	3,811,342	4,148,683	4,716,545
59,666	64,471	67,334	112,998	102,198	104,419
926,800	987,154	1,114,998	1,152,675	1,149,998	1,233,103
1,871,241	1,906,042	2,783,872	3,168,025	3,091,861	3,065,297
4,947,288	5,329,987	5,408,386	5,569,599	5,818,384	6,190,883
3,130,083	3,831,252	3,886,937	4,138,485	4,600,657	4,081,357
2,190,131	2,237,327	2,411,313	3,032,695	2,683,287	2,809,421
8,133,280	8,563,837	8,276,005	8,569,359	8,759,561	9,381,953
445,368	314,811	360,600	373,960	432,796	685,302
1,432,054	2,671,521	2,155,227	2,457,573	2,463,185	2,588,814
687,546	675,254	781,105	868,096	885,924	874,163
3,175,487	3,681,207	5,967,905	7,735,000	11,715,000	13,590,000
17,086,032	16,646,700	14,074,789	12,429,774	13,115,431	15,245,611
128,539	5,000	1,417,599	320,831	1,223,629	261,152
1,881,859	2,057,524	8,639,262	3,525,032	12,974,599	52,523,770
63,532	74,669	67,632	93,471	100,967	39,862
7,426	1,501	1,343	-	-	2,322
392,948	605,045	627,746	637,407	702,052	771,182
$ 104,003,710	$ 109,570,330	$ 125,137,526	$ 125,219,973	$ 144,096,177	$ 191,242,981
19.97%	18.91%	18.42%	16.83%	19.87%	20.79%
1.28%	2.33%	6.90%	2.82%	9.00%	27.46%

Burleson Independent School District

Governmental Fund Other Source, Uses and Changes in Fund Balance
Last Ten Years
(modified accrual basis of accounting)
(Unaudited)

	2010	2011	2012	2013
Excess of revenues over (under) expenditures	$(75,519,734)	$ (22,526,424)	$ 3,159,430	$ (5,228,642)
Other Financing Sources (Uses)				
Capital Related Debt Issued (Regular Bonds)	66,700,000	51,095,000	-	8,575,000
Transfers In	416,051	-	13,874,622	1,505,006
Transfers Out	-	-	(13,973,422)	(1,505,006)
Premium or Discount on Issuance of Bonds	3,642,359	6,111,165	-	529,340
Prepaid Interest	-	-	-	-
Other Uses (Refunding Bonds)	(416,051)	(30,099,655)	-	(9,013,270)
Capital Leases	-	-	-	1,422,196
Non-Current Loans	-	-	-	-
Sale of Real and Personal Property	-	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-	-
Other (Uses)	-	-	-	-
Total Other Financing Sources (Uses)	70,342,359	27,106,510	(98,800)	1,513,266
Net Change in Fund Balances	$ (5,177,375)	$ 4,580,086	$ 3,060,630	$ (3,715,376)

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

2014	2015	2016	2017	2018	2019
$ (81,002)	$ 2,056,624	$ (8,035,233)	$ (2,543,859)	$ (4,686,514)	$ (43,519,976)
-	-	146,039,656	17,630,000	118,064,151	24,955,000
-	-	5,558,760	-	8,519,602	8,868,513
-	-	(5,558,760)	-	(8,519,602)	(8,868,513)
-	-	16,247,550	832,340	13,805,714	301,300
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	11,776	-	-	-	-
-	-	(161,490,701)	(18,146,509)	(70,609,310)	-
-	-	-	-	-	-
-	11,776	796,505	315,831	61,260,555	25,256,300
$ (81,002)	$ 2,068,400	$ (7,238,728)	$ (2,228,028)	$ 56,574,041	$ (18,263,676)

Burleson Independent School District

Schedule 8

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

Tax Roll for Fiscal Year	Actual Value: Real Property	Actual Value: Personal Property	Less Exemptions	Total Taxable Assessed Value	Total Direct Tax Rate[1]	Estimated Actual Value[2]	Assessed Value to Total Estimated Actual Value
2010	3,873,172,152	349,137,487	694,216,279	3,528,093,360	1.54	4,222,309,639	83.56%
2011	3,753,814,574	425,735,259	731,948,413	3,447,601,420	1.54	4,179,549,833	82.49%
2012	3,714,753,439	576,869,842	848,822,476	3,442,800,805	1.54	4,291,623,281	80.22%
2013	3,895,626,794	409,373,981	870,534,656	3,434,466,119	1.54	4,305,000,775	79.78%
2014	3,836,856,513	426,168,092	920,219,408	3,342,805,197	1.54	4,263,024,605	78.41%
2015	4,218,002,480	423,228,388	1,002,131,898	3,639,098,970	1.54	4,641,230,868	78.41%
2016	4,516,474,211	355,362,516	1,162,757,413	3,709,079,314	1.54	4,871,836,727	76.13%
2017	4,802,189,112	391,474,242	1,313,296,869	3,880,366,485	1.54	5,193,663,354	74.71%
2018	5,466,621,379	378,701,859	1,508,627,491	4,336,695,747	1.67	5,845,323,238	74.19%
2019	6,034,776,812	400,800,003	1,663,337,441	4,772,239,374	1.67	6,435,576,815	74.15%

Sources: Johnson and Tarrant County Appraisal District

[1] Per $100 of assessed value.

[2] Estimated actual value includes real property, personal property, and oil, gas, and other minerals.

This Page Intentionally Left Blank

Burleson Independent School District

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

	2010	2011	2012	2013	2014
Burleson ISD:					
Maintenance and Operations	1.0400	1.0400	1.0400	1.0400	1.0400
Interest and Sinking	0.5000	0.5000	0.5000	0.5000	0.5000
Total	1.5400	1.5400	1.5400	1.5400	1.5400
City of Burleson[1]	0.694	0.710	0.690	0.690	0.690
City of Fort Worth[1]	0.855	0.855	0.855	0.855	0.855
City of Crowley[1]	0.64	0.64	0.669019	0.669029	0.676448
Johnson County[1]	0.300589	0.3275	0.3305	0.333229	0.371154
Tarrant County[1]	0.264	0.264	0.264	0.264	0.264
Tarrant County Hospital District[1]	0.227897	0.22789	0.22789	0.227897	0.227897

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

[1]Overlapping rates

Schedule 9

2015	2016	2017	2018	2019
1.0400	1.0400	1.0400	1.1700	1.1700
0.5000	0.5000	0.5000	0.5000	0.5000
1.5400	1.5400	1.5400	1.6700	1.6700
0.740	0.740	0.646027	0.735	0.735
0.855	0.855	0.835	0.805	0.785
0.765515	0.718061	0.703351	0.719	0.709
0.445	0.448	0.431713	0.4417	0.472
0.264	0.264	0.264	0.244	0.234
0.227897	0.227897	0.227897	0.224429	0.224429

Burleson Independent School District **Schedule 10**

Ten Largest Taxpayers
Current Year and Nine Years Ago
(Unaudited)

Principal Employer	Rank	2019 2018-2019 Total Taxable Assessed Value[1]	2019 Percentage of Total Taxable Assessed Value	Rank	2010 2008-2009 Total Taxable Assessed Value[2]	2010 Percentage of Total Taxable Assessed Value
Burleson Gateway	1	$ 35,663,519	0.75%			
Wagner Smith	2	30,119,928	0.63%			
XTO Energy	3	21,266,153	0.45%	1	93,946,100	3%
BRE DDR BR McAlister	4	20,930,000	0.44%			
FDL Operating	5	20,203,448	0.42%			
Sam's Real Estate	6	19,343,170	0.41%			
H E Butt Grovery Co.	7	18,539,539	0.39%			
Halliburton	8	18,193,405	0.38%			
Summercrest at Burleson	9	16,538,853	0.35%			
EB Reserve	10	15,808,651	0.33%	4	61,353,424	1.74%
Chesapeake Exploration, Inc.				2	74,915,725	2.12%
Williams Production				3	70,374,036	1.99%
EOG Resources				5	22,815,690	0.65%
Devon Energy Production				6	15,654,727	0.44%
Burleson Commons				7	14,983,133	0.42%
Titan Operating				8	14,408,505	0.41%
Barnett Gathering				9	10,803,633	0.31%
Target Corporation				10	10,518,830	0.30%
Wal-Mart Real Estate Business						
		$ 216,606,666	4.54%		$ 389,773,803	11.05%

Source: Johnson and Tarrant County Appraisal District

[1]Total 2018-2019 taxable assessed value equals $4,772,239,374
[2]Total 2009-2010 taxable assessed value equals $3,528,093,360

Burleson Independent School District — Schedule 11

Property Tax Levies and Collections
Current Year and Last Ten Years
(Unaudited)

		Collected Within Fiscal Year of Levy			Total Collections to Date	
Fiscal Year	Total Tax Levy	Amount[1]	Percentage of Levy	Collections in Subsequent Years	Amount	Percentage of Levy
2010	56,030,178	54,488,463	97.25%	1,062,866	55,551,329	99.15%
2011	54,162,535	51,759,277	95.56%	1,129,338	52,888,615	97.65%
2012	52,139,195	51,129,246	98.06%	590,759	51,720,005	99.20%
2013	51,689,326	50,678,921	98.05%	528,909	51,207,830	99.07%
2014	50,307,825	49,439,770	98.27%	631,035	50,070,805	99.53%
2015	54,704,182	53,835,542	98.41%	465,112	54,300,654	99.26%
2016	55,572,864	54,656,414	98.35%	231,401	54,887,815	98.77%
2017	57,723,302	56,990,775	98.73%	330,566	57,321,341	99.30%
2018	69,065,299	68,012,167	98.48%	554,633	68,566,800	99.28%
2019	75,474,090	74,483,216	98.69%	62,364	74,545,580	98.77%

[1]Collected amounts represent total collections before refunds.

Source: Johnson County Tax Office

Burleson Independent School District **Schedule 12**

Outstanding Debt by Type
Last Ten Years
(Unaudited)

Fiscal Year	General Obligation Debt	Other Obligations	Capital Leases	Notes Payables	Total Primary Government	Percentage of Personal Income	Per Capita
2010	294,804,009	22,417,818	-	-	317,221,827	27.95%	9,235
2011	315,003,199	27,040,861	-	-	342,044,060	26.90%	9,958
2012	312,862,942	25,180,886	-	-	338,043,828	25.24%	9,841
2013	310,441,243	24,364,535	979,175	-	335,784,953	24.07%	9,775
2014	307,661,941	26,463,747	582,990	-	334,708,678	22.16%	9,744
2015	304,395,852	24,703,067	167,874	-	329,266,793	21.10%	9,586
2016	296,800,852	39,757,407	-	-	336,558,259	20.68%	9,798
2017	288,945,852	38,695,411	-	-	327,641,263	N/A	9,538
2018	329,205,852	51,604,472	-	-	380,810,324	N/A	11,086
2019	340,570,852	49,916,805	545,147	-	391,032,804	N/A	11,384

Source: District's Financial Audit, Notes on Long-Term Debt

Note 1: See Schedule 16 for personal income and population data.

Burleson Independent School District

Schedule 13

Direct and Overlapping Governmental Activities Debt
June 30, 2013
(Unaudited)

Taxing Body	Net Debt Outstanding	As of	Percent Overlapping[1]	Amount Overlapping Net Debt
City of Burleson	$ 155,260,000	6/30/2019	76.21%	$ 118,323,646
City of Crowley	32,270,000	6/30/2019	3.23%	1,042,321
City of Fort Worth	745,560,000	6/30/2019	0.99%	7,381,044
Johnson County	24,205,000	6/30/2019	25.88%	6,264,254
Tarrant County	294,500,000	6/30/2019	0.85%	2,503,250
Tarrant County Hospital District	17,735,000	6/30/2019	0.85%	150,748
Total Overlapping Net Debt	1,269,530,000			135,665,263
Burleson ISD	340,570,852	6/30/2019	100%	340,570,852
Total Direct and Overlapping Debt				$ 476,236,115
Ratio of Total Direct and Overlapping Net Debt to 2019 Taxable Assessed Valuation $4,772,239,374				9.98%

Source: City of Burleson, Johnson County Appraisal District, Tarrant County Appraisal District

[1]The percentage of overlapping debt is estimated using taxable assessed property values.
Percentages were estimated by determing the portion of the overlapping taxing authority's taxable assessed value that is within the District boundaries and dividing it by the overlapping taxing authority's total taxable assessed value.

Burleson Independent School District **Schedule 14**

Legal Debt Margin Information
Last Ten Years
(Unaudited)

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total Net Debt Applicable to the Limit as a Percentage of Debt Limit
2010	344,741,846	298,564,366	46,177,480	86.61%
2011	331,292,375	320,455,951	10,836,424	96.73%
2012	344,280,081	323,795,364	20,484,717	94.05%
2013	343,446,612	323,362,231	20,084,381	94.15%
2014	334,280,520	324,608,422	9,672,098	97.11%
2015	363,909,897	320,647,997	43,261,900	88.11%
2016	370,907,931	327,382,524	43,525,407	88.27%
2017	388,036,649	318,474,428	69,562,221	82.07%
2018	433,669,575	370,196,152	63,473,423	85.36%
2019	466,825,518	381,143,678	85,681,840	81.65%

Legal Debt Margin Calculation for Fiscal Year 2019

Assessed value	$ 4,772,239,374
Debt Limit (10% of assessed value)	$ 477,223,937
Debt applicable to limit	$ 381,143,678
Legal debt margin	$ 96,080,259

This Page Intentionally Left Blank

Burleson Independent School District

Ratio of Net General Debt to Taxable Assessed Valuation
and Net Bonded Debt Per Capita
Last Ten Years
(Unaudited)

Fiscal Year	Total Taxable Assessed Value	Assessment Ratio	Gross Bonded Debt Outstanding at Year End[1]	Reserve for Retirement of Bonded Debt	Net Bonded Debt Outstanding at Year End
2010	$ 3,528,093,360	100%	$ 294,804,009	$ 13,431,061	$ 281,372,948
2011	3,447,601,420	100%	315,003,119	16,311,477	298,691,642
2012	3,442,800,805	100%	312,862,942	14,477,247	298,385,695
2013	3,434,466,119	100%	310,441,243	12,422,722	298,018,521
2014	3,342,805,197	100%	307,661,941	9,769,564	297,892,377
2015	3,639,098,970	100%	304,395,852	8,618,796	295,777,056
2016	3,709,079,314	100%	296,800,852	9,175,735	287,625,117
2017	3,880,366,485	100%	327,280,798	9,166,835	318,113,963
2018	4,336,695,747	100%	380,810,324	11,030,385	369,779,939
2019	4,772,239,374	100%	340,570,852	9,889,126	330,681,726

Sources: Johnson and Tarrant County Appraisal District, District records

[1]The District's bonded indebtedness consists of general obligation debt.

Schedule 15

Fiscal Year	Ratio Bonded Debt to Taxable Assessed Valuation	Estimated Population	Net Bonded Debt Per Capita	Taxable Assessed Value Per Capita
2010	7.98%	35,030	$ 8,032	$ 100,716
2011	8.66%	36,690	8,141	93,966
2012	8.67%	38,130	7,825	90,291
2013	8.68%	39,010	7,640	88,041
2014	8.91%	40,714	7,317	82,105
2015	8.13%	41,213	7,177	88,300
2016	7.75%	42,560	6,758	87,149
2017	8.20%	43,960	7,236	88,270
2018	8.53%	45,016	8,214	96,337
2019	6.93%	46,145	7,166	103.418

Burleson Independent School District

Schedule 16

Demographic and Economic Statistics
Last Ten Years
(Unaudited)

Fiscal Year	Population[1]	Personal Income [2] (thousands of dollars)	Per Capita Personal Income[3]	Unemployment Rate[4]	Residental Units[5]	Assessed Value of Residential Units[5]	Average Assessed Value of Residential Units[5]	Average Daily Attendance
2010	35,030	1,135,147	32,405	7.2%	17,465	2,177,409,710	124,673	9,241
2011	36,690	1,271,748	34,662	7.4%	17,651	2,198,943,494	124,579	9,404
2012	38,130	1,339,430	35,128	7.1%	18,043	2,207,991,229	122,374	9,704
2013	39,010	1,394,880	35,757	6.7%	18,377	2,237,896,377	121,777	9,990
2014	40,714	1,510,733	37,106	6.0%	18,583	2,330,451,271	125,408	10,186
2015	41,213	1,560,530	37,865	4.4%	18,745	2,479,984,947	132,301	10,389
2016	42,560	1,627,792	38,247	4.6%	18,932	2,660,145,544	140,511	10,804
2017	43,960	-	N/A	4.7%	19,473	3,092,091,053	158,789	11,226
2018	45,016	-	N/A	3.9%	19,934	3,365,082,959	168,811	11,487
2019	46,145	-	N/A	3.4%	20,130	3,971,138,527	197,275	11,735

Sources:

[1]City of Burleson Comprehensiv e Annual Financial Report and United States Census Bureau

[2]Personal Income is the per capita income mutiplied by the population

[2]Bureau of Economic Analysis. Personal income for Johnson County updated through 2017.

[4]US Department of Labor - Bureau of Labor Statistics

[5]Johnson County and Tarrant County Appraisal District

Burleson Independent School District **Schedule 17**

Principal Employers

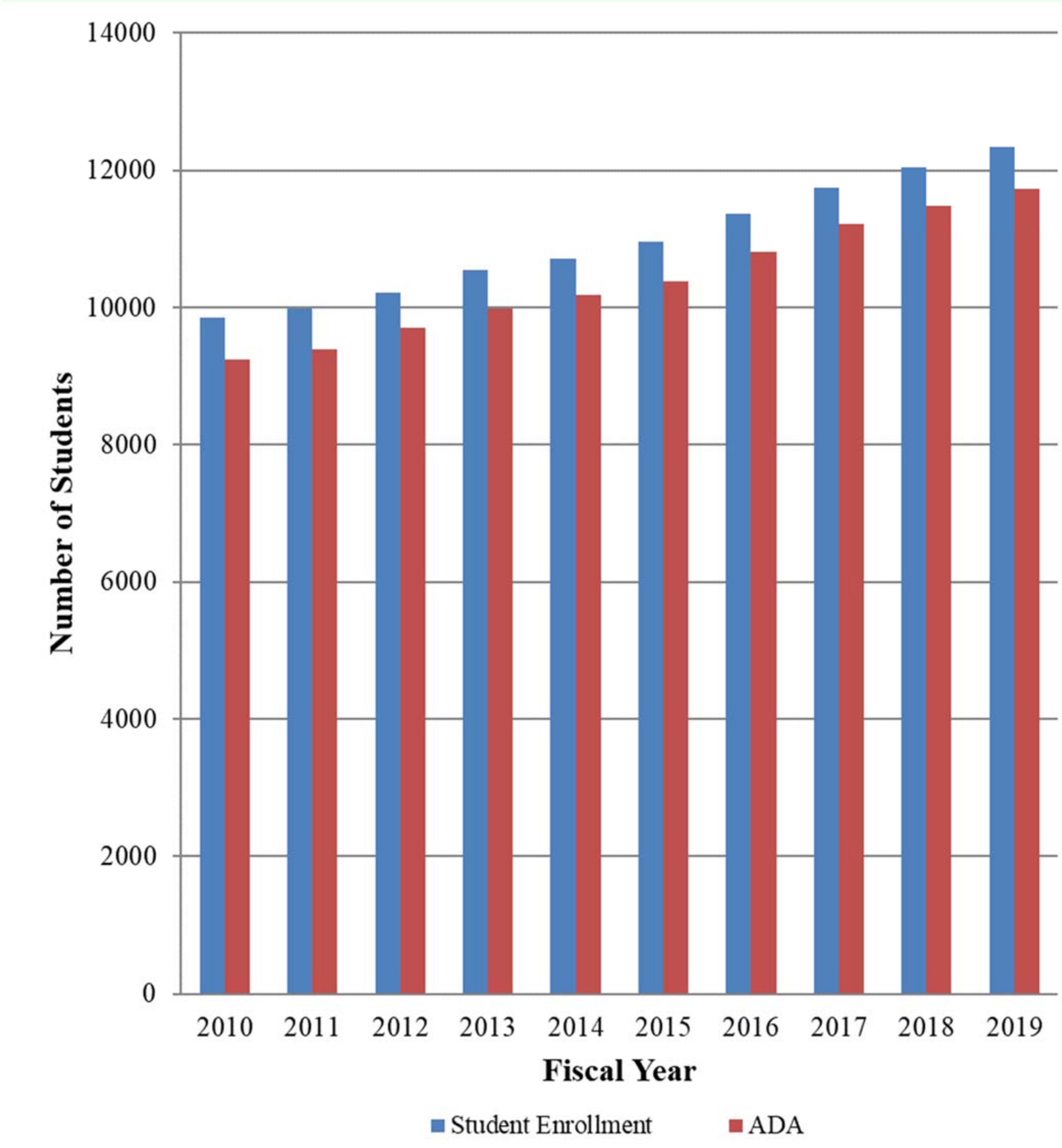
Current Year and Five Years Ago

(Unaudited)

		2018-2019			2013-2014		
Principal Employer	Business Type	Rank	Number of Employees	Percentage of Total Employment	Rank	Number of Employees	Percentage of Total Employment
Burleson ISD	Education	1	1550	10.69%	1	1334	9.74%
Wal-Mart	Retail	2	565	3.90%	2	410	2.99%
City of Burleson	Municipality	3	452	3.12%	3	272	1.99%
H.E.B. Grocery Store	Grocery	4	422	2.91%			
Champion Buildings	Manufacturing	5	340	2.34%			
Kroger Marketplace	Retail	6	190	1.31%			
Sam's Club	Retail	7	150	1.03%			
Basden Steel	Manufacturing	8	150	1.03%			
KWS Manufacturing	Manufacturing	9	150	1.03%	6	200	1.46%
Home Depot	Retail	10	118	0.81%	7	150	1.09%
Burley Fence	Manufacturing				4	250	1.82%
Lowe's	Retail				5	220	1.61%
Target	Retail				8	150	1.09%
Thomas Conveyor	Manufacturing				9	150	1.09%
Albertson's	Retail				10	140	1.02%
			4087	28.18%		3276	23.90%

Source: City of Burleson and Comprehensive Annual Financial reports from the corresponding fiscal years.

Total Enrollment and Average Daily Attendance Data Chart
Last Ten Years
(Unaudited)



Burleson Independent School District

Schedule 19

Full Time Equivalent Employees by Function
Last Nine Years
(Unaudited)

	2012	2013	2014	2015	2016	2017	2018	2019
Teaching								
Elementary Classroom Teachers	324	329	313	304	322	353	349	355
Secondary Classroom Teachers	255	260	323	324	344	374	386	388
Other Teachers	73	75	39	56	40	32	38	36
Total Teaching Staff	652	664	675	684	706	759	773	780
Support Staff								
Counselors	19	21	23	22	23	23	29	28
Therapists	15	16	17	17	17	19	19	21
Psychologists/Diagnosticians	15	16	16	15	17	20	13	16
Teacher Facilitators	7	7	8	8	14	13	12	13
Other Campus Professional	7	9	10	17	18	10	19	15
Other Non-Instructional	13	17	18	21	20	24	22	33
Athletic Trainer	1	3	3	2	4	3	5	4
Librarians	13	14	14	13	14	14	14	14
Nurses/Physicians	16	16	14	15	16	16	15	14
Total Support Staff	106	119	123	130	143	142	148	157
Administrative Staff								
Principals	15	15	15	14	15	17	17	17
Assistant Principals	24	25	24	26	26	26	28	30
Superintendent	1	1	1	1	1	1	1	1
Assistant Superintendent	1	1	1	2	2	2	1	0
Directors	13	11	13	15	14	19	13	12
Total Central Administration	54	53	54	58	58	65	60	60
Paraprofessional Staff								
Educational Aides	123	122	119	128	126	134	155	150
Auxiliary Staff								
Auxiliary	390	390	363	369	349	382	399	404
Total	1,325	1,347	1,334	1,369	1,382	1,482	1,535	1,550

Source: Texas Education Agency PEIMS Reports. Minor differences between this schedule and those on the internet are due to rounding.

Burleson Independent School District **Schedule 20**

Teacher Salary Data
Last Ten Years
(Unaudited)

Fiscal Year	Minimum Salary	Maximum Salary	District Average Salary	Region Average Salary	State Average Salary
2010	43,200	66,000	47,302	50,642	48,263
2011	43,200	66,000	47,463	48,014	48,638
2012	43,200	66,000	47,011	50,386	48,375
2013	43,200	66,000	47,795	51,130	48,821
2014	43,200	66,000	47,958	52,208	49,692
2015	46,000	67,200	49,601	53,291	50,715
2016	48,000	68,700	52,345	54,379	51,892
2017	49,000	69,700	53,322	55,194	52,525
2018	50,000	70,900	54,030	56,144	53,334
2019	51,000	71,609	54,961	56,985	54,122

Source: District Records and PEIMS Standards Report

Note 1: Minimum and Maximum Salary based on Bachelor's 187 Days.

This Page Intentionally Left Blank

Burleson Independent School District

Operating Statistics
Last Ten Years
(Unaudited)

Fiscal Year	Total Enrollment	Average Daily Attendance	Operating Expenditures[1]	Cost Per Pupil	Percent Change	Operating Expenses	Cost Per Pupil
2010	9,846	9,241	$ 79,726,094	$ 8,627	10.95%	$ 96,435,739	$ 10,436
2011	9,989	9,404	72,120,557	7,669	-11.11%	106,019,199	11,274
2012	10,160	9,705	75,980,885	7,829	2.09%	98,557,844	10,156
2013	10,457	9,990	78,814,758	7,890	0.77%	101,014,582	10,112
2014	10,618	10,186	81,731,793	8,024	1.70%	104,267,980	10,236
2015	10,805	10,389	87,023,734	8,377	4.40%	108,470,607	10,441
2016	11,376	10,804	94,337,802	8,731	4.24%	118,366,773	10,956
2017	11,748	11,226	100,028,328	8,910	2.05%	126,781,089	11,293
2018	12,054	11,487	104,797,465	9,123	2.39%	101,940,469	8,874
2019	12,340	11,735	109,436,472	9,326	2.22%	144,677,300	12,329

Source: District's Financial Audit, Exhibit B-1 and C-3, District Records

[1]Operating expenditures are total expenditures less debt service and capital outlays.

Percent Change	Teaching Staff	Pupil-Teacher Ratio	Students Receiving Free or Reduced-Price Meals
14.38%	634	14.6	33.0%
8.03%	661	14.2	35.0%
-9.92%	652	14.9	37.0%
-0.43%	665	15.0	36.0%
1.23%	675	15.1	35.0%
2.00%	685	15.2	38.0%
4.93%	706	15.3	38.0%
3.09%	759	14.8	37.0%
-21.42%	772	14.9	37.0%
38.92%	780	15.1	39.0%

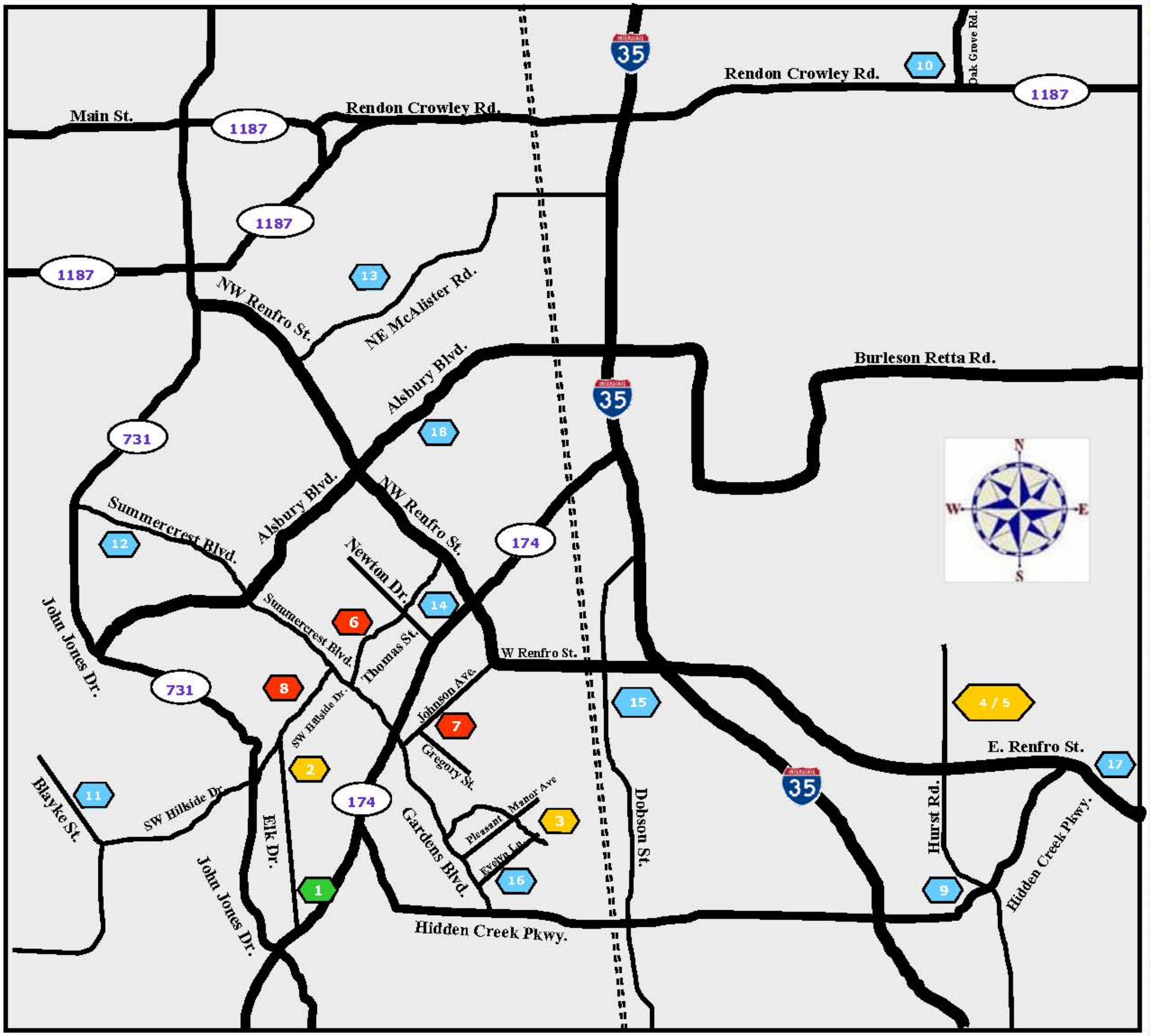
Burleson Independent School District

Schedule 22

School Building Information
Last Ten Years
(Unaudited)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Elementary										
# of Locations	10	10	10	10	10	10	10	10	10	10
Sq. Footage	813,061	813,061	813,061	813,061	813,061	813,061	813,061	813,061	813,061	813,061
Capacity	6,242	6,242	6,242	6,242	6,242	6,242	6,242	6,242	6,242	6,242
Enrollment	4,862	4,900	5,078	5,184	5,214	5,283	5,534	5,670	5,725	5,725
Middle Schools										
# of Locations	2	2	2	2	2	2	3	3	3	3
Sq. Footage	383,563	383,563	383,563	383,563	383,563	383,563	434,793	434,793	434,793	434,793
Capacity	2,200	2,200	2,200	2,200	2,200	2,200	2,700	2,700	2,700	2,700
Enrollment	2,278	2,282	2,331	2,342	2,388	2,446	2,571	2,750	2,896	2,896
High Schools										
# of Locations	2	3	3	3	3	3	3	4	4	4
Sq. Footage	447,947	947,947	947,947	947,947	947,947	947,947	947,947	947,947	947,947	947,947
Capacity	2,150	4,150	4,150	4,150	4,150	4,150	4,150	4,150	4,150	4,150
Enrollment	2,756	2,651	2,750	2,931	3,016	3,076	3,271	3,328	3,433	3,433
Athletic Facilities										
Football fields	3	4	4	4	4	4	4	4	4	4
Running tracks	4	5	5	5	5	5	5	5	5	5
Ball Fields	2	4	4	4	4	4	4	4	4	4
Playgrounds	10	10	10	10	10	10	10	10	10	10
Administrative										
# of Locations	2	2	2	2	2	2	2	2	2	2
Sq. Footage	42,437	42,437	42,437	42,437	42,437	42,437	42,437	42,437	42,437	42,437
Agriculture Science Center										
Sq. Footage								28,900	28,900	28,900

Burleson ISD School Location Map



ADMINISTRATION

1 — **BISD Administration Bldg**
1160 SW Wilshire Blvd
817-245-1000

HIGH SCHOOLS

2 — **Burleson High School** (001)
100 Elk Drive 817-245-0000

3 — **Crossroads High School** (003)
505 Pleasant Manor
817-245-0500

4 — **Centennial High School** (006)
201 N Hurst Rd 817-245-0250

5 — **Burleson Collegiate HS** (007)
201 N Hurst Rd 817-245-1600

MIDDLE SCHOOLS

6 — **Hughes Middle School** (041)
316 SW Thomas Street
817-245-0600

7 — **Kerr Middle School** (042)
517 SW Johnson Avenue
817-245-0750

8 — **STEAM Middle School** (043)
900 SW Hillside Drive
817-245-1500

ELEMENTARY SCHOOLS

9 — **Bransom** (**Academy of Arts**) (108)
820 S Hurst Road
817-245-3600

10 — **Brock Elementary** (110)
12000 Oak Grove Road
817-245-3800

11 — **Clinkscale Elementary** (111)
600 Blayke Street
817-245-3900

12 — **Frazier Elementary** (102)
1125 NW Summercrest Blvd
817-245-3000

13 — **Hajek Elementary** (109)
555 NE McAlister Road
817-245-3700

14 — **Mound** (**Academy of Leadership and Technology**) (103)
205 SW Thomas Street
817-245-3100

15 — **Nola Dunn Academy** (101)
201 S Dobson Street
817-245-3300

16 — **Norwood Elementary** (104)
619 Evelyn Lane
817-245-3400

17 — **Stribling** (**STEAM Academy**) (107)
1881 E Renfro Street
817-245-3500

18 — **Taylor Elementary** (105)
400 NE Alsbury Blvd
817-245-3200

This Page Intentionally Left Blank

Federal Awards Section

This Page Intentionally Left Blank

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 Education
Burleson Independent School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Burleson Independent School District (the District) as of and for the year ended June 30, 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 November 11, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings and questioned costs as item 2019-01.

Weaver and Tidwell, L.L.P.
2821 West 7th Street, Suite 700 | Fort Worth, Texas 76107
Main: 817.332.7905 | Fax: 817.429.5936

CPAs AND ADVISORS | WEAVER.COM

Board of Education
Burleson Independent School District

District's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas
November 11, 2019

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in accordance with the Uniform Guidance

Board of Trustees
Burleson Independent School District

Report on Compliance for Each Major Federal Program

We have audited Burleson Independent School District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 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 statues, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Weaver and Tidwell, L.L.P.
2821 West 7th Street, Suite 700 | Fort Worth, Texas 76107
Main: 817.332.7905 | Fax: 817.429.5936
CPAs AND ADVISORS | WEAVER.COM

Board of Trustees
Burleson Independent School District

Report on Internal Control over Compliance

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

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

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

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

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas
November 11, 2019

Burleson Independent School District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

Section I – Summary of Auditors' Results

Financial Statements

An unmodified opinion was issued on the financial statements.

Internal control over financial reporting:

- Material weakness(es) identified? ____ Yes __X__ No
- Significant deficiencies identified that are not considered to be material weakness(es)? ____ Yes __X__ None Reported
- Noncompliance material to financial statements noted? ____ Yes __X__ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ____ Yes __X__ No
- Significant deficiencies identified that are not considered to be material weakness(es)? ____ Yes __X__ None Reported

An unmodified opinion was issued on compliance for all major programs.

- Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ____ Yes __X__ No

Identification of major programs:

10.553	National School Breakfast Program(1)
10.555	National School Lunch Program(1)
10.555	National School Lunch Program – Non-cash Assistance(1)

(1) Child Nutrition Cluster

- Dollar threshold used to distinguish between type A and type B programs? $750,000

Auditee qualified as low-risk auditee? __X__ Yes ___ No

Section II – Financial Statement Findings

Finding 2019-01

Other Matter – Negative Budget Variance

Condition: Actual expenditures exceeded budgeted amounts in functions 23 due to excess payroll costs incurred during the year ended June 30, 2019.

Criteria According to the Texas Educations Agency's Financial Accountability System Resource Guide, Module 4.6.2.9, a district may not expend amount in excess of budget.

Cause: Accruals completed in early June did not include one job type classification.

Effect: The District was not in compliance with the Texas Education Agency requirement.

Recommendation: The District should continue to closely monitor actual expenditures as compared to budget to ensure budget adherence and ensure proper amendments are made throughout the fiscal year.

View of Responsible Officials: See Corrective Action Plan

Section III – Federal Award Findings and Questioned Costs

NONE

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

Schedule of Expenditures of Federal Awards
Year Ended June 30, 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 DEFENSE			
Direct Programs			
Junior ROTC	12.000	126902	$ 63,873
TOTAL DEPARTMENT OF DEFENSE			63,873
U.S. DEPARTMENT OF EDUCATION			
Passed Through State Department of Education			
ESEA, Title I, Part A	84.010A	18610101126902	36,491
ESEA, Title I, Part A	84.010A	19610101126902	1,057,973
Total CFDA Number 84.010A			1,094,464
Special Education Cluster			
IDEA - Part B, Formula	84.027A (1)	186600011269026000	350,630
IDEA - Part B, Formula	84.027A (1)	196600011269026000	1,290,757
IDAA-Part B, Discretionary	84.027A (1)	2265431911010	19,983
Total CFDA Number 84.027A			1,661,370
IDEA - Preschool	84.173 (1)	186610011269026000	12,694
IDEA - Preschool	84.173 (1)	196610011269026000	26,199
Total CFDA Number 84.173			38,893
Total Special Education Cluster			1,700,263
Career and Technical Education- Basic Grant	84.048	19420006126902	97,317
Total CFDA Number 84.048			97,317
Title III, Part A - English Language Acquisition	84.365A	18694501126902	7,861
Title III, Part A - English Language Acquisition	84.365A	19694501126902	73,010
Total CFDA Number 84.365A			80,871
ESEA, Title II, Part A - Improving Teacher Quality	84.367A	18694501126902	22,296
ESEA, Title II, Part A - Improving Teacher Quality	84.367A	19694501126902	138,723
Total CFDA Number 84.367A			161,019
ESEA, Title VI, Part A - Subpart 1	84.424A	19680101126902	50,871
Total CFDA Number 84.424A			50,871
ESEA, Title VI, Part A - Summer School LEP	84.369A	69551802	2,503
Total CFDA Number 84.369A			2,503
Hurricane Education Recovery	84.938C	51271901	40,025
Total CFDA Number 84.938C			40,025
Total Passed Through State Department of Education			3,227,333
TOTAL DEPARTMENT OF EDUCATION			3,227,333

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

Schedule of Expenditures of Federal Awards - Continued
Year Ended June 30, 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 AGRICULTURE			
Passed Through State Department of Agriculture			
Child Nutrition Cluster:			
School Breakfast Program	10.553(2)	71401801	78,462
School Breakfast Program	10.553(2)	71401901	447,443
Total CDFA Number 10.553			525,905
National School Program Lunch - Cash Assistance	10.555(2)	71301801	374,487
National School Program Lunch - Cash Assistance	10.555(2)	71301901	1,852,438
National School Program Lunch - Non-Cash Assistance	10.555(2)	71301001	434,026
Total CDFA Number 10.555			2,660,951
Total Passed Through the State Department of Agriculture			3,186,856
TOTAL DEPARTMENT OF AGRICULTURE			3,186,856
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 6,478,062
School Health & Related Services (SHARS)(3)			2,234,346
TOTAL FEDERAL REVENUES, RECONCILED TO EXHIBIT C-3			$ 8,712,408

(1) Reported as Special Education Cluster, as required by Compliance Supplement September 2019
(2) Reported as Child Nutrition Cluster, as required by Compliance Supplement September 2019
(3) Amounts not considered federal financial assistance subject to requirements in accordance with Uniform Guidance

Note 1. Basis of Presentation

The District uses the fund types specified in the Texas Education Agency's *Financial Accountability System Resource Guide*. Special Revenue Funds are used to account for resources restricted to specific purposes by a grantor. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Government Fund types are accounted for using a current financial resources measurement focus. All federal grants were accounted for in a Special Revenue Fund or the General Fund which are Governmental Fund types. With this measurement focus, only current assets, deferred outflows, current liabilities, deferred inflows and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in fund balance. The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues on the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.

Note 2. Basis of Funding

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

Note 3. Food Donation

Nonmonetary assistance is reported in the Schedule of Expenditures of Federal Awards at the fair market value of the commodities received and disbursed. As of June 30, 2019, the District recognized food commodities totaling $434,026 with a remaining $5,147 in inventory.

Note 4. Indirect Cost Rate

The District elected not to use the 10% de minimis cost indirect cost rate.

Burleson Independent School District

Corrective Action Plan
For the Fiscal Year Ended June 30, 2019

Corrective Action Plan

Finding 2019-001: Negative Budget Variance

Corrective Action Plan:

Business office will verify payroll to the accrual amounts and job type classifications by completing a variable test by function and employee count.

Responsible Official: Brenda Mize, CFO
Implementation Date: November 2019

Prepared by Management

Financial Advisory Services
Provided By:

SAMCO Capital