

PRELIMINARY OFFICIAL STATEMENT
Dated: March 30, 2020

NEW ISSUE: BOOK-ENTRY-ONLY

In the opinion of McCall, Parkhurst & Horton L.L.P., 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.

\$18,860,000*
WAXAHACHIE INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Ellis County, Texas)
Unlimited Tax Refunding Bonds, Series 2020

Dated Date: April 15, 2020

Due: August 15, as shown on the inside cover page

The Waxahachie Independent School District Unlimited Tax Refunding Bonds, Series 2020 (the "Bonds") which are issued in part as Current Interest Bonds ("CIBs") and in part as Premium Capital Appreciation Bonds ("CABs"), as shown on the inside cover page hereof, 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"), and an order (the "Bond Order") authorizing the issuance of the Bonds adopted on February 10, 2020 by the Board of Trustees (the "Board") of the Waxahachie Independent School District (the "District"). As permitted by the provisions of Chapter 1207, the Board, in the Bond Order, delegated the authority to certain District officials (the "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 CIBs will accrue from the Dated Date shown above and will be payable on February 15 and August 15 of each year, commencing August 15, 2020, until stated maturity or prior redemption. Interest on the CABs will accrete from the date they are initially delivered to the initial purchasers named below (the "Underwriters"), compound semiannually on each February 15 and August 15, commencing August 15, 2020, and will be payable only upon stated maturity. The CIBs will be issued in fully registered form in principal denominations of \$5,000 or any integral multiple thereof within a stated maturity, and the CABs will be issued as fully registered bonds in denominations of \$5,000 representing the total amount of principal, plus the initial premium, if any, paid therefor, and accreted interest payable upon stated maturity (the "Maturity Value"), or any integral multiple thereof. Principal and interest or Maturity Value of the Bonds will be payable by the Paying Agent/Registrar, which initially is BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"), upon presentation and surrender of the 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 CIBs 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 CIBs maturing on or after August 15, 2030 are subject to optional redemption, in whole or in part, on February 15, 2030 or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. The CABs are not subject to redemption prior to stated maturity. (See "THE BONDS - Optional 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., Dallas, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Norton Rose Fulbright US LLP, Dallas, Texas. The Bonds are expected to be available for initial delivery through the facilities of DTC on or about May 19, 2020.

CITIGROUP

UBS

*Preliminary, subject to change.

\$18,860,000*
WAXAHACHIE INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Ellis County, Texas)
UNLIMITED TAX REFUNDING BONDS, SERIES 2020

MATURITY SCHEDULE*
Base CUSIP No.: 944097⁽¹⁾

\$18,815,000 Current Interest Bonds

<u>Maturity Date</u> 8/15	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Initial Yield</u>	<u>CUSIP No. Suffix⁽¹⁾</u>
2020	\$55,000			
**	***			
2022	785,000			
2023	830,000			
2024	875,000			
2025	930,000			
2026	980,000			
2027	660,000			
2028	700,000			
2029	745,000			
2030	790,000			
2031	6,395,000			
2032	760,000			
2033	795,000			
2034	830,000			
2035	860,000			
2036	890,000			
2037	935,000			

(Interest to accrue from the Dated Date)

\$45,000* Capital Appreciation Bonds

<u>Maturity Date</u> 8/15	<u>Principal* Amount</u>	<u>Initial Yield to Maturity</u>	<u>Maturity* Value</u>	<u>Initial Offering Price per \$5,000 in Maturity Value</u>	<u>CUSIP Suffix No.⁽¹⁾</u>
2021	\$45,000		\$790,000		

(Interest to accrete from the initial date of delivery)

⁽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.

WAXAHACHIE INDEPENDENT SCHOOL DISTRICT

BOARD OF TRUSTEES

<u>Name</u>	<u>Date Initially Elected</u>	<u>Current Term Expires</u>	<u>Occupation</u>
Dusty Autrey, President	2019	2022	Businessperson
Clay Schoolfield, Vice President	2017	2020	Businessperson
Judd McCutchen, Secretary	2017	2020	Businessperson
Kim Kriegel, Member	2018	2021	Retired Educator
John Rodgers, Member	2018	2021	Firefighter
Melissa Starnater, Member	2018	2021	Businessperson
Debbie Timmermann, Member	2019	2022	Retired Educator

APPOINTED OFFICIALS

<u>Name</u>	<u>Position</u>	<u>Length of Education Service</u>	<u>Length of Service with District</u>
Dr. Bonny Cain	Superintendent	41 Years	1.5 Years
Lee Auvenshine	Deputy Superintendent and General Counsel	5 Years	5 Years
Ryan Kahlden	Assistant Superintendent for Business and Finance	5 Years	5 Years

CONSULTANTS AND ADVISORS

McCall, Parkhurst & Horton L.L.P., Dallas, Texas	Bond Counsel
SAMCO Capital Markets, Inc., Plano, Texas	Financial Advisor
Evans & Knauth, PLLC, Frisco, Texas	Certified Public Accountants

For additional information, contact:

Ryan Kahlden
Assistant Superintendent of Business & Finance
Waxahachie Independent School District
411 N. Gibson Street
Waxahachie, Texas 75165
(972) 923-4658

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.

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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 Waxahachie Independent School District (the "District") is a political subdivision of the State of Texas located in Ellis County, Texas. The District is governed by a seven-member Board of Trustees (the "Board"). Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent of Schools who is the chief administrative officer of the District. Support services are supplied by consultants and advisors.
The Bonds	The Bonds are being issued in the principal amount of \$18,860,000 (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"), and an order adopted by the Board of Trustees on February 10, 2020 (the "Bond Order"). As permitted by the provisions of Chapter 1207, the Board, in the Bond Order, delegated the authority to certain District officials (the "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"). The Bonds are being issued in part as Current Interest Bonds ("CIBs") and in part as Premium Capital Appreciate Bonds ("CABs"). 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 BOKF, NA, 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 CIBs maturing on or after August 15, 2030 are subject to optional redemption in whole or in part on February 15, 2030 or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. The CABs are not subject to redemption prior to stated maturity. (See "THE BONDS – Optional 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 ("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., Dallas, Texas, Bond Counsel.
Delivery	When issued, anticipated to be on or about May 19, 2020.

INTRODUCTORY STATEMENT

This Official Statement (the "Official Statement"), which includes the cover page, Schedules I and II and the Appendices attached hereto, has been prepared by the Waxahachie Independent School District (the "District"), a political subdivision of the State of Texas (the "State") located in Ellis County, Texas, in connection with the offering by the District of its 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 Waxahachie Independent School District, 411 Gibson Street, Waxahachie, Texas 75165 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.

INFECTIOUS DISEASE OUTBREAK – COVID-19

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the "Pandemic") by the World Health Organization and is currently affecting many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President's Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in Texas in response to the Pandemic. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency (including TEA) that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has since issued a number of executive orders relating to COVID-19 preparedness and mitigation. These include, for example, the issuance on March 19, 2020 of Executive Order GA-08 which, among other things, imposed limitations on social gatherings of more than 10 people and temporarily closed school districts throughout the state through April 3, 2020, unless otherwise extended, modified, rescinded, or superseded by the Governor. In public statements, the Commissioner of the TEA has indicated that the state will continue to evaluate the need for further extensions of school closures. In addition to the actions by the state and federal officials, local officials have declared a local state of disaster. Many of the federal, state and local actions and policies under the aforementioned disaster declarations are focused on limiting instances where the public can congregate or interact with each other, which affects the operation of schools.

TEA has informed Texas school districts that COVID-19 related school closings and/or absenteeism will not impact ADA calculations and school funding so long as a school district commits to support students instructionally while they are at home. The District has developed remote instructional resources for its students and began delivering remote as of Wednesday March 25. Therefore, the District does not anticipate a reduction in state funding as a result of the school closures at this time. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM".

The District continues to monitor the spread of COVID-19 and is working with local, state, and national agencies to address the potential impact of the Pandemic upon the District. While the potential impact of the Pandemic on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District's operations and financial condition.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. These negative impacts may reduce or negatively affect property values within the District. The Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes.

Additionally, state funding of District operations and maintenance in future fiscal years could be adversely impacted by the negative effects on economic growth and financial markets resulting from the Pandemic as well as ongoing disruptions in the global oil markets. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM".

For a discussion of the impact of the Pandemic on the PSF, see "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM – Infectious Disease Outbreak."

THE BONDS

Authorization and Purpose

The Bonds are being issued in the principal amount of \$18,860,000 (preliminary, subject to change) pursuant to the Constitution and general laws of the State, including Chapter 1207, Texas Government Code, as amended ("Chapter 1207"), and an order adopted on February 10, 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, the Board, in the Bond Order, delegated the authority to certain District officials (the "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 BOKF, NA, 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 their respective redemption dates (each a "Redemption Date") as shown on Schedule I hereto. Such funds will be held by the Escrow Agent in an escrow account (the "Escrow Fund") and invested in U.S. Treasury securities ("Defeasance Securities") until the respective Redemption Date for the Refunded Bonds. Such maturing principal of and interest on the Defeasance Securities will not be available to pay 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 respective 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 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 and the bond orders 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 Defeasance Securities and cash 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 orders 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.

General Description

The Bonds will be dated April 15, 2020 (the "Dated Date"). The Current Interest Bonds ("CIBs") will bear interest from the Dated Date. The Premium Capital Appreciation Bonds ("CABs") will accrete interest from the date of initial delivery to the initial purchasers set forth on the cover page hereof (the "Underwriters") to their stated maturity, and such amount is referred to herein as the "Maturity Value". The CIBs will mature on the dates and in the principal amounts set forth on the inside cover page of this Official Statement. The CABs will mature on the dates and in the Maturity Values set forth on the inside cover page, and will accrete interest at the stated interest rates, but the yields to the Underwriters will be the approximate yields shown on the inside cover page resulting from the initial offering prices to the public. Interest on the CIBs will be computed on the basis of a 360-day year of twelve 30-day months, and is payable initially on August 15, 2020, and on each February 15 and August 15 thereafter until stated maturity or prior redemption.

Interest on the CABs will compound on each February 15 and August 15, commencing August 15, 2020 until stated maturity. The sum of the principal of, interest accreted on and the initial premium, if any, on the CABs per \$5,000 Maturity Value as of each February 15 and August 15 is computed on the basis of the initial offering price to the public as adjusted by semiannual compounding at the initial offering yield set forth on the inside cover page of this Official Statement (the "Accreted Value"). A table of Accreted Values based on such initial offering price is set forth herein under Schedule II. Such Accreted Value table is provided for informational purposes only and may not reflect prices for the CABs in the secondary market.

The Bonds will be issued only as fully registered bonds. The CIBs will be issued in the denominations of \$5,000 of principal amount or any integral multiple thereof within a stated maturity. The CABs will be issued in the denominations of \$5,000 of Maturity Value or any integral multiple thereof. Interest on the CIBs is payable by check mailed on or before each interest payment date by the Paying Agent/Registrar, initially, BOKF, NA, Dallas, Texas, to the registered owner at the last known address as it appears on the Paying Agent/Registrar's registration books on the Record Date (as defined herein) or by such other customary banking arrangement acceptable to the Paying Agent/Registrar and the registered owner to whom interest is to be paid, provided, however, that such person shall bear all risk and expense of such other arrangements. Principal of the CIBs, and the Maturity Value of the CABs will be payable only upon presentation of such Bonds at the corporate trust office of the Paying Agent/Registrar at stated maturity. 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 or Maturity Value, as applicable, 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 CIBs maturing on or after August 15, 2030 are subject to optional redemption, in whole or in part, on February 15, 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 CIBs are to be redeemed, the District shall determine the amount and maturities thereof to be redeemed and shall direct the Paying Agent/Registrar to select by lot the CIBs, or portions thereof, to be redeemed.

The CABs are not subject to redemption prior to stated maturity.

Notice of Redemption and DTC Notices

Not less than 30 days prior to a redemption date for the CIBs, 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 CIB to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER RECEIVED BY THE BONDHOLDER, AND, SUBJECT TO PROVISION FOR PAYMENT OF THE REDEMPTION PRICE HAVING BEEN MADE AND THE SATISFACTION OF ANY OTHER CONDITION SPECIFIED IN THE NOTICE, INTEREST ON THE REDEEMED CIBS SHALL CEASE TO ACCRUE FROM AND AFTER SUCH REDEMPTION DATE NOTWITHSTANDING THAT A CIB HAS NOT BEEN PRESENTED FOR PAYMENT.

All notices of redemption shall (i) specify the date of redemption for the CIBs, (ii) identify the CIBs to be redeemed and, in the case of a portion of the principal amount to be redeemed, the principal amount thereof to be redeemed, (iii) state the redemption price, (iv) state that the CIBs, or the portion of the principal amount thereof to be redeemed, shall become due and payable on the redemption date specified, and the interest thereon, or on the portion of the principal amount thereof to be redeemed, shall cease to accrue from and after the redemption date, and (v) specify that payment of the redemption price for the CIBs, or the principal amount thereof to be redeemed, shall be made at the designated corporate trust office of the Paying Agent/Registrar only upon presentation and surrender thereof by the registered owner.

The Paying Agent/Registrar and the District, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption (with respect to the CIBs), 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 CIBs called for redemption or any other action premised on any such notice. Redemption of portions of the CIBs 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 CIBs 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 CIBs from the beneficial owners. Any such selection of CIBs 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 CIBs for redemption. See "BOOK-ENTRY-ONLY SYSTEM" herein.

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

Yield on Premium Capital Appreciation Bonds

The yields of the CABs as set forth on the inside cover page of this Official Statement are the approximate yields based upon the initial offering price therefor set forth on the inside cover page of this Official Statement. Such offering price includes the principal amount of such CABs plus premium equal to the amount by which such offering price exceeds the principal amount of such CABs. Because of such premium, the approximate offering yield on the CABs is lower than the bond interest rates thereon. The yield on the CABs to a particular purchaser may differ depending upon the price paid by that purchaser. For various reasons, securities that do not pay interest periodically, such as the CABs, have traditionally experienced greater price fluctuations in the secondary market than securities that pay interest on a periodic basis.

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., Dallas, Texas, Bond Counsel. (See "LEGAL MATTERS" and "Appendix C - Form of Legal Opinion of Bond Counsel").

Payment Record

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

Amendments

In the 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 and Maturity Value 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, or redemption premium, if any, or Maturity Value outstanding Bonds; (iv) modifying the terms of payment of principal or interest or redemption premium or Maturity Value on outstanding Bonds or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount and Maturity Value 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 CIBs and Maturity Value of the CABs, as applicable, plus interest on the CIBs 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. The 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, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that on the date the 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. 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 as outstanding or unpaid and will cease to be outstanding obligations secured by the Order or treated as debt of the District for purposes of taxation or applying any limitation on the District's ability to issue debt or for any other purpose. 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 CIBs 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 CIBs 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 CIBs for redemption, (ii) gives notice of the reservation of that right to the owners of the CIBs 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 CIBs	\$
Par Amount of CABs	
[Net] Original Issue Premium	
Accrued Interest on the CIBs	
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. 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, premium, if any, Maturity Value 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 (CIBs only) or any 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 (CIBs only) or any 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 or Maturity Value 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 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 CIBs 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 BOKF, NA, 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 or Maturity Value, as the case may be, 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 last business day of the next preceding month. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date" which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each registered owner of a CIB 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 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 with respect to any CIB or portion thereof called for redemption prior to maturity, within 30 days prior to its redemption date.

Replacement Bonds

If any Bond is mutilated, destroyed, stolen or lost, a new Bond in the same principal amount or Maturity Value, as the case may be, 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 "CDBG Capacity"), which further increased the amount of the CDBG 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 CDBG Capacity include Fund investment performance, future increases in the Guarantee Program multiplier, changes in State law that govern the calculation of the CDBG 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 CDBG 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 CDBG 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 CDBG 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 CDBG 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 CDBG 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 CDBG 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 CDBG 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 CDBG 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 CDBG 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 CDBG 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 CDBG Capacity 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 CDBG 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 CDBG 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 CDBG 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 CDBG 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⁾

Fiscal Year Ended 8/31	School District Bonds		Charter District Bonds		Totals	
	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_State_ment_-_Bond_Guarantee_Program/](http://tea.texas.gov/Finance_and_Grants/Texas_Permanent_School_Fund/Texas_Permanent_School_Fund_Disclosure_State_ment_-_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 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. Reference is made to Title I of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Valuation of Taxable Property

The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the District is the responsibility of the Ellis County Appraisal District (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 market 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 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 market value of all homesteads (but not less than \$5,000) and (2) an additional exemption of at least \$3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The governing body of a school district may not repeal or reduce the amount of the local option homestead exemption described in (1), above, that was in place for the 2014 tax year (fiscal year 2015) for a period ending December 31, 2019. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit. See “Appendix A – Financial Information of the District – Assessed Valuation” for the reduction in taxable valuation, if any, attributable to local option homestead exemptions.

State Mandated Freeze on School District Taxes

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

Personal Property

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

Freeport 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 of the District – Assessed Valuation” for the reduction in taxable valuation, if any, attributable to Goods-in-Transit or Freeport Property exemptions.

Other Exempt Property

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

Tax Increment Reinvestment Zones

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

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

Tax Limitation Agreements

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

For a discussion of how the various exemptions described above are applied by the District, see "THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT" herein.

District and Taxpayer Remedies

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

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

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

Levy and Collection of Taxes

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the District. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the District may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

District's Rights in the Event of Tax Delinquencies

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

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

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

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

TAX RATE LIMITATIONS

M&O Tax Rate Limitations

A school district is authorized to levy maintenance and operation ("M&O") taxes subject to approval of a proposition submitted to district voters under Section 45.003(d) of the Texas Education Code, as amended. The maximum M&O tax rate that may be levied by a district cannot exceed the voted maximum rate or the maximum rate described in the next succeeding paragraph. The maximum voted M&O tax rate for the District is \$1.50 per \$100 of assessed valuation as approved by the voters at an election held on April 2, 1960 pursuant to Article 2784e-1, Texas Revised Civil Statutes Annotated, as amended.

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

For the 2019 tax year, the maximum M&O tax rate per \$100 of taxable value that may be adopted by a school district is the sum of \$0.17 and the product of the State Compression Percentage multiplied by \$1.00. For the 2019 tax year, the state compression percentage has been set at 93%.

For the 2020 and subsequent tax years, the maximum maintenance tax rate per \$100 of taxable value that may be adopted by an independent school district is the sum of \$0.17 and the school district's MCR. The District's MCR is, generally, inversely proportional to the change in taxable property values both within the District and the State, and is subject to recalculation annually. For any year, highest possible MCR for an independent school district is \$0.93.

Furthermore, a school district cannot annually increase its tax rate in excess of the school district's Voter-Approval Tax Rate without submitting such tax rate to an election and a majority of the voters voting at such election approving the adopted rate. See "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. At an election held on September 6, 2014, the voters in the District approved an increase in the District's M&O tax rate. For the 2019 tax year, the districts Voter-Approval Tax Rate (excluding its current I&S tax rate) is \$1.0683. 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 District has the responsibility for appraising property in the District as well as other taxing units in the County. The Appraisal District is governed by a board of directors appointed by members of the governing bodies of various political subdivisions within the County.

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

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

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

The District's taxes are collected by the Ellis County Tax 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 grants a local option, additional exemption to the market value of the residence homestead of persons 65 years of age or older

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

The District has granted the freeport exemption. The District has not taken action 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 August 31, 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 "PENSION PLAN AND OTHER POST EMPLOYMENT BENEFITS" to the audited financial statements of the District that are attached hereto as Appendix D (the "Financial Statements").

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 "PENSION PLAN AND OTHER POST EMPLOYMENT BENEFITS" 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 August 31, 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 "RISK MANAGEMENT - Health Care Coverage" of the Financial Statements.

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

RATING

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, Norton Rose Fulbright US 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", "Yield on Premium Capital Appreciation Bonds" and the third paragraph under "Notice of Redemption and DTC Notices", as to which no opinion will be expressed) "REGISTRATION, TRANSFER AND EXCHANGE", "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS", "CURRENT PUBLIC SCHOOL FINANCE SYSTEM", "TAX RATE LIMITATIONS" (first paragraph only), "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.

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 \$68,629,808 (unaudited) invested in Lone Star Investment Pool and \$976,324 (unaudited) invested in TexPool (both of which are government investment pools which generally have the characteristics of a money-market fund). The market value of such investments (as determined by the District by reference to published quotations, dealer bids, and comparable information) is approximately 100% of the book value. No funds of the District are invested in derivative securities; i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

REGISTRATION AND QUALIFICATION OF 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.

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 August 31. Accordingly, the Annual Operating Report must be provided by the last day of February in each year, and the Financial Statements must be provided by August 31 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". 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, any event described in clause (12) of in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District. For the purposes of the above described event notices (15) and (16), the term "financial obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) a guarantee of (i) or (ii); provided however, that a "financial obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

Limitations and Amendments

The District has agreed to update information and to provide notices of 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 on the CIBs 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.

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

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the District for which they received or will receive customary fees and expenses. In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the District.

CONCLUDING STATEMENT

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

The information set forth herein has been obtained from the District's records, audited financial statements and other sources which the District considers to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents and the 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

WAXAHACHIE INDEPENDENT SCHOOL DISTRICT

Schedule I - Schedule of Refunded Bonds*

Unlimited Tax School Building Bonds, Series 2007

Maturities Being Redeemed	Original CUSIP	Reoffering Yield	Outstanding	Principal Refunded	Remaining	Outstanding	Maturity Value Refunded	Remaining	Call Date
8/15/2031	944097SW5	4.910%	\$ 1,384,269.70	\$ 1,384,269.70	-	\$ 5,885,000.00	\$ 5,885,000.00	\$ -	May 26, 2020 @ Par

Unlimited Tax Refunding Bonds, Series 2010

Maturities Being Redeemed	Original CUSIP	Reoffering Yield	Outstanding	Principal Refunded	Remaining	Outstanding	Maturity Value Refunded	Remaining	Call Date
8/15/2021	944097QD9	3.250%	\$ 75,000.00	\$ 75,000.00	-	\$ 215,000.00	\$ 215,000.00	\$ -	August 15, 2020 @ Accreted Value
8/15/2022	944097QE7	3.380%	75,000.00	75,000.00	-	225,000.00	225,000.00	-	August 15, 2020 @ Accreted Value
8/15/2023	944097QF4	3.510%	65,000.00	65,000.00	-	225,000.00	225,000.00	-	August 15, 2020 @ Accreted Value
8/15/2024	944097QG2	3.630%	60,000.00	60,000.00	-	235,000.00	235,000.00	-	August 15, 2020 @ Accreted Value
8/15/2025	944097QH0	3.780%	55,000.00	55,000.00	-	240,000.00	240,000.00	-	August 15, 2020 @ Accreted Value
8/15/2026	944097QJ6	3.900%	55,000.00	55,000.00	-	245,000.00	245,000.00	-	August 15, 2020 @ Accreted Value
8/15/2027	944097QK3	4.020%	50,000.00	50,000.00	-	250,000.00	250,000.00	-	August 15, 2020 @ Accreted Value
8/15/2028	944097QL1	4.130%	45,000.00	45,000.00	-	260,000.00	260,000.00	-	August 15, 2020 @ Accreted Value
8/15/2029	944097QM9	4.240%	45,000.00	45,000.00	-	270,000.00	270,000.00	-	August 15, 2020 @ Accreted Value
8/15/2030	944097QN7	4.340%	40,000.00	40,000.00	-	280,000.00	280,000.00	-	August 15, 2020 @ Accreted Value
			\$ 565,000.00	\$ 565,000.00	-	\$ 2,445,000.00	\$ 2,445,000.00	\$ -	

Unlimited Tax School Building Bonds, Series 2010

Maturities Being Redeemed	Original CUSIP	Principal Amount Outstanding	Interest Rate	Principal Amount Being Refunded	Call Date	Principal Amount Unrefunded
8/15/2021	944097PK4	\$ 960,000.00	3.000%	\$ 960,000.00	August 15, 2020 @ Par	-
8/15/2022	944097PL2	975,000.00	4.000%	975,000.00	August 15, 2020 @ Par	-
8/15/2023	944097PM0	1,020,000.00	4.000%	1,020,000.00	August 15, 2020 @ Par	-
8/15/2024	944097PN8	1,055,000.00	4.000%	1,055,000.00	August 15, 2020 @ Par	-
8/15/2025	944097PP3	1,105,000.00	4.000%	1,105,000.00	August 15, 2020 @ Par	-
8/15/2026	944097PQ1	1,145,000.00	4.000%	1,145,000.00	August 15, 2020 @ Par	-
8/15/2027	944097PR9	820,000.00	4.000%	820,000.00	August 15, 2020 @ Par	-
8/15/2028	944097PS7	850,000.00	4.000%	850,000.00	August 15, 2020 @ Par	-
8/15/2029	944097PT5	880,000.00	4.000%	880,000.00	August 15, 2020 @ Par	-
8/15/2030	944097PU2	915,000.00	4.000%	915,000.00	August 15, 2020 @ Par	-
8/15/2031		910,000.00	4.000%	910,000.00	August 15, 2020 @ Par	-
8/15/2032		945,000.00	4.000%	945,000.00	August 15, 2020 @ Par	-
8/15/2033	944097PV0	985,000.00	4.000%	985,000.00	August 15, 2020 @ Par	-
8/15/2034		1,025,000.00	4.000%	1,025,000.00	August 15, 2020 @ Par	-
8/15/2035		1,065,000.00	4.000%	1,065,000.00	August 15, 2020 @ Par	-
8/15/2036		1,105,000.00	4.000%	1,105,000.00	August 15, 2020 @ Par	-
8/15/2037	944097PW8	1,155,000.00	4.000%	1,155,000.00	August 15, 2020 @ Par	-
		\$ 16,915,000.00		\$ 16,915,000.00		\$ -

(1) Represents a mandatory sinking fund redemption of the term bond outstanding in the principal amount of \$2,840,000 that matures August 15, 2033.
 (2) Represents a mandatory sinking fund redemption of the term bond outstanding in the principal amount of \$4,350,000 that matures August 15, 2037.

*Preliminary, subject to change.

**WAXAHACHIE INDEPENDENT SCHOOL DISTRICT
Unlimited Tax Refunding Bonds, Series 2020**

Schedule II - Schedule of Accreted Values of Capital Appreciation Bonds ("CABs")
(Per \$5,000 Maturity Value)

CABs Delivery Date: May 19, 2020

<u>Date</u>	<u>Accreted Value of 8/15/2021 Maturity @ ___%</u>
05/19/20	\$ -
08/15/20	-
02/15/21	-
08/15/21	-

APPENDIX A
FINANCIAL INFORMATION OF THE DISTRICT

WAXAHACHIE INDEPENDENT SCHOOL DISTRICT

Financial Information

ASSESSED VALUATION ⁽¹⁾

2019/20 Total Valuation.....		\$ 5,697,954,866
Less Exemptions & Deductions ⁽²⁾ :		
State Homestead Exemption	\$ 262,430,758	
State Over-65 Exemption	39,377,336	
Disabled Homestead Exemption Loss	44,564,028	
Local Option Over-65 Exemption	18,923,259	
Veterans Exemption Loss	3,979,966	
Veterans Surviving Spouse Exemption Loss	1,902,607	
Freeport Exemption	87,649,794	
Pollution Control Exemption Loss	12,624,354	
Solar/Wind Exemption Loss	1,657,022	
Productivity Loss	454,301,365	
Homestead Cap Loss	52,047,614	
	\$ 979,458,103	
2019/20 Net Taxable Valuation		\$ 4,718,496,763

(1) Source: Comptroller of Public Accounts - Property Tax Division. The passage of a Texas constitutional amendment that is on the ballot in the November 3, 2015 election would increase the homestead exemption from \$15,000 to \$25,000. See "AD VALOREM TAX PROCEDURES -- Residential Homestead Exemptions" in the Official Statement.

(2) Excludes the values on which property taxes are frozen for persons 65 years of age or older and disabled taxpayers which totaled \$181,529,957 in 2019/20.

VOTED GENERAL OBLIGATION DEBT

Unlimited Tax Bonds Outstanding ⁽¹⁾		\$ 240,699,828
Less: The Refunded Bonds ^{(1) (2)}		(18,864,270)
Plus: The Bonds ^{(1) (2)}		18,860,000
Total Unlimited Tax Bonds ^{(1) (2)}		\$ 240,695,558
Less: Interest & Sinking Fund Balance (As of August 31, 2019) ⁽³⁾		(3,165,588)
Net General Obligation Debt		\$ 237,529,970

Ratio of Net G.O. Debt to Net Taxable Valuation ⁽⁴⁾ 5.03%

2019 Population Estimate ⁽⁵⁾		56,539
Per Capita Net Taxable Valuation		\$83,456
Per Capita Net G.O. Debt		\$4,201

(1) Excludes the interest accreted on outstanding capital appreciation bonds.

(2) Preliminary, subject to change.

(3) Source: Waxahachie ISD Audited Financial Statement.

(4) See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in the Official Statement and "DEBT SERVICE REQUIREMENTS" in this appendix and see the "Audited Financial Report Fiscal Year Ended August 31, 2019" in Appendix D for more information relative to the District's outstanding obligations.

(5) Source: Municipal Advisory Council of Texas.

PROPERTY TAX RATES AND COLLECTIONS

Fiscal Year	Net Taxable Valuation ⁽¹⁾		Tax Rate	% Collections ⁽³⁾	
	\$	(1)		Current ⁽⁴⁾	Total ⁽⁴⁾
2006/07	\$ 2,308,358,606	(1)	\$ 1.5973	97.87%	100.19%
2007/08	2,540,670,654	(1)	1.3600 ⁽⁵⁾	98.16%	100.75%
2008/09	2,752,384,833	(1)	1.3600	98.05%	100.69%
2009/10	2,825,334,510	(1)	1.3600	98.37%	100.65%
2010/11	2,795,858,079	(1)	1.4289	98.82%	100.57%
2011/12	2,779,853,164	(1)	1.4289	98.97%	100.32%
2012/13	2,792,877,813	(1)	1.4289	99.02%	99.86%
2013/14	2,828,279,744	(1)	1.4289	99.20%	100.14%
2014/15	2,989,791,312	(1)	1.4289	99.25%	99.91%
2015/16	3,158,322,088	(1)(2)	1.5539	99.18%	99.84%
2016/17	3,423,459,543	(1)	1.5539	99.36%	99.53%
2017/18	3,768,788,597	(1)	1.5539	99.47%	100.63%
2018/19	4,128,558,166	(1)	1.5539	99.29%	99.45%
2019/20	4,718,496,763	(1)	1.4522 ⁽⁶⁾	(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: Waxahachie 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 Official Statement.

(6) 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 ⁽¹⁾

	2015/16	2016/17	2017/18	2018/19	2019/20 ⁽²⁾
Maintenance & Operations	\$1.1700	\$1.1700	\$1.1700	\$1.1700	\$1.0683
Debt Service	\$0.3839	\$0.3839	\$0.3839	\$0.3839	\$0.3839
Total Tax Rate	\$1.5539	\$1.5539	\$1.5539	\$1.5539	\$1.4522

(1) On September 6, 2014, the District successfully held a tax ratification election at which the voters of the District approved a maintenance and operations tax not to exceed \$1.17.

(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	\$2,308,358,606	\$103,002,289	4.46%
2007/08	2,540,670,654	99,297,290	3.91%
2008/09	2,752,384,833	97,616,118	3.55%
2009/10	2,825,334,510	95,823,734	3.39%
2010/11	2,795,858,079	120,084,284	4.30%
2011/12	2,779,853,164	118,413,379	4.26%
2012/13	2,792,877,813	116,419,295	4.17%
2013/14	2,828,279,744	114,597,537	4.05%
2014/15	2,989,791,312	186,480,473	6.24%
2015/16	3,158,322,088	229,920,693	7.28%
2016/17	3,423,459,543	227,183,180	6.64%
2017/18	3,768,788,597	224,252,560	5.95%
2018/19	4,128,558,166	241,644,828	5.85%
2019/20	4,718,496,763	238,062,940 ⁽³⁾	5.05%

(1) Excludes interest accreted on outstanding capital appreciation bonds.

(2) See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in the Official Statement, "DEBT SERVICE REQUIREMENTS" and "OTHER OBLIGATIONS" in this Appendix and see the "Audited Financial Report Fiscal Year Ended August 31, 2019" in Appendix D for more information.

(3) Includes the Bonds and excludes the Refunded Bonds. Preliminary, subject to change.

ESTIMATED OVERLAPPING DEBT STATEMENT

Taxing Body	Amount	Percent Overlapping	Amount Overlapping
Ellis County	\$ 38,300,000	29.68%	\$ 11,367,440
City of Midlothian	66,626,136	1.24%	826,164
City of Waxahachie	59,070,783	99.76%	58,929,013
Total Overlapping Debt ⁽¹⁾			\$ 71,122,617
Waxahachie Independent School District ⁽²⁾			237,529,970
Total Direct & Overlapping Debt ⁽²⁾			\$ 308,652,587
Ratio of Net Direct & Overlapping Debt to Net Taxable Valuation		6.54%	
Per Capita Direct & Overlapping Debt		\$5,459	

(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**

<u>Name of Taxpayer</u>	<u>Type of Business</u>	<u>Taxable Value</u>	<u>% of Net Valuation</u>
Walgreen Company	Distribution Center	\$ 100,262,064	2.12%
Dartco of Texas	Styrofoam Manufacturing	92,465,634	1.96%
Owens Corning Insulating System	Fiberglass Manufacturer	72,271,224	1.53%
Oncor Electric Delivery	Electric Utility	39,125,060	0.83%
James Hardie Building Products	Fiber Cement Plant	38,480,898	0.82%
Blue Lake Properties Ltd	Real Estate	28,631,030	0.61%
Oxford at Crossroads LP	Apartments	28,250,000	0.60%
Cardinal CG Company	Coated Glass Manufacturing	27,332,982	0.58%
AEP Industries	Utility	26,067,002	0.55%
Waxahachie Dunhill LLC	Medical Clinic	26,000,000	0.55%
		<u>\$ 478,885,894</u>	<u>10.15%</u>

2018/19 Top Ten Taxpayers

<u>Name of Taxpayer</u>	<u>Type of Business</u>	<u>Taxable Value</u>	<u>% of Net Valuation</u>
Walgreen Company	Distribution Center	\$ 106,599,043	2.58%
Dartco of Texas	Styrofoam Manufacturing	88,021,191	2.13%
Owens Corning Insulating System	Fiberglass Manufacturer	61,650,653	1.49%
James Hardie Building Products	Fiber Cement Plant	36,586,268	0.89%
Oncor Electric Delivery	Electric Utility	35,090,850	0.85%
AEP Industries	Utility	27,458,651	0.67%
Blue Lake Properties Ltd	Real Estate	27,419,430	0.66%
Cardinal CG Company	Coated Glass Manufacturing	25,757,770	0.62%
Austin Bridge & Road	Commercial Land	25,722,060	0.62%
Oxford at Crossroads LP	Apartments	24,500,000	0.59%
		<u>\$ 458,805,916</u>	<u>11.11%</u>

2017/18 Top Ten Taxpayers

<u>Name of Taxpayer</u>	<u>Type of Business</u>	<u>Taxable Value</u>	<u>% of Net Valuation</u>
Walgreen Company	Distribution Center	\$ 124,358,810	3.30%
Dartco of Texas	Styrofoam Manufacturing	86,077,751	2.28%
Owens Corning Insulating System	Fiberglass Manufacturer	61,717,365	1.64%
Oncor Electric Delivery	Electric Utility	30,834,180	0.82%
AEP Industries	Utility	29,320,868	0.78%
James Hardie Building Products	Fiber Cement Plant	28,529,035	0.76%
Oxford at Crossroads LP	Apartments	26,159,130	0.69%
Cardinal CG Company	Coated Glass Manufacturing	25,561,707	0.68%
Wax 77 Investors LP	Commercial	25,488,820	0.68%
Blue Lake Properties Ltd	Real Estate	24,000,000	0.64%
		<u>\$ 462,047,666</u>	<u>12.26%</u>

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

CLASSIFICATION OF ASSESSED VALUATION BY USE CATEGORY ⁽¹⁾

<u>Category</u>	<u>2019/20</u>	<u>% of Total</u>	<u>2018/19</u>	<u>% of Total</u>	<u>2017/18</u>	<u>% of Total</u>
Real, Residential, Single-Family	\$ 2,835,454,904	49.76%	\$ 2,483,021,916	49.18%	\$ 2,138,099,375	45.98%
Real, Residential, Multi-Family	253,509,499	4.45%	195,108,955	3.86%	190,832,355	4.10%
Real, Vacant Lots/Tracts	60,691,938	1.07%	44,209,685	0.88%	44,463,030	0.96%
Real, Acreage	484,530,997	8.50%	448,062,862	8.88%	431,686,182	9.28%
Real, Farm & Ranch Improvements	248,354,282	4.36%	215,423,069	4.27%	198,926,453	4.28%
Real, Commercial & Industrial	848,603,348	14.89%	721,511,506	14.29%	710,328,572	15.28%
Oil & Gas	-	0.00%	-	0.00%	-	0.00%
Utilities	115,075,170	2.02%	105,580,948	2.09%	99,131,201	2.13%
Tangible Personal, Commercial & Industrial	754,479,434	13.24%	757,431,152	15.00%	763,972,063	16.43%
Tangible Personal, Mobile Homes & Other	8,645,244	0.15%	7,764,840	0.15%	7,836,880	0.17%
Tangible Personal, Residential Inventory	72,708,220	1.28%	54,594,550	1.08%	49,598,655	1.07%
Tangible Personal, Special Inventory	<u>15,901,830</u>	<u>0.28%</u>	<u>15,656,340</u>	<u>0.31%</u>	<u>15,304,790</u>	<u>0.33%</u>
Total Appraised Value	\$ 5,697,954,866	100.00%	\$ 5,048,365,823	100.00%	\$ 4,650,179,556	100.00%
Less:						
Homestead Cap Adjustment	\$ 52,047,614		\$ 56,478,991		\$ 47,347,008	
Productivity Loss	454,301,365		416,610,961		401,562,813	
Exemptions	<u>473,109,124</u>		<u>446,717,705</u>		<u>432,481,138</u>	
Total Exemptions/Deductions ⁽²⁾	<u>\$ 979,458,103</u>		<u>\$ 919,807,657</u>		<u>\$ 881,390,959</u>	
Net Taxable Assessed Valuation	\$ <u>4,718,496,763</u>		\$ <u>4,128,558,166</u>		\$ <u>3,768,788,597</u>	

<u>Category</u>	<u>2016/17</u>	<u>% of Total</u>	<u>2015/16</u>	<u>% of Total</u>	<u>2014/15</u>	<u>% of Total</u>
Real, Residential, Single-Family	\$ 1,816,201,399	43.27%	\$ 1,604,065,764	41.28%	\$ 1,473,164,988	41.00%
Real, Residential, Multi-Family	171,026,699	4.07%	165,675,422	4.26%	140,560,930	3.91%
Real, Vacant Lots/Tracts	45,949,720	1.09%	52,032,006	1.34%	45,706,256	1.27%
Real, Acreage	375,265,904	8.94%	374,657,375	9.64%	351,764,893	9.79%
Real, Farm & Ranch Improvements	174,753,518	4.16%	158,504,743	4.08%	152,116,729	4.23%
Real, Commercial & Industrial	677,698,532	16.15%	624,298,739	16.07%	573,345,423	15.96%
Oil & Gas	-	0.00%	-	0.00%	-	0.00%
Utilities	96,979,660	2.31%	97,069,750	2.50%	93,025,060	2.59%
Tangible Personal, Commercial & Industrial	768,270,301	18.30%	753,297,011	19.38%	717,257,419	19.96%
Tangible Personal, Mobile Homes & Other	7,575,930	0.18%	8,378,780	0.22%	8,695,880	0.24%
Tangible Personal, Residential Inventory	49,751,005	1.19%	36,476,905	0.94%	27,400,344	0.76%
Tangible Personal, Special Inventory	<u>13,949,990</u>	<u>0.33%</u>	<u>11,615,670</u>	<u>0.30%</u>	<u>10,147,840</u>	<u>0.28%</u>
Total Appraised Value	\$ 4,197,422,658	100.00%	\$ 3,886,072,165	100.00%	\$ 3,593,185,762	100.00%
Less:						
Homestead Cap Adjustment	\$ 21,739,497		\$ 5,834,055		\$ 4,745,632	
Productivity Loss	344,801,167		345,333,818		324,650,377	
Exemptions	<u>407,422,451</u>		<u>376,582,204</u> ⁽³⁾		<u>273,998,441</u>	
Total Exemptions/Deductions ⁽²⁾	<u>\$ 773,963,115</u>		<u>\$ 727,750,077</u>		<u>\$ 603,394,450</u>	
Net Taxable Assessed Valuation	\$ <u>3,423,459,543</u>		\$ <u>3,158,322,088</u>		\$ <u>2,989,791,312</u>	

(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

Fiscal Year	Outstanding	Less:	Plus:		Bonds	Percent of
Ending 8/31	Bonds ⁽¹⁾	Refunded	The	Total ^{(1) (2)}	Unpaid	Principal
		Bonds ⁽²⁾	Bonds ⁽²⁾		At Year End	Retired
2020	\$ 3,522,618.10	\$ -	\$ 55,000.00	\$ 3,577,618.10	\$ 238,062,940.25	1.48%
2021	3,589,231.60	1,035,000.00	45,000.00	2,599,231.60	235,463,708.65	2.56%
2022	3,676,707.50	1,050,000.00	785,000.00	3,411,707.50	232,052,001.15	3.97%
2023	3,789,228.90	1,085,000.00	830,000.00	3,534,228.90	228,517,772.25	5.43%
2024	3,906,071.00	1,115,000.00	875,000.00	3,666,071.00	224,851,701.25	6.95%
2025	6,275,720.15	1,160,000.00	930,000.00	6,045,720.15	218,805,981.10	9.45%
2026	6,265,981.10	1,200,000.00	980,000.00	6,045,981.10	212,760,000.00	11.95%
2027	8,620,000.00	870,000.00	660,000.00	8,410,000.00	204,350,000.00	15.43%
2028	9,000,000.00	895,000.00	700,000.00	8,805,000.00	195,545,000.00	19.08%
2029	9,400,000.00	925,000.00	745,000.00	9,220,000.00	186,325,000.00	22.89%
2030	9,815,000.00	955,000.00	790,000.00	9,650,000.00	176,675,000.00	26.89%
2031	4,789,269.70	2,294,269.70	6,395,000.00	8,890,000.00	167,785,000.00	30.56%
2032	10,640,000.00	945,000.00	760,000.00	10,455,000.00	157,330,000.00	34.89%
2033	11,110,000.00	985,000.00	795,000.00	10,920,000.00	146,410,000.00	39.41%
2034	11,545,000.00	1,025,000.00	830,000.00	11,350,000.00	135,060,000.00	44.11%
2035	11,995,000.00	1,065,000.00	860,000.00	11,790,000.00	123,270,000.00	48.99%
2036	12,465,000.00	1,105,000.00	890,000.00	12,250,000.00	111,020,000.00	54.06%
2037	12,970,000.00	1,155,000.00	935,000.00	12,750,000.00	98,270,000.00	59.33%
2038	10,195,000.00			10,195,000.00	88,075,000.00	63.55%
2039	10,645,000.00			10,645,000.00	77,430,000.00	67.96%
2040	11,095,000.00			11,095,000.00	66,335,000.00	72.55%
2041	11,555,000.00			11,555,000.00	54,780,000.00	77.33%
2042	12,030,000.00			12,030,000.00	42,750,000.00	82.31%
2043	12,520,000.00			12,520,000.00	30,230,000.00	87.49%
2044	13,040,000.00			13,040,000.00	17,190,000.00	92.89%
2045	13,570,000.00			13,570,000.00	3,620,000.00	98.50%
2046	1,145,000.00			1,145,000.00	2,475,000.00	98.98%
2047	1,205,000.00			1,205,000.00	1,270,000.00	99.47%
2048	1,270,000.00			1,270,000.00	-	100.00%
Total	<u>\$ 241,644,828.05</u>	<u>\$ 18,864,269.70</u>	<u>\$ 18,860,000.00</u>	<u>\$ 241,640,558.35</u>		

(1) Includes principal and the annual mandatory sinking fund payments on the District's outstanding Unlimited Tax Qualified School Construction Bonds Series 2011 (Direct Subsidy) (the "2011 Bonds").
(2) Excludes the accreted value of outstanding capital appreciation bonds. Preliminary, subject to change.

DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 8/31	Outstanding Debt Service ⁽¹⁾	Less:	Less:	Plus:			Combined Total ^{(1) (2) (3) (4)}
		QSCB Direct Pay Subsidy ⁽²⁾	Refunded Bonds ⁽³⁾	The Bonds ⁽³⁾			
				Principal	Interest	Total	
2020	\$ 17,653,625.00	\$ 104,686.25	\$ 333,500.00	\$ 55,000.00	\$ 275,366.67	\$ 330,366.67	\$ 17,545,805.42
2021	17,649,106.26	104,686.25	1,842,000.00	45,000.00	1,568,350.00	1,613,350.00	17,315,770.01
2022	17,646,368.76	104,686.25	1,838,200.00	785,000.00	823,350.00	1,608,350.00	17,311,832.51
2023	17,648,243.76	104,686.25	1,844,200.00	830,000.00	784,100.00	1,614,100.00	17,313,457.51
2024	17,647,725.00	104,686.25	1,848,400.00	875,000.00	742,600.00	1,617,600.00	17,312,238.75
2025	17,647,325.00	104,686.25	1,861,200.00	930,000.00	698,850.00	1,628,850.00	17,310,288.75
2026	17,648,625.00	104,686.25	1,862,000.00	980,000.00	652,350.00	1,632,350.00	17,314,288.75
2027	17,547,825.00		1,496,200.00	660,000.00	603,350.00	1,263,350.00	17,314,975.00
2028	17,547,050.00		1,503,400.00	700,000.00	570,350.00	1,270,350.00	17,314,000.00
2029	17,545,975.00		1,509,400.00	745,000.00	535,350.00	1,280,350.00	17,316,925.00
2030	17,547,550.00		1,519,200.00	790,000.00	498,100.00	1,288,100.00	17,316,450.00
2031	17,548,425.00		7,082,600.00	6,395,000.00	458,600.00	6,853,600.00	17,319,425.00
2032	17,548,412.50		1,196,200.00	760,000.00	202,800.00	962,800.00	17,315,012.50
2033	17,547,537.50		1,198,400.00	795,000.00	172,400.00	967,400.00	17,316,537.50
2034	17,546,487.50		1,199,000.00	830,000.00	140,600.00	970,600.00	17,318,087.50
2035	17,547,843.76		1,198,000.00	860,000.00	107,400.00	967,400.00	17,317,243.76
2036	17,545,225.00		1,195,400.00	890,000.00	73,000.00	963,000.00	17,312,825.00
2037	17,545,375.00		1,201,200.00	935,000.00	37,400.00	972,400.00	17,316,575.00
2038	14,198,550.00						14,198,550.00
2039	14,200,475.00						14,200,475.00
2040	14,196,050.00						14,196,050.00
2041	14,199,825.00						14,199,825.00
2042	14,199,550.00						14,199,550.00
2043	14,194,825.00						14,194,825.00
2044	14,199,600.00						14,199,600.00
2045	14,193,050.00						14,193,050.00
2046	1,297,375.00						1,297,375.00
2047	1,298,625.00						1,298,625.00
2048	1,301,750.00						1,301,750.00
	<u>\$ 434,038,400.04</u>	<u>\$ 732,803.75</u>	<u>\$ 31,728,500.00</u>	<u>\$ 18,860,000.00</u>	<u>\$ 8,944,316.67</u>	<u>\$ 27,804,316.67</u>	<u>\$ 429,381,412.96</u>

(1) Includes the accreted value of outstanding capital appreciation bonds. Includes principal and the annual mandatory sinking fund payments on the District's outstanding Unlimited Tax Qualified School Construction Bonds Series 2011 (Direct Subsidy) (the "2011 Bonds").

(2) Assumes the Federal Subsidy Payment (defined below) is deposited and applied to the Interest and Sinking Fund Budget. The amount of the original Federal Subsidy for the District's Unlimited Tax Qualified School Construction Bonds Series 2011 (Direct Subsidy) (the "2011 Bonds") has been reduced by 5.9% in 2019/20 by the United States government. The American Recovery and Reinvestment Act of 2009 ("ARRA") authorized the issuance of "Qualified School Construction Bonds", which permitted issuers to elect to receive payments equal to 100% of each interest payment payable on the "Qualified School Construction Bonds (the "Federal Subsidy"). Under the program, the District should receive payments from the United States government with respect to the Series 2011 Bonds equal to 100% of each interest payment. Under the Budget Control Act of 2011, the Federal Subsidy were reduced. The sequestration reduction rate is set at 5.9% for payments processed on or after October 1, 2019, and on or before Sept. 30, 2020, at which time the rate will again be subject to change. Such reductions in Federal Subsidy for 2020 will not materially or adversely affect the financial condition of the District. At this time, the District can make no representations as to the effect or the amount of any reduction in the Federal Subsidy in any future years. For illustrative purposes, the subsidy reduction rate is assumed to remain at 5.9% in future years.

(3) Includes the accreted value of outstanding capital appreciation bonds. Preliminary, subject to change.

(4) Based on its wealth per student, the District does not expect to receive state financial assistance for the payment of debt service for the fiscal year 2019/20. The amount of state financial assistance for debt service, if any, may differ substantially each year depending on a variety of factors, including the amount, if any, appropriated for that purpose by the state legislature and a school district's wealth per student. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in the Official Statement.

TAX ADEQUACY WITH RESPECT TO THE DISTRICT'S BONDS

Projected Maximum Debt Service Requirement ⁽¹⁾	\$ 17,545,805.42
Projected State Financial Assistance for Hold Harmless of Increased Homestead Exemption ⁽²⁾	330,000.00
Projected Net Debt Service Requirement ^{(1) (2)}	\$ 17,215,805.42
 \$0.37230 Tax Rate @ 98% Collections Produces	\$ 17,215,809.14
 2019/20 Certified Net Taxable Assessed Valuation	\$ 4,718,496,763

(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 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.

AUTHORIZED BUT UNISSUED BONDS

The District does not have any authorized but unissued unlimited ad valorem tax bonds. On February 10, 2020 the District called for a Bond election to be held in May 2020. The bond election consists of Proposition A in the amount of \$33,400,000. The District may incur other financial obligations payable from its collection of taxes and other sources of revenue, including maintenance tax notes payable from its collection of maintenance taxes, public property finance contractual obligations, delinquent tax notes, and leases for various purposes payable from State appropriations and surplus maintenance taxes.

COMPARATIVE STATEMENT OF GENERAL FUND REVENUES AND EXPENDITURES ⁽¹⁾

	Fiscal Year Ended August 31				
	2015	2016	2017	2018	2019
Beginning Fund Balance	\$ 25,016,847	\$ 20,457,183	\$ 21,926,489	\$ 28,321,743	\$ 27,985,191
Revenues:					
Local and Intermediate Sources	\$ 35,532,849	\$ 37,236,244	\$ 40,408,641	\$ 43,998,893	\$ 48,380,496
State Sources	30,207,475	32,720,248	33,109,628	32,852,979	35,976,947
Federal Sources & Other	557,588	548,699	1,815,447	1,428,894	3,153,019
Total Revenues	\$ 66,297,912	\$ 70,505,191	\$ 75,333,716	\$ 78,280,766	\$ 87,510,462
Expenditures:					
Instruction	\$ 36,511,051	\$ 38,570,065	\$ 40,829,313	\$ 44,134,422	\$ 48,921,126
Instructional Resources & Media Services	864,159	973,108	960,891	1,084,659	1,204,742
Curriculum & Instructional Staff Development	769,605	638,796	750,526	812,900	856,933
Instructional Leadership	787,036	1,281,476	1,332,131	1,371,626	1,449,415
School Leadership	3,824,670	4,040,689	4,320,013	4,562,322	4,971,366
Guidance, Counseling & Evaluation Services	1,424,542	1,623,877	1,913,998	2,197,298	2,497,505
Health Services	811,090	848,753	943,186	981,217	1,028,723
Student (Pupil) Transportation	2,182,089	2,066,512	2,170,216	2,904,593	2,374,095
Food Services	-	-	14,274	32,029	24,868
Cocurricular/Extracurricular Activities	2,594,509	2,945,131	3,071,981	3,268,397	3,594,457
General Administration	1,697,098	1,997,601	2,228,011	2,489,084	2,499,328
Plant Maintenance and Operations	6,211,360	6,306,183	6,666,027	6,958,845	7,696,036
Security and Monitoring Services	704,999	871,712	901,707	1,352,649	1,345,647
Data Processing Services	1,170,038	1,184,701	1,729,142	1,494,092	1,545,408
Community Services	230,551	242,007	265,891	249,754	251,906
Debt Service - Principal on Long Term Debt	108,653	1,114,566	275,000	-	1,482,471
Debt Service - Interest on Long Term Debt	945,727	2,206,234	2,060,729	1,809,600	358,688
Facilities Acquisition and Construction	9,725,085	1,810,567	999,766	2,525,154	4,264,732
Contracted Instructional Services Between Schools	-	-	-	-	97,796
Other Intergovernmental Charges	350,669	377,083	404,364	400,488	458,971
Total Expenditures	\$ 70,912,931	\$ 69,099,061	\$ 71,837,166	\$ 78,629,129	\$ 86,924,213
Excess (Deficiency) of Revenues over Expenditures	\$ (4,615,019)	\$ 1,406,130	\$ 3,496,550	\$ (348,363)	\$ 586,249
Other Resources and (Uses):					
Sale of Property	\$ 55,355	\$ 63,176	\$ 2,898,704	\$ 11,811	\$ 17,054
Total Other Resources (Uses)	\$ 55,355	\$ 63,176	\$ 2,898,704	\$ 11,811	\$ 17,054
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	\$ (4,559,664)	\$ 1,469,306	\$ 6,395,254	\$ (336,552)	\$ 603,303
Ending Fund Balance	\$ 20,457,183	\$ 21,926,489	\$ 28,321,743	\$ 27,985,191	\$ 28,588,494

(1) See "MANAGEMENT'S DISCUSSION AND ANALYSIS" in Appendix D and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in the Official Statement.

CHANGE IN NET ASSETS ⁽¹⁾

	Fiscal Year Ended August 31				
	2015	2016	2017	2018	2019
Revenues:					
Program Revenues:					
Charges for Services	\$ 2,667,497	\$ 2,991,304	\$ 4,652,845	\$ 3,709,214	\$ 2,560,546
Operating Grants and Contributions	10,226,917	11,467,918	11,200,566	(2,928,284)	16,879,005
General Revenues:					
Property Taxes Levied for General Purposes	34,779,955	36,599,043	39,431,551	42,613,002	46,343,675
Property Taxes Levied for Debt Service	7,712,939	12,007,723	12,931,828	13,974,528	15,205,040
State Aid - Formula Grants	26,860,288	29,152,560	29,178,310	28,530,799	32,079,313
Grants and Contributions not Restricted	-	31,215	-	-	121,364
Investment Earnings	68,449	383,563	806,133	1,096,095	1,564,049
Miscellaneous	328,922	380,883	3,151,806	297,528	1,732,080
	<u>\$ 82,644,967</u>	<u>\$ 93,014,209</u>	<u>\$101,353,039</u>	<u>\$ 87,292,882</u>	<u>\$116,485,072</u>
Expenses:					
Instruction	\$ 42,600,038	\$ 46,540,123	\$ 48,216,231	\$ 37,736,106	\$ 61,904,274
Instruction Resources & Media Services	982,208	1,154,255	1,123,186	891,683	1,428,147
Curriculum & Staff Development	856,660	773,618	901,541	757,656	1,090,395
Instructional Leadership	963,988	1,508,696	1,512,570	1,059,055	1,683,685
School Leadership	3,912,213	4,372,098	4,625,049	3,192,784	5,588,012
Guidance, Counseling & Evaluation Services	2,250,029	2,794,994	2,958,827	2,458,796	3,863,053
Health Services	803,806	886,913	976,806	628,834	1,100,915
Student Transportation	2,091,395	2,137,912	2,223,504	1,775,608	2,902,501
Food Service	303,413	303,227	336,615	621,116	572,943
Cocurricular/Extracurricular Activities	3,265,422	3,811,130	4,160,024	4,019,773	4,912,564
General Administration	1,772,140	2,176,809	2,306,547	1,926,525	2,678,908
Plant Maintenance & Operations	5,884,317	6,205,760	6,672,024	5,478,072	8,223,952
Security and Monitoring Services	713,201	900,699	939,027	1,019,884	1,441,079
Data Processing Services	1,395,399	1,571,232	2,110,716	1,459,290	1,967,565
Community Services	228,591	250,107	284,591	151,716	287,955
Interest on Long-term Debt	6,902,399	10,061,638	10,865,185	10,698,898	11,158,178
Bond Issuance Costs and Fees	1,169,735	491,994	5,300	5,300	208,594
Contracted Instructional Services Between Schools	-	-	-	-	97,796
Capital Outlay	29,974	93,603	103,392	23,043	-
Enterprise Fund - National School Breakfast & Lunch	3,383,715	3,752,467	3,799,806	3,494,372	4,484,707
Enterprise Fund - Childcare Fund	170,060	207,227	271,942	302,485	345,639
Enterprise Fund - Lighthouse for Learning	17,589	15,750	16,772	17,690	13,780
Other Intergovernmental Charges	350,669	377,083	404,364	400,488	458,971
Total Expenditures	<u>\$ 80,046,961</u>	<u>\$ 90,387,335</u>	<u>\$ 94,814,019</u>	<u>\$ 78,119,174</u>	<u>\$116,413,613</u>
Change in Net Assets	\$ 2,598,006	\$ 2,626,874	\$ 6,539,020	\$ 9,173,708	\$ 71,459
Beginning Net Assets	\$ 17,036,008	\$ 12,589,888	\$ 15,216,762	\$ 21,755,782	\$ (17,016,327)
Prior Period Adjustment	\$ (7,044,126) ⁽²⁾	\$ -	\$ -	\$ (47,945,817) ⁽³⁾	\$ -
Ending Net Assets	<u>\$ 12,589,888</u>	<u>\$ 15,216,762</u>	<u>\$ 21,755,782</u>	<u>\$ (17,016,327)</u>	<u>\$ (16,944,868)</u>

(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 2013 the District implemented GASB Statement Numbers 63 and 65, which reclassified bond issuance costs.

(3) In 2015 the District implemented GASB Statement Numbers 68 and 71, which relates to accounting for pensions.

APPENDIX B

**GENERAL INFORMATION REGARDING THE DISTRICT
AND ITS ECONOMY**

WAXAHACHIE INDEPENDENT SCHOOL DISTRICT

General and Economic Information

Waxahachie Independent School District is an industrial area that includes the City of Waxahachie, Texas. Waxahachie is located 30 miles south of Dallas, Texas, 40 miles southeast of Fort Worth, Texas and 65 miles north of Waco, Texas on Interstate Highway 35E and U.S. Highway 287. The current estimated population of the District is 56,539.

Ellis County, Texas is a central Texas county with an economy based on industrial manufacturing and distribution. The county seat and principal commercial center is Waxahachie. The current estimated population of the county is 173,620.

Source: Texas Municipal Report for Waxahachie ISD and Ellis County.

Enrollment Statistics

<u>Year Ending 8/31</u>	<u>Enrollment</u>
2009	6,646
2010	6,924
2011	7,385
2012	7,516
2013	7,651
2014	7,814
2015	7,997
2016	8,129
2017	8,406
2018	8,518
2019	8,932
Current	9,480

District Staff

Teachers	667
Auxiliary Personnel	314
Teachers' Aides & Secretaries	279
Administrators	78
Other Professional Staff	<u>110</u>
Total	1,448

Facilities

<u>Campus</u>	<u>Grades</u>	<u>Current Enrollment</u>	<u>Capacity</u>	<u>Year Built</u>	<u>Year of Addition/ Renovation</u>
Marvin Elementary	K-5	377	600	2002	2014
Clift Elementary	K-5	533	650	2008	2011
Dunaway Elementary	K-5	440	650	1987	1988
Felty Elementary	K-5	601	650	2008	N/A
Northside Elementary	K-5	426	600	1952	1962, 1973, 1986, 1995
Shackleford Elementary	K-5	552	650	1988	1998
Wedgeworth Elementary	K-5	693	800	1999	N/A
Wilemon STEAM Academy	K-5	425	425	1917	1990, 2006, 2007, 2018
Turner Pre-K Academy	PK	321	320	1952	2017
Finley Junior High School	6-8	667	1,050	1985	2011, 2017
Howard Junior High School	6-8	686	950	2008	2011
Coleman Junior High School	6-8	935	1,200	1970	2018
Waxahachie Global High	9-12	384	800	2002	2004
Waxahachie Challenge Academy	K-12	*	100	1970	1973, 1982, 1985, 1988, 1995, 1999, 2002, 2004, 2005
Waxahachie High School of Choice	9-12	47	196	1970	N/A
Waxahachie High School	9-12	2,393	3,000	2018	N/A

*Enrollment and capacity count combined with High School and other Schools.

**Principal Employers within the District
(Employers with 250-1,000 Employees)**

<u>Name of Company</u>	<u>Type of Business</u>
Dart Container Corp.	Insulated Foam Cups
Owens-Corning Fiberglass	Insulation
Waxahachie ISD	Public Schools
Walgreen Company	Distribution Center
Baylor Medical Center	Hospital
City of Waxahachie	Local Government
UNIVAR	Chemical Blending

Unemployment Rates

	December <u>2017</u>	December <u>2018</u>	December <u>2019</u>
Ellis County	3.1%	3.1%	2.7%
State of Texas	3.9%	3.6%	3.3%

Source: Texas Workforce Commission.

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

Closing Date

**WAXAHACHIE INDEPENDENT SCHOOL DISTRICT
UNLIMITED TAX REFUNDING BONDS, SERIES 2020**

IN THE AGGREGATE PRINCIPAL AMOUNT OF \$18,860,000

AS BOND COUNSEL for the Waxahachie Independent School District (the "*Issuer*"), the issuer 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, at the rates and payable on the dates as stated in the text of the Bonds, maturing, unless redeemed prior to maturity in accordance with the terms 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 laws of the State of Texas, and a transcript of certified proceedings of the Issuer, and other pertinent instruments authorizing and relating to the issuance of the Bonds, including the executed Bond Numbered TR-1 and TCAB-1.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been authorized and issued and the Bonds delivered concurrently with this opinion have been duly delivered and that, assuming due authentication, Bonds issued in exchange therefore will have been duly delivered, in accordance with law, and that the Bonds, except as may be limited by laws applicable to the Issuer relating to principles of sovereign immunity, bankruptcy, reorganization and other similar matters affecting creditors' rights generally, and by general principles of equity which permit the exercise of judicial discretion, constitute valid and legally binding obligations of the Issuer, and ad valorem taxes sufficient to provide for the payment of the interest on and principal of the Bonds have been levied and pledged for such purpose, without limit as to rate or amount.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners 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 or corporate alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). 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.

IN EXPRESSING THE AFOREMENTIONED OPINIONS, we have relied on and assume continuing compliance with, certain representations contained in the federal tax certificate of the Issuer and covenants set forth in the order adopted by the Issuer to authorize the issuance of the Bonds, relating to, among other matters, the use of the project



being refinanced and the investment and expenditure of the proceeds and certain other amounts used to pay or to secure the payment of debt service on the Bonds, the certificate of the Issuer's financial advisor as to the sufficiency of the deposit to the escrow fund, and the certificate with respect to arbitrage by the Commissioner of Education regarding the allocation and investment of certain investments in the Permanent School Fund, the accuracy of which we have not independently verified. We call your attention to the fact that if such representations are determined to be inaccurate or if the Issuer fails to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Bonds, is included in a corporation's alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on corporations by section 55 of the Code.

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

OUR 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 Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, 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 Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering our opinions with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other



material relating to the financial condition or capabilities of the Issuer, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the Issuer as to the current outstanding indebtedness of, and assessed valuation of taxable property within the Issuer. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

Respectfully,

APPENDIX D

**AUDITED FINANCIAL REPORT
FISCAL YEAR ENDED AUGUST 31, 2019**

**WAXAHACHIE
INDEPENDENT SCHOOL DISTRICT**

Annual Financial Report for the Year Ended

August 31, 2019

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CERTIFICATE OF BOARD

Waxahachie Independent School District
Name of School District

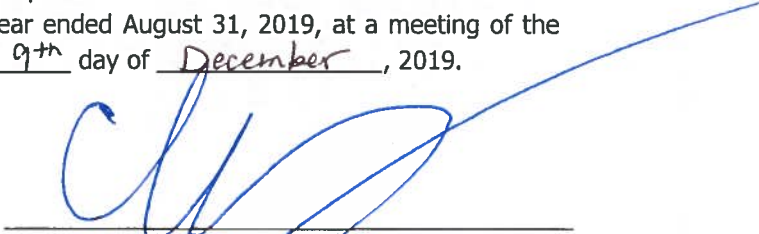
Ellis
County

070-912
County – District Number

We, the undersigned, certify that the attached financial reports of the above-named school district were reviewed and approved () disapproved for the year ended August 31, 2019, at a meeting of the Board of School Trustees of such school district on the 9th day of December, 2019.



Signature of Board Secretary



Signature of Board President

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

FINANCIAL SECTION



Independent Auditor's Report

Board of School Trustees
Waxahachie Independent School District
Waxahachie, Texas

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual fund statements and schedules, and required Texas Education Agency schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards is presented for purposes of additional analysis as required Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual fund statements and schedules, required Texas Education Agency schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 27, 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 Waxahachie Independent School District's internal control over financial reporting and compliance.



Evans & Knauth, PLLC
Frisco, TX
November 27, 2019

WAXAHACHIE INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis

Year Ended August 31, 2019

As Management of Waxahachie Independent School District, we offer readers of the District's financial statement this narrative overview and analysis of the financial activities of the District for the year ended August 31, 2019. Please read this narrative in conjunction with the independent auditors' report on page 1, and the District's Basic Financial Statements that begin on page 11.

FINANCIAL HIGHLIGHTS

- The liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by (\$16,944,868) (*deficit net position*).
- The District's total net position increased by \$71,459 during the current fiscal year from the result of current year operations.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$52,196,551. Approximately 45% of this total amount (\$23,238,918) is unassigned and available for use within the District's fund balance policies.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$23,238,918 or 26.7 % of the total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 11 through 13). 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 14) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. 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 has no component units for which it is financially accountable.

The notes to the financial statements (starting on page 27) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

WAXAHACHIE INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis

Year Ended August 31, 2019

The required supplementary information provides information on the District's pension and OPEB plans. 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 11. 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 and deferred outflows of resources; and liabilities and deferred inflows of resources at the end of the 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 and deferred outflows of resources are reported whether they serve the current year or future years. Liabilities and deferred inflows of resources 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 it. The District's net position (the difference between assets plus deferred outflows of resources less liabilities plus deferred inflows of resources) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are 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 has programs in which it charges a fee to "customers" to help it cover all or most of the cost of services it provides such as the child nutrition program, childcare fund, and an adult education program.

WAXAHACHIE INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis

Year Ended August 31, 2019

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 14 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 No Child Left Behind Act from the U.S. Department of Education. The District's administration establishes other funds to help it control and manage money for particular purposes (like campus activities). The District's two kinds of funds - governmental and proprietary - use different accounting approaches.

- Governmental funds - Most of the District's basic services are reported in governmental funds. These funds 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 - The District reports the activities for which it charges users (whether outside customers or other units of the District) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. In fact, the District's enterprise funds (one category of proprietary funds) are the business-type activities reported in the government-wide statements, but contain more detail and additional information, such as cash flows.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities and for a scholarship fund. The District's fiduciary activity is reported in a separate Statement of Fiduciary Net Position on page 25 and a Statement of Changes in Fiduciary Fund Net Position on page 26. 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

The following analysis presents both current and prior year data and discusses significant changes in the accounts. Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental and business-type activities.

Net position of the District's governmental activities increased from \$(17,881,571) to (\$17,688,728). Unrestricted net position of the District's governmental activities -the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements was (\$62,569,829) at August 31, 2019.

WAXAHACHIE INDEPENDENT SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended August 31, 2019

TABLE I
NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 59,872,438	\$ 46,087,044	\$ 879,861	\$ 852,019	\$ 60,752,299	\$ 46,939,063
Capital Assets	257,180,977	255,088,181	1,393,316	1,609,233	258,574,293	256,697,414
Total Assets	<u>317,053,415</u>	<u>301,175,225</u>	<u>2,273,177</u>	<u>2,461,252</u>	<u>319,326,592</u>	<u>303,636,477</u>
Deferred Outflows of Resources	24,574,558	12,986,283	574,033	216,833	25,148,591	13,203,116
Long-term Liabilities						
Due or Payable Within One Year	6,866,413	11,211,975	199,545	458,028	7,065,958	11,670,003
Due or Payable After One Year	340,489,982	305,261,321	1,552,864	979,681	342,042,846	306,241,002
Total Liabilities	<u>347,356,395</u>	<u>316,473,296</u>	<u>1,752,409</u>	<u>1,437,709</u>	<u>349,108,804</u>	<u>317,911,005</u>
Deferred Inflows of Resources	11,960,309	15,569,783	350,941	375,132	12,311,250	15,944,915
Net Position:						
Net Invested in Capital Assets	21,550,158	13,423,737	1,393,316	1,609,233	22,943,474	15,032,970
Restricted	23,330,943	2,746,816	(1,136,761)	(1,210,926)	22,194,182	1,535,890
Unrestricted	(62,569,829)	(34,052,124)	487,305	466,937	(62,082,524)	(33,585,187)
Total Net Position	<u>\$ (17,688,728)</u>	<u>\$ (17,881,571)</u>	<u>\$ 743,860</u>	<u>\$ 865,244</u>	<u>\$ (16,944,868)</u>	<u>\$ (17,016,327)</u>

WAXAHACHIE INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis

Year Ended August 31, 2019

TABLE II
CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program Revenues						
Charges for Services	\$ 457,720	\$ 2,345,181	\$ 2,102,826	\$ 1,364,033	\$ 2,560,546	\$ 3,709,214
Operating Grants & Contributions	14,259,089	(5,291,884)	2,619,916	2,363,600	16,879,005	(2,928,284)
Total Program Revenues	<u>14,716,809</u>	<u>(2,946,703)</u>	<u>4,722,742</u>	<u>3,727,633</u>	<u>19,439,551</u>	<u>780,930</u>
General Revenues						
Property Taxes	61,548,715	56,587,530	-	-	61,548,715	56,587,530
State Aid Formula	32,079,313	28,516,482	-	-	32,079,313	28,516,482
Investment Earnings	1,564,049	1,096,095	-	14,317	1,564,049	1,110,412
Other	1,838,944	297,528	-	-	1,838,944	297,528
Total General Revenue	<u>97,031,021</u>	<u>86,497,635</u>	<u>-</u>	<u>14,317</u>	<u>97,031,021</u>	<u>86,511,952</u>
Total Revenues	<u>111,747,830</u>	<u>83,550,932</u>	<u>4,722,742</u>	<u>3,741,950</u>	<u>116,470,572</u>	<u>87,292,882</u>
Expenses:						
Instruction	61,904,274	37,736,106	-	-	61,904,274	37,736,106
Instruction Resources & Media Services	1,428,147	891,683	-	-	1,428,147	891,683
Curriculum and Staff Development	1,090,395	757,656	-	-	1,090,395	757,656
Instructional Leadership	1,683,685	1,059,055	-	-	1,683,685	1,059,055
School Leadership	5,588,012	3,192,784	-	-	5,588,012	3,192,784
Guidance, Counseling & Evaluation Services	3,863,053	2,458,796	-	-	3,863,053	2,458,796
Health Services	1,100,915	628,834	-	-	1,100,915	628,834
Student Transportation	2,902,501	1,775,608	-	-	2,902,501	1,775,608
Food Services	572,943	621,116	4,484,707	3,494,372	5,057,650	4,115,488
Extracurricular Activities	4,912,564	4,019,773	-	-	4,912,564	4,019,773
General Administration	2,678,908	1,926,525	-	-	2,678,908	1,926,525
Facilities Maintenance & Operations	8,209,452	5,478,072	-	-	8,209,452	5,478,072
Security and Monitoring Services	1,441,079	1,019,884	-	-	1,441,079	1,019,884
Data Processing Services	1,967,565	1,459,290	-	-	1,967,565	1,459,290
Community Services	287,955	151,716	-	-	287,955	151,716
Debt Service - Interest on Long Term Debt	11,158,178	10,698,898	-	-	11,158,178	10,698,898
Debt Service - Bond Issuance Cost and Fees	208,594	5,300	-	-	208,594	5,300
Capital Outlay	-	23,043	-	-	-	23,043
Other Intergovernmental Charges	556,767	400,488	359,419	320,175	916,186	720,663
Total Expenses	<u>111,554,987</u>	<u>74,304,627</u>	<u>4,844,126</u>	<u>3,814,547</u>	<u>116,399,113</u>	<u>78,119,174</u>
Increase/(Decrease) in Net Position	192,843	9,246,305	(121,384)	(72,597)	71,459	9,173,708
Beginning Net Position	(17,881,571)	19,681,625	865,244	2,074,157	(17,016,327)	21,755,782
Prior Period Adjustment	-	(46,809,501)	-	(1,136,316)	-	(47,945,817)
Ending Net Position	<u>\$ (17,688,728)</u>	<u>\$ (17,881,571)</u>	<u>\$ 743,860</u>	<u>\$ 865,244</u>	<u>\$ (16,944,868)</u>	<u>\$ (17,016,327)</u>

At the end of the current fiscal year, the District reports a deficit balance in unrestricted net position, while reporting positive balances in net investment in capital assets and in restricted net position. The District's net position increased by \$71,459 during the current fiscal year.

WAXAHACHIE INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis

Year Ended August 31, 2019

During the 2018-2019 fiscal year, the following measures were taken to enable the District to maintain a sound financial position.

- The District's average daily attendance (ADA) increased by 383, or approximately 4.8%. Total state aid increased 5.06% because of increased student enrollment.
- The District's General Fund expenditures increased 10.54% due primarily to increases in personnel costs due to increased positions required by higher enrollment and salary increases and an increase in capital outlay.
- The District's maintenance and operations (M&O) tax rate remained \$1.17 per \$100 valuation. The District's debt service tax rate remained \$0.3839 per \$100 valuation. The District's taxable property valuation increased 5.75%.

The cost of all governmental activities for the current fiscal year was \$111,554,987. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through District taxes was \$61,548,715 because some of the costs were paid by those who directly benefited from the programs (\$457,720) or by other governments and organizations that subsidized certain programs with grants and contributions (\$14,259,089).

THE DISTRICT'S FUNDS

As of the end of the current fiscal year, the District's governmental funds (as presented in the balance sheet on page 14, reported a combined fund balance of \$52,196,551, which is \$17,782,840 more than last year's total of \$34,413,711. Included in this year's total change in fund balance is an increase of \$603,303 in the General Fund, a \$249,148 increase in the Debt Service Fund and a \$16,967,916 increase in the Capital Projects Fund.

Over the course of the 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 year and reflect the actual beginning balances (versus the amounts we estimated in August 2018). The second category includes changes that the Board made during the year to reflect new information regarding revenue sources and expenditure needs. These included increases in personnel costs and maintenance costs throughout the year. 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 \$28,588,494 reported on pages 14 and 15 differs from the General Fund's budgetary fund balance of \$24,334,037 reported in the budgetary comparison schedule on page 55. This is principally due to cost savings achieved during the year, a locally funded capital project that will be completed in FY 20, and actual revenue in excess of budgeted amounts.

WAXAHACHIE INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis

Year Ended August 31, 2019

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At August 31, 2019, the District's governmental activities had \$257,180,977 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 \$2,092,796 from the prior year. This increase includes the costs incurred in building a new agri-science facility to be completed in FY 20.

More detailed information about the District's capital assets is presented on page 39 of the notes to the financial statements.

Debt Administration

At year-end, the District had \$280,894,036 in bonds payable outstanding (including accreted interest on capital appreciation bonds) versus \$264,200,789 last year, an increase of \$16,693,247. 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 on page 40 of the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Total state aid is expected to increase 23% due to changes in the funding formulas as a result of changes in state law (HB 3) and higher enrollment somewhat offset by higher local tax collections.
- The District's General Fund expenditures are budgeted to increase approximately 4.9% due to higher personnel cost from salary increases and new positions added to accommodate enrollment growth and the completion of the agri-science facility.
- The District's 2019 maintenance and operating tax rate decreased from \$1.17 per \$100 of taxable property value to \$1.0683 per \$100 of taxable property value. The 2019 adopted debt service tax rate remained \$0.3839 per \$100 valuation.
- The District's 2018-2019 General Fund budget has budgeted revenues (\$93.4 million) in excess of budgeted expenditures (\$92.4 million) to help increase fund balance to provide flexibility to address the concerns of how quickly the District's population is growing.

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 Waxahachie Independent School District, 411 N. Gibson Street, Waxahachie, Texas 75165, or at (972) 923-4631,

BASIC FINANCIAL STATEMENTS

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

EXHIBIT A-1

Data Control Codes	1	2	3
	Primary Government		
	Governmental Activities	Business Type Activities	Total
ASSETS			
1110 Cash and Cash Equivalents	\$ 45,984,746	\$ 559,138	\$ 46,543,884
1220 Property Taxes - Delinquent	1,191,491	-	1,191,491
1230 Allowance for Uncollectible Taxes	(23,829)	-	(23,829)
1240 Due from Other Governments	9,936,604	185,327	10,121,931
1260 Internal Balances	372	(372)	-
1290 Other Receivables, Net	113,475	-	113,475
1300 Inventories	-	135,146	135,146
1410 Prepayments	1,349,579	622	1,350,201
Capital Assets:			
1510 Land	12,923,069	-	12,923,069
1520 Buildings, Net	232,382,557	-	232,382,557
1530 Furniture and Equipment, Net	5,110,793	1,393,316	6,504,109
1580 Construction in Progress	6,764,558	-	6,764,558
1800 Restricted Assets	1,320,000	-	1,320,000
1000 Total Assets	<u>317,053,415</u>	<u>2,273,177</u>	<u>319,326,592</u>
DEFERRED OUTFLOWS OF RESOURCES			
1701 Deferred Charge for Refunding	3,434,419	-	3,434,419
1705 Deferred Related to TRS Pension	15,847,154	438,935	16,286,089
1706 Deferred Related to TRS OPEB	5,292,985	135,098	5,428,083
1700 Total Deferred Outflows of Resources	<u>24,574,558</u>	<u>574,033</u>	<u>25,148,591</u>
LIABILITIES			
2110 Accounts Payable	1,457,337	66,407	1,523,744
2140 Interest Payable	411,869	-	411,869
2150 Payroll Deductions and Withholdings	78,841	-	78,841
2160 Accrued Wages Payable	4,634,884	133,138	4,768,022
2200 Accrued Expenses	283,482	-	283,482
Noncurrent Liabilities:			
2501 Due Within One Year	7,527,788	-	7,527,788
2502 Due in More Than One Year	273,366,248	-	273,366,248
2540 Net Pension Liability (District's Share)	26,687,454	745,504	27,432,958
2545 Net OPEB Liability (District's Share)	32,908,492	807,360	33,715,852
2000 Total Liabilities	<u>347,356,395</u>	<u>1,752,409</u>	<u>349,108,804</u>
DEFERRED INFLOWS OF RESOURCES			
2602 Deferred Revenue	53,681	92,558	146,239
2605 Deferred Inflow Related to TRS Pension	1,496,538	6,705	1,503,243
2606 Deferred Inflow Related to TRS OPEB	10,410,087	251,678	10,661,765
2600 Total Deferred Inflows of Resources	<u>11,960,306</u>	<u>350,941</u>	<u>12,311,247</u>
NET POSITION			
3200 Net Investment in Capital Assets	21,550,158	1,393,316	22,943,474
Restricted:			
3820 Restricted for Federal and State Programs	8,054	-	8,054
3850 Restricted for Debt Service	3,439,990	-	3,439,990
3860 Restricted for Capital Projects	19,882,899	-	19,882,899
3890 Restricted for Other Purposes	-	(1,136,761)	(1,136,761)
3900 Unrestricted	(62,569,829)	487,305	(62,082,524)
3000 Total Net Position	<u>\$ (17,688,728)</u>	<u>\$ 743,860</u>	<u>\$ (16,944,868)</u>

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

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

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
11 Instruction	\$ 61,904,274	\$ 146,045	\$ 10,501,939
12 Instructional Resources and Media Services	1,428,147	-	102,035
13 Curriculum and Instructional Staff Development	1,090,395	-	174,319
21 Instructional Leadership	1,683,685	-	232,974
23 School Leadership	5,588,012	-	451,969
31 Guidance, Counseling and Evaluation Services	3,863,053	-	1,279,616
33 Health Services	1,100,915	-	89,338
34 Student (Pupil) Transportation	2,902,501	-	193,917
35 Food Services	572,943	-	96,339
36 Extracurricular Activities	4,912,564	228,987	204,061
41 General Administration	2,678,908	82,688	244,683
51 Facilities Maintenance and Operations	8,223,952	-	431,297
52 Security and Monitoring Services	1,441,079	-	103,973
53 Data Processing Services	1,967,565	-	98,648
61 Community Services	287,955	-	53,981
72 Debt Service - Interest on Long-Term Debt	11,158,178	-	-
73 Debt Service - Bond Issuance Cost and Fees	208,594	-	-
91 Contracted Instructional Services Between Schools	97,796	-	-
99 Other Intergovernmental Charges	458,971	-	-
[TG] Total Governmental Activities:	<u>111,569,487</u>	<u>457,720</u>	<u>14,259,089</u>
BUSINESS-TYPE ACTIVITIES:			
35 Enterprise Fund - Child Nutrition Program	4,484,707	1,744,794	2,619,916
01 Enterprise Fund - Childcare	345,639	339,932	-
02 Enterprise Fund - Lighthouse for Learning	13,780	18,100	-
[TB] Total Business-Type Activities:	<u>4,844,126</u>	<u>2,102,826</u>	<u>2,619,916</u>
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 116,413,613</u>	<u>\$ 2,560,546</u>	<u>\$ 16,879,005</u>

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
GC	Grants and Contributions not Restricted
IE	Investment Earnings
MI	Miscellaneous Local and Intermediate Revenue
TR	Total General Revenues
CN	Change in Net Position
NB	Net Position - Beginning
NE	Net Position--Ending

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

Net (Expense) Revenue and Changes in Net Position		
6	7	8
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (51,256,290)	\$ -	\$ (51,256,290)
(1,326,112)	-	(1,326,112)
(916,076)	-	(916,076)
(1,450,711)	-	(1,450,711)
(5,136,043)	-	(5,136,043)
(2,583,437)	-	(2,583,437)
(1,011,577)	-	(1,011,577)
(2,708,584)	-	(2,708,584)
(476,604)	-	(476,604)
(4,479,516)	-	(4,479,516)
(2,351,537)	-	(2,351,537)
(7,792,655)	-	(7,792,655)
(1,337,106)	-	(1,337,106)
(1,868,917)	-	(1,868,917)
(233,974)	-	(233,974)
(11,158,178)	-	(11,158,178)
(208,594)	-	(208,594)
(97,796)	-	(97,796)
(458,971)	-	(458,971)
<u>(96,852,678)</u>	<u>-</u>	<u>(96,852,678)</u>
-	(119,997)	(119,997)
-	(5,707)	(5,707)
-	4,320	4,320
<u>-</u>	<u>(121,384)</u>	<u>(121,384)</u>
<u>(96,852,678)</u>	<u>(121,384)</u>	<u>(96,974,062)</u>
46,343,675	-	46,343,675
15,205,040	-	15,205,040
32,079,313	-	32,079,313
121,364	-	121,364
1,564,049	-	1,564,049
1,732,080	-	1,732,080
<u>97,045,521</u>	<u>-</u>	<u>97,045,521</u>
192,843	(121,384)	71,459
(17,881,571)	865,244	(17,016,327)
<u>\$ (17,688,728)</u>	<u>\$ 743,860</u>	<u>\$ (16,944,868)</u>

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

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 24,499,060	\$ 1,845,588	\$ 20,167,277
1220 Property Taxes - Delinquent	911,490	280,001	-
1230 Allowance for Uncollectible Taxes	(18,230)	(5,599)	-
1240 Due from Other Governments	7,874,379	-	-
1260 Due from Other Funds	372	-	-
1290 Other Receivables	113,475	-	-
1410 Prepayments	1,349,576	-	-
1800 Restricted Assets	-	1,320,000	-
1000 Total Assets	<u>\$ 34,730,122</u>	<u>\$ 3,439,990</u>	<u>\$ 20,167,277</u>
LIABILITIES			
2110 Accounts Payable	\$ 532,790	\$ -	\$ 128,781
2150 Payroll Deductions and Withholdings Payable	78,833	-	-
2160 Accrued Wages Payable	4,455,179	-	-
2200 Accrued Expenditures	127,885	-	155,597
2000 Total Liabilities	<u>5,194,687</u>	<u>-</u>	<u>284,378</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	893,260	274,402	-
2602 Unavailable Revenue - Other	53,681	-	-
2600 Total Deferred Inflows of Resources	<u>946,941</u>	<u>274,402</u>	<u>-</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3430 Prepaid Items	1,349,576	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3470 Capital Acquisition and Contractual Obligation	-	-	19,882,899
3480 Retirement of Long-Term Debt	-	3,165,588	-
Committed Fund Balance:			
3510 Construction	4,000,000	-	-
3545 Other Committed Fund Balance	-	-	-
3600 Unassigned Fund Balance	23,238,918	-	-
3000 Total Fund Balances	<u>28,588,494</u>	<u>3,165,588</u>	<u>19,882,899</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 34,730,122</u>	<u>\$ 3,439,990</u>	<u>\$ 20,167,277</u>

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

Other Funds	Total Governmental Funds
\$ (527,179)	\$ 45,984,746
-	1,191,491
-	(23,829)
2,062,225	9,936,604
-	372
-	113,475
3	1,349,579
-	1,320,000
<u>\$ 1,535,049</u>	<u>\$ 59,872,438</u>
\$ 795,766	\$ 1,457,337
8	78,841
179,705	4,634,884
-	283,482
<u>975,479</u>	<u>6,454,544</u>
-	1,167,662
-	53,681
<u>-</u>	<u>1,221,343</u>
3	1,349,579
8,054	8,054
-	19,882,899
-	3,165,588
-	4,000,000
551,513	551,513
-	23,238,918
<u>559,570</u>	<u>52,196,551</u>
<u>\$ 1,535,049</u>	<u>\$ 59,872,438</u>

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WAXAHACHIE INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2019

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	52,196,551
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$352,246,645 and the accumulated depreciation was (\$97,158,464). In addition, long-term liabilities, including bonds payable of (\$225,407,560), are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.		29,680,621
2 Current year capital outlays of \$9,991,162 and long-term debt principal payments of \$7,640,000 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the current year capital outlays and debt principal payments is to increase net position.		17,631,162
3 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. The net position related to TRS included a Deferred Resource Outflow in the amount of \$15,847,154, a Deferred Resource Inflow in the amount of (\$1,496,538) and a net pension liability in the amount of (\$26,687,454). This resulted in a decrease in net position.		(12,336,838)
4 Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75. The net position related to TRS included a Deferred Resource Outflow in the amount of \$5,292,985, a Deferred Resource Inflow in the amount of (\$10,410,087) and a net OPEB liability in the amount of (\$32,908,492). This resulted in a decrease in net position.		(38,025,594)
5 The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(7,898,366)
6 Accrued interest payable on long-term debt is not shown on the fund financial statements, but is shown on the government-wide financial statements. The effect of including accrued interest payable is to decrease net position.		(411,869)
7 Accreted interest on capital appreciation bonds are not included on the fund financial statements, but is included on the government-wide financial statements. The effect of including accreted interest is to decrease net position.		(21,945,899)
8 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.		(36,578,496)
19 Net Position of Governmental Activities	\$	(17,688,728)

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

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

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 48,380,496	\$ 15,403,575	\$ 513,999
5800 State Program Revenues	35,976,947	346,135	871
5900 Federal Program Revenues	3,153,019	104,740	-
5020 Total Revenues	<u>87,510,462</u>	<u>15,854,450</u>	<u>514,870</u>
EXPENDITURES:			
Current:			
0011 Instruction	48,921,126	-	44,295
0012 Instructional Resources and Media Services	1,204,742	-	-
0013 Curriculum and Instructional Staff Development	856,933	-	-
0021 Instructional Leadership	1,449,415	-	-
0023 School Leadership	4,971,366	-	-
0031 Guidance, Counseling and Evaluation Services	2,497,505	-	-
0033 Health Services	1,028,723	-	-
0034 Student (Pupil) Transportation	2,374,095	-	-
0035 Food Services	24,868	-	-
0036 Extracurricular Activities	3,594,457	-	100,742
0041 General Administration	2,499,328	-	-
0051 Facilities Maintenance and Operations	7,696,036	-	-
0052 Security and Monitoring Services	1,345,647	-	3,375
0053 Data Processing Services	1,545,408	-	-
0061 Community Services	251,906	-	-
Debt Service:			
0071 Principal on Long-Term Debt	1,482,471	6,157,529	-
0072 Interest on Long-Term Debt	358,688	9,445,221	-
0073 Bond Issuance Cost and Fees	-	5,465	203,129
Capital Outlay:			
0081 Facilities Acquisition and Construction	4,264,732	-	6,398,542
Intergovernmental:			
0091 Contracted Instructional Services Between Schools	97,796	-	-
0099 Other Intergovernmental Charges	458,971	-	-
6030 Total Expenditures	<u>86,924,213</u>	<u>15,608,215</u>	<u>6,750,083</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>586,249</u>	<u>246,235</u>	<u>(6,235,213)</u>
OTHER FINANCING SOURCES (USES):			
7911 Capital Related Debt Issued (Regular Bonds)	-	-	21,005,000
7912 Sale of Real and Personal Property	17,054	-	-
7916 Premium or Discount on Issuance of Bonds	-	2,913	2,198,129
7080 Total Other Financing Sources (Uses)	<u>17,054</u>	<u>2,913</u>	<u>23,203,129</u>
1200 Net Change in Fund Balances	603,303	249,148	16,967,916
0100 Fund Balance - September 1 (Beginning)	<u>27,985,191</u>	<u>2,916,440</u>	<u>2,914,983</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 28,588,494</u>	<u>\$ 3,165,588</u>	<u>\$ 19,882,899</u>

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

Other Funds	Total Governmental Funds
\$ 656,742	\$ 64,954,812
1,911,703	38,235,656
2,751,827	6,009,586
<u>5,320,272</u>	<u>109,200,054</u>
3,779,556	52,744,977
64,620	1,269,362
188,898	1,045,831
111,831	1,561,246
-	4,971,366
1,068,569	3,566,074
-	1,028,723
-	2,374,095
10,986	35,854
123,939	3,819,138
8,889	2,508,217
-	7,696,036
-	1,349,022
-	1,545,408
511	252,417
-	7,640,000
-	9,803,909
-	208,594
-	10,663,274
-	97,796
-	458,971
<u>5,357,799</u>	<u>114,640,310</u>
<u>(37,527)</u>	<u>(5,440,256)</u>
-	21,005,000
-	17,054
-	2,201,042
-	23,223,096
<u>(37,527)</u>	<u>17,782,840</u>
<u>597,097</u>	<u>34,413,711</u>
<u>\$ 559,570</u>	<u>\$ 52,196,551</u>

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

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$ 17,782,840
Current year capital outlays of \$9,991,162 and long-term debt principal payments of \$7,640,000 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the current year capital outlays and debt principal payments is to increase net position.	17,631,162
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(7,898,366)
The implementation of GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$1,771,356. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling (\$1,624,125). Finally, the porportionate share of the TRS pension expense on the plan as whole had to be recorded. The net pension expense decreased the change in net position by (\$2,613,850). The net result is a decrease in the change in net position.	(2,466,619)
The implementation of GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$500,980. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net OPEB liability. This caused a decrease in net position totaling (\$455,246). Finally, the porportionate share of the TRS OPEB expense on the plan as whole had to be recorded. The net OPEB expense decreased the change in net position by (\$672,295). The net result is a decrease in the change in net position.	(626,561)
Accrued interest payable on long-term debt is not shown on the fund financial statements, but is shown on the government-wide financial statements. The effect of including accrued interest payable is to decrease net position.	(36,264)
Accreted interest on capital appreciation bonds are not included on the fund financial statements, but is included on the government-wide financial statements. The effect of including accreted interest is to increase net position.	2,232,966
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.	(26,426,315)
Change in Net Position of Governmental Activities	\$ 192,843

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

WAXAHACHIE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2019

	Business-Type Activities - Enterprise Funds		
	Child Nutrition Program	Nonmajor Enterprise Funds	Total Enterprise Funds
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 44,851	\$ 514,287	\$ 559,138
Due from Other Governments	185,327	-	185,327
Inventories	135,146	-	135,146
Prepayments	-	622	622
Total Current Assets	<u>365,324</u>	<u>514,909</u>	<u>880,233</u>
Noncurrent Assets:			
Capital Assets:			
Furniture and Equipment	2,409,654	220,049	2,629,703
Depreciation on Furniture and Equipment	<u>(1,188,377)</u>	<u>(48,010)</u>	<u>(1,236,387)</u>
Total Noncurrent Assets	<u>1,221,277</u>	<u>172,039</u>	<u>1,393,316</u>
Total Assets	<u>1,586,601</u>	<u>686,948</u>	<u>2,273,549</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflow Related to TRS OPEB	135,098	-	135,098
Deferred Outflow Related to TRS Pensions	438,935	-	438,935
Total Deferred Outflows of Resources	<u>574,033</u>	<u>-</u>	<u>574,033</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	66,407	-	66,407
Accrued Wages Payable	109,597	23,541	133,138
Due to Other Funds	372	-	372
Total Current Liabilities	<u>176,376</u>	<u>23,541</u>	<u>199,917</u>
NonCurrent Liabilities:			
Net Pension Liability	745,504	-	745,504
Net OPEB Liability	807,360	-	807,360
Total Noncurrent Liabilities	<u>1,552,864</u>	<u>-</u>	<u>1,552,864</u>
Total Liabilities	<u>1,729,240</u>	<u>23,541</u>	<u>1,752,781</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Revenue	88,495	4,063	92,558
Deferred Inflow Related to TRS OPEB	251,678	-	251,678
Deferred Inflow Related to TRS Pensions	6,705	-	6,705
Total Deferred Inflows of Resources	<u>346,878</u>	<u>4,063</u>	<u>350,941</u>
NET POSITION			
Net Investment in Capital Assets	1,221,277	172,039	1,393,316
Restricted for Child Nutrition Program	<u>(1,136,761)</u>	<u>-</u>	<u>(1,136,761)</u>
Unrestricted Net Position	-	487,305	487,305
Total Net Position	<u>\$ 84,516</u>	<u>\$ 659,344</u>	<u>\$ 743,860</u>

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

WAXAHACHIE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2019

	Business-Type Activities - Enterprise Funds		
	Child Nutrition Program	Nonmajor Enterprise Funds	Total Enterprise Funds
OPERATING REVENUES:			
Local and Intermediate Sources	\$ 1,604,764	\$ 340,007	\$ 1,944,771
State Program Revenues	140,030	18,025	158,055
Total Operating Revenues	<u>1,744,794</u>	<u>358,032</u>	<u>2,102,826</u>
OPERATING EXPENSES:			
Payroll Costs	1,929,526	288,103	2,217,629
Professional and Contracted Services	83,926	8,923	92,849
Supplies and Materials	2,271,753	35,570	2,307,323
Other Operating Costs	5,340	5,068	10,408
Depreciation Expense	194,162	21,755	215,917
Total Operating Expenses	<u>4,484,707</u>	<u>359,419</u>	<u>4,844,126</u>
Operating Income (Loss)	<u>(2,739,913)</u>	<u>(1,387)</u>	<u>(2,741,300)</u>
NONOPERATING REVENUES (EXPENSES):			
National School Breakfast Program	463,661	-	463,661
National School Lunch Program	1,892,492	-	1,892,492
Donated Commodities (USDA)	263,763	-	263,763
Total Nonoperating Revenues (Expenses)	<u>2,619,916</u>	<u>-</u>	<u>2,619,916</u>
Change in Net Position	(119,997)	(1,387)	(121,384)
Total Net Position - September 1 (Beginning)	<u>204,513</u>	<u>660,731</u>	<u>865,244</u>
Total Net Position August 31 (Ending)	<u>\$ 84,516</u>	<u>\$ 659,344</u>	<u>\$ 743,860</u>

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

WAXAHACHIE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2019

EXHIBIT D-3

	Business-Type Activities		
	Child Nutrition Program	Nonmajor Enterprise Funds	Total Enterprise Funds
<u>Cash Flows from Operating Activities:</u>			
Cash Received from User Charges	\$ 1,481,142	\$ 342,079	\$ 1,823,221
Cash Received from State	45,008	18,025	63,033
Cash Payments to Employees for Services	(1,824,992)	(283,155)	(2,108,147)
Cash Payments for Suppliers	(2,053,617)	(44,364)	(2,097,981)
Cash Payments for Other Operating Expenses	(5,340)	(5,068)	(10,408)
Net Cash Provided by (Used for) Operating Activities	<u>(2,357,799)</u>	<u>27,517</u>	<u>(2,330,282)</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>			
Cash Received from Federal Programs	<u>2,356,153</u>	<u>-</u>	<u>2,356,153</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,646)	27,517	25,871
Cash and Cash Equivalents at Beginning of Year	<u>46,497</u>	<u>486,770</u>	<u>533,267</u>
Cash and Cash Equivalents at End of Year	<u>\$ 44,851</u>	<u>\$ 514,287</u>	<u>\$ 559,138</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>			
<u>Provided by (Used for) Operating Activities:</u>			
Operating Income (Loss):	\$ (2,739,913)	\$ (1,387)	\$ (2,741,300)
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used For) Operating Activities:			
Depreciation	194,162	21,755	215,917
Non-Cash Donated Commodities	263,763	-	263,763
Effect of Increases and Decreases in Current Assets and Liabilities:			
Decrease (increase) in Due From Other Governments	(95,022)	-	(95,022)
Decrease (increase) in Inventories	92,485	-	92,485
Decrease (increase) in Prepaid Expenses	-	194	194
Increase (decrease) in Accounts Payable	(54,186)	(65)	(54,251)
Increase (decrease) in Accrued Wages Payable	5,300	4,948	10,248
Increase (decrease) in Deferred Revenue	(123,622)	2,072	(121,550)
Increase (decrease) in Net Pension Activity	83,168	-	83,168
Increase (decrease) in Net OPEB Activity	16,066	-	16,066
Net Cash Provided by (Used for) Operating Activities	<u>\$ (2,357,799)</u>	<u>\$ 27,517</u>	<u>\$ (2,330,282)</u>

The accompanying notes are an integral part of this statement.

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

	Private Purpose Trust Fund	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 945,029	\$ 142,712
Total Assets	<u>945,029</u>	<u>\$ 142,712</u>
LIABILITIES		
Accounts Payable	-	\$ 2,551
Due to Student Groups	-	140,161
Total Liabilities	<u>-</u>	<u>\$ 142,712</u>
NET POSITION		
Unrestricted Net Position	<u>945,029</u>	
Total Net Position	<u>\$ 945,029</u>	

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

WAXAHACHIE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2019

	Private Purpose Trust Fund
<hr/>	
ADDITIONS:	
Local and Intermediate Sources	\$ 72,114
Total Additions	<u>72,114</u>
DEDUCTIONS:	
Other Operating Costs	47,955
Total Deductions	<u>47,955</u>
Change in Net Position	24,159
Total Net Position - September 1 (Beginning)	<u>920,870</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 945,029</u></u>

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

WAXAHACHIE INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

Year Ended August 31, 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

Government-Wide & Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting & Financial Statement Presentation

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

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

WAXAHACHIE INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

Year Ended August 31, 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

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

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

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

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

Fund Accounting

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

WAXAHACHIE INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

Year Ended August 31, 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fund Accounting – Governmental Funds *(continued)*

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

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

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

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

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

Enterprise Funds are used to account for the District's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities. The District accounts for a childcare center and an after-school program in nonmajor enterprise funds.

Child Nutrition Program Enterprise Fund - The District utilizes a enterprise fund to account for the District's Child Nutrition Program because the Child Nutrition Program is self-supporting and does not require subsidies from the General Fund.

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

Private Purpose Trust Fund - The District accounts for donations which have the stipulation that the funds be used for a specific purpose in this fund. The District's Private Purpose Trust Fund is a scholarship fund. These funds are not budgeted.

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

Assets, Liabilities & Deferred Inflows/Outflows

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

WAXAHACHIE INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

Year Ended August 31, 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Assets, Liabilities & Deferred Inflows/Outflows *(continued)*

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

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

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

Inventories – The District records purchases of supplies as expenditures in the Governmental Funds. In the proprietary fund-types, the consumption method is used to account for inventories of food and other supplies. Under this method, these items are carried in an inventory account for the respective fund at cost, using the first-in, first-out method of accounting and are subsequently charged to expenditures when consumed.

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

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	50
Furniture & Equipment	3 - 15

Compensated Absences – The District allows employees to accumulate unused vacation and sick time annually. There is a stipulation that upon retirement, with appropriate notice, and meeting certain attendance requirements, the District will pay employees for some of their unused leave. A liability is not recorded in the financial statements as these factors are generally not satisfied at the end of the fiscal year and all payments are made annually in the year in which the employee qualified for the payment.

WAXAHACHIE INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

Year Ended August 31, 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Long-Term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the *Statement of Net Position*. Bond premiums and discounts are reported as a liability or contra-liability, as appropriate, and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances and payments to bond refunding escrow agents are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

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

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

Fund Balances and Net Position

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

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

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

WAXAHACHIE INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

Year Ended August 31, 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fund Balances and Net Position *(continued)*

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

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

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

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

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

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

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

Committed Fund Balance is that portion of fund balance that is committed to a specific purpose by the District's Board of Trustees. The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. These amounts cannot be used for any other purpose unless the Board removes or changes the constraint by exercising the same type of action originally used to commit the funds. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Board of Trustees have committed resources as of August 31, 2019 for campus activities and for future construction.

Assigned Fund Balance is that portion of fund balance that is spendable or available for appropriation but has been tentatively earmarked for some specific purpose. This intent can be expressed by an official to which the Board of Trustees delegates this authority. Under the District's adopted policy, only the Board of Trustees may assign amounts for specific purposes. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The District has not assigned any fund balance of the General Fund as of August 31, 2019.

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

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

WAXAHACHIE INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

Year Ended August 31, 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fund Balances and Net Position *(continued)*

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

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Prepays	\$ 1,349,576	\$ -	\$ -	\$ 3	\$ 1,349,579
Restricted:					
Debt Service	-	3,165,588	-	-	3,165,588
Federal Grant	-	-	-	8,054	8,054
Capital Projects	-	-	19,882,899	-	19,882,899
Committed:					
Construction	4,000,000	-	-	-	4,000,000
Campus Activities	-	-	-	551,513	551,513
Unassigned	23,238,918	-	-	-	23,238,918
Total Fund Balances	<u>\$ 28,588,494</u>	<u>\$ 3,165,588</u>	<u>\$ 19,882,899</u>	<u>\$ 559,570</u>	<u>\$ 52,196,551</u>

Data Control Codes

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

Management’s Use of Estimates

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

Encumbrance Accounting

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

Budgetary Data

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

WAXAHACHIE INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

Year Ended August 31, 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Data (continued)

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

- Prior to August 20, the District prepares a budget for the next succeeding fiscal period beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
- A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
- Prior to September 1, the budget is legally enacted through passage of a resolution by the Board.

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

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

<u>August 31, 2019 Fund Balance</u>	
Appropriated budget funds	\$ -
Non-appropriated budget funds	559,570
All Special Revenue Funds	<u>\$ 559,570</u>

RECONCILIATION OF GOVERNMENT-WIDE & FUND FINANCIAL STATEMENTS

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

Exhibit C-2 provides a reconciliation between *fund balance - total governmental funds* and *net position - governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the full accrual basis of accounting." The details of this (\$36,578,496) adjustment are as follows:

Long Term Debt:	
Issuance of Bonds	\$ (21,005,000)
Premium and Discount Costs on Bonds	(15,983,309)
Deferred Loss on Refunding Bonds	3,434,419
Capital Appreciation Bonds - Matured	<u>(4,192,268)</u>
	(37,746,158)
Recognize Unavailable Property Tax Revenue	<u>1,167,662</u>
Net adjustment to decrease fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ (36,578,496)</u>

WAXAHACHIE INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

Year Ended August 31, 2019

RECONCILIATION OF GOVERNMENT-WIDE & FUND FINANCIAL STATEMENTS (continued)

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

Exhibit C-4 provides a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “various other reclassifications are necessary to convert from the modified accrual basis of accounting to the full accrual basis of accounting.” The details of this (\$26,426,315) adjustment are as follows:

Long-Term Debt:	
Issuance of Bonds	\$ (21,005,000)
Current Year Amortization	641,296
Current Year Premium and Discount Cost on Bonds	(2,201,042)
Capital Appreciation Bonds - Matured	<u>(4,192,268)</u>
	(26,757,014)
Recognize Unavailable Property Tax Revenue	<u>330,699</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes to net position of governmental activities	<u>\$ (26,426,315)</u>

CASH & INVESTMENTS

The funds of the District must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the District’s agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank’s dollar amount of Federal Deposit Insurance Corporation (“FDIC”) insurance.

At August 31, 2019, the carrying amount of the District's deposits (cash) was \$3,253,713. The bank balance was \$6,486,860. The District's combined deposits at August 31, 2019 and during the year ended August 31, 2019 were fully insured by federal depository insurance or collateralized with securities pledged to the District and held by the District's agent.

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

- Name of Bank – First Financial Bank, N.A.
- The highest combined balances of cash, savings, and time deposit accounts amounted to \$6,486,830 and occurred during the month of August 2019.
- Amount of bond and securities pledged as of the date of the highest combined balance on deposit was \$14,774,490.
- Total amount of FDIC coverage at the time of highest combined balance was \$250,000.

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

WAXAHACHIE INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

Year Ended August 31, 2019

CASH & INVESTMENTS *(continued)*

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

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

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

- The Lone Star Investment Pool is governed by an 11 member board, all of whom are participants in the pool. American Beacon Advisors and BNY Mellon Cash Investment Strategies manage the investment of Lone Star's assets.
- Texas Local Government Investment Pool (TexPool) - The Texas Comptroller of Public Accounts exercises oversight responsibility over TexPool.

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

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

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

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

WAXAHACHIE INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

Year Ended August 31, 2019

CASH & INVESTMENTS *(continued)*

Interest rate risk is the risk that interest rates will rise and an investment in a fixed-income security will decrease in value. Interest rate risk is reduced by diversifying, investing in securities with different durations, and laddering maturity dates. The District manages its exposure to interest rate risk by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for the District’s investment in external investment pools is less than 60 days.

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

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

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

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

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

<u>Description</u>	<u>Credit Rating</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Lone Star Investment Pool	AAAm	\$ 44,715,827	\$ 44,715,827
TexPool Investment Pool	AAAm	970,335	970,335
		<u>\$ 45,686,162</u>	<u>\$ 45,686,162</u>

PROPERTY TAXES

The District’s ad valorem property tax is levied on all real and business personal property located in the District. A lien exists on all property on January 1st of each year. Tax statements are mailed on October 1st each year or as soon thereafter as possible. Taxes are due upon receipt and become delinquent if not paid before February 1st of the following calendar year. The assessed value of the property tax roll on August 1, 2018, upon which the levy for the 2018-19 fiscal period was based, was \$3,974,454,148.

The tax rates levied for the fiscal year ended August 31, 2019, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.17 and \$0.3839 per \$100 valuation, respectively, for a total of \$1.5539 per \$100 valuation.

Current year tax collections for the period ended August 31, 2019, were 99.2% of the levy.

WAXAHACHIE INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

Year Ended August 31, 2019

PROPERTY TAXES *(continued)*

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

Allowances for uncollectible taxes within the General Fund and Debt Service Fund are based on historical experience. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of August 31, 2019, the allowance for uncollectible taxes was approximately 2% of total delinquent property taxes receivable.

DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation Program and Available School Fund.

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

<u>Fund</u>	<u>Local Governments</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Total</u>
General	\$ 9,006	\$ 6,766,902	\$ 1,098,471	\$ 7,874,379
Special Revenue	-	1,544,863	517,362	2,062,225
Child Nutrition Program	-	-	185,327	185,327
Total	<u>\$ 9,006</u>	<u>\$ 8,311,765</u>	<u>\$ 1,801,160</u>	<u>\$ 10,121,931</u>

INTERFUND TRANSACTIONS

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Child Nutrition Program	\$ 372

All interfund balances represent transactions between the General Fund and other funds. These amounts are short-term advances and are expected to be repaid in less than one year.

CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Business-Type Activities:				
Furniture & Equipment	\$ 2,629,706	\$ -	\$ -	\$ 2,629,706
Less: Accumulated depreciation	(1,020,469)	(215,917)	-	(1,236,386)
Total Capital Assets for Business-Type Activities, net	<u>\$ 1,609,237</u>	<u>\$ (215,917)</u>	<u>\$ -</u>	<u>\$ 1,393,320</u>

WAXAHACHIE INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

Year Ended August 31, 2019

CAPITAL ASSETS *(continued)*

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets not being depreciated:				
Land	\$ 12,923,069	\$ -	\$ -	\$ 12,923,069
Construction in Progress	-	8,662,750	(1,898,192)	6,764,558
	<u>12,923,069</u>	<u>8,662,750</u>	<u>(1,898,192)</u>	<u>19,687,627</u>
Capital Assets being depreciated:				
Buildings & Improvements	320,022,530	1,822,381	-	321,844,911
Furniture & Equipment	19,301,046	1,404,223	-	20,705,269
	<u>339,323,576</u>	<u>3,226,604</u>	<u>-</u>	<u>342,550,180</u>
Less: Accumulated depreciation for:				
Buildings & Improvements	(83,229,682)	(6,232,672)	-	(89,462,354)
Furniture & Equipment	(13,928,782)	(1,665,694)	-	(15,594,476)
	<u>(97,158,464)</u>	<u>(7,898,366)</u>	<u>-</u>	<u>(105,056,830)</u>
Total Capital Assets for Governmental Activities, net	<u>\$ 255,088,181</u>	<u>\$ 3,990,988</u>	<u>\$ (1,898,192)</u>	<u>\$ 257,180,977</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 5,122,090
Instructional Resources & Media	82,933
School Leadership	260,646
Student Transportation	406,766
Food Services	537,089
Extracurricular Activities	908,312
General Administration	43,441
Plant Maintenance & Operations	126,374
Security & Monitoring	19,746
Data Processing Services	390,969
Total Depreciation Expense	<u>\$ 7,898,366</u>

Construction Commitments

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

<u>Project</u>	<u>Costs Incurred</u>	<u>Budgeted Costs</u>
AgriScience Building	\$ 2,695,000	\$ 5,213,163
Max Simpson Elementary	4,069,558	21,935,440
Total	<u>\$ 6,764,558</u>	<u>\$ 27,148,603</u>

WAXAHACHIE INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

Year Ended August 31, 2019

LONG-TERM DEBT

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

	Original Issue	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonded Indebtedness:							
2002 Refunding	\$ 34,224,017	5.13-5.96%	\$ 1,606,589	\$ -	\$ (372,732)	\$ 1,233,857	\$ 322,618
2007 Tax Building	59,249,477	4.00-5.00%	1,384,270	-	-	1,384,270	-
2010 Refunding	26,005,000	2.00-4.34%	19,480,000	-	(995,000)	18,485,000	1,005,000
2011 Refunding	28,621,701	2.00-5.00%	27,111,701	-	(140,000)	26,971,701	145,000
2011 Tax Qualified	2,500,000	4.45%	2,500,000	-	-	2,500,000	-
2013 Refunding	5,915,000	2.00-3.50%	5,840,000	-	-	5,840,000	-
2014 Refunding	8,595,000	2.00-3.60%	8,435,000	-	-	8,435,000	-
2015 Refunding	40,990,000	4.00-5.50%	39,800,000	-	(425,000)	39,375,000	445,000
2015 Building	75,000,000	3.00-5.00%	73,465,000	-	(470,000)	72,995,000	495,000
2016 Building	46,545,000	2.00-5.00%	45,785,000	-	(580,000)	45,205,000	590,000
2018 Building	\$ 21,005,000	3.00-5.00%	-	21,005,000	(465,000)	20,540,000	355,000
Subtotal			225,407,560	21,005,000	(3,447,732)	242,964,828	3,357,618
Bond Premium			14,614,365	2,201,042	(832,098)	15,983,309	
Accreted Interest			24,178,864	1,959,303	(4,192,268)	21,945,899	4,170,170
Total Bonded Indebtedness			<u>\$ 264,200,789</u>	<u>\$ 25,165,345</u>	<u>\$ (8,472,098)</u>	<u>\$ 280,894,036</u>	<u>\$ 7,527,788</u>

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. Interest expense for the year on all bonded indebtedness was \$9,803,908.

During the year, the District issued Series 2018 Unlimited Tax School Building Bonds with a par value of \$21,005,000 and an original issue premium of \$2,201,042. After paying fees and issuance costs, the remaining balance will be used for construction projects.

The District's Unlimited Tax Qualified School Construction Bonds-Series 2011 require the District to make sinking fund deposits into a sinking fund restricted to payment of the bond principal when the bonds become due in 2026. Sinking fund deposits of \$165,000 per year are required in fiscal years 2012 through 2021 and deposits of \$170,000 are required in fiscal years 2022 through 2026. The balance in the sinking fund account as of August 31, 2019 was \$1,320,000 and is shown in the financial statements as restricted cash in the Debt Service Fund.

Capital Appreciation Bonds

A capital appreciation bond (CAB) is a bond bearing no interest that is sold at a significant discount but matures at a stated value. Accreted interest is the obligation associated with CABs and reflects period increases in the obligation to reflect the bond at stated value at maturity. CAB premiums represent premium received on the issuance of these bonds which must also be paid back at maturity. Current year accreted interest expense recognized in the government-wide financial statements was \$1,959,303, and \$4,192,268 of outstanding accreted interest was paid off during the year. Total accreted interest on CABs at August 31, 2019 is \$21,945,899, which is reported as long-term liabilities in the government-wide financial statements.

Deferred Charge on Bond Refundings

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

	Beginning Balance	Issued/ Increases	Retired/ Refunded	Ending Balance
Deffered loss on refunding	\$ 3,625,220	-	(190,801)	\$ 3,434,419

WAXAHACHIE INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

Year Ended August 31, 2019

LONG-TERM DEBT *(continued)*

Defeasance of Debt

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

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

Year Ending August 31	Principal	Interest	Total Requirements
2020	\$ 3,357,618	\$ 14,019,757	\$ 17,377,375
2021	3,424,232	13,948,625	17,372,857
2022	3,506,707	13,858,412	17,365,119
2023	3,619,229	13,747,765	17,366,994
2024	3,736,071	13,630,404	17,366,475
2025-2029	41,721,701	48,152,599	89,874,300
2030-2034	47,899,270	39,839,141	87,738,411
2035-2039	58,270,000	22,767,468	81,037,468
2040-2044	60,240,000	10,749,850	70,989,850
2045-2048	17,190,000	900,800	18,090,800
	<u>\$ 242,964,828</u>	<u>\$ 191,614,821</u>	<u>\$ 434,579,649</u>

UNEARNED REVENUE

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

	General Fund	Enterprise Funds	Total
Athletic Receipts	\$ 40,816	\$ -	\$ 40,816
Parking Permits	12,865	-	12,865
Prepaid Lunches	-	88,495	88,495
Other	-	4,063	4,063
Total	<u>\$ 53,681</u>	<u>\$ 92,558</u>	<u>\$ 146,239</u>

REVENUES FROM LOCAL & INTERMEDIATE SOURCES

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

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Enterprise Funds	Total
Property Taxes	\$ 46,095,745	\$ -	\$ 15,123,580	\$ -	\$ -	\$ 61,219,325
Food Sales	-	-	-	-	1,594,080	1,594,080
Investment Income	829,688	13,078	207,284	513,999	15,238	1,579,287
Penalties, Interest & Other						
Tax Related Income	255,385	-	72,711	-	-	328,096
Co-Curricular Student Activities	228,987	-	-	-	-	228,987
Other	970,691	643,664	-	-	335,453	1,949,808
Total	<u>\$ 48,380,496</u>	<u>\$ 656,742</u>	<u>\$ 15,403,575</u>	<u>\$ 513,999</u>	<u>\$ 1,944,771</u>	<u>\$ 66,899,583</u>

WAXAHACHIE INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

Year Ended August 31, 2019

RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2019, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

Health Care Coverage

For the year ended August 31, 2019, all employees of the District were offered health care coverage under the TRS ActiveCare insurance plan (the Plan), which is a statewide health coverage program for public education employees established by the 77th Texas Legislature. The District contributed \$245 per month per enrolled employee to the Plan, and employees, at their option, authorized payroll withholdings to pay the additional cost of premiums for themselves and dependents.

Worker's Compensation Insurance

During the year ended August 31, 2019, the District met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's workers' compensation program is authorized by Chapter 504, Texas Labor Code. All districts participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members and their injured employees.

The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$2 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully fund those reserves. As of August 31, 2018, the Fund carries a discounted reserve of \$48,977,531 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2019, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions.

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

Unemployment Compensation Pool

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

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

WAXAHACHIE INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

Year Ended August 31, 2019

RISK MANAGEMENT *(continued)*

Unemployment Compensation Pool *(continued)*

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

Litigation & Contingencies

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

State & Federal Programs

The District participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collect ability of any related receivable at August 31, 2019 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

PENSION PLAN AND OTHER POST EMPLOYMENT BENEFITS

Employee Retirement Plan

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

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

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

WAXAHACHIE INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

Year Ended August 31, 2019

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

Employee Retirement Plan *(continued)*

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

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

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

	2018	2019
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Fiscal Year 2019 Employer Contributions		\$ 1,831,806
Fiscal Year 2019 Member Contributions		\$ 4,734,957
2018 Measurement Year NECE On-Behalf Contributions		\$ 2,740,810

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

WAXAHACHIE INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

Year Ended August 31, 2019

PENSION PLAN AND OTHER POST EMPLOYMENT BENEFITS (continued)

Employee Retirement Plan - Contributions (continued)

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

- On the portion of the member’s salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member’s first 90 days of employment.
- When any part or all of an employee’s salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees, and 100% of the 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, 2018
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	6.907%
Long-term expected Investment Rate of Return	7.250%
Inflation	2.300%
Salary Increases including inflation	3.05% to 9.05%
Payroll Growth Rate	2.50%
Benefit changes during the year	None
Ad hoc post-employment benefit changes	None

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

WAXAHACHIE INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

Year Ended August 31, 2019

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

Employee Retirement Plan *(continued)*

Discount Rate – The discount rate used to measure the total pension liability was 6.907%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25% 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 the date. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System’s target asset allocation as of August 31, 2018 are summarized as follows:

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

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

Discount Rate Sensitivity Analysis – The following schedule shows the impact of the District’s portion of the TRS Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (6.907%) in measuring the 2018 Net Pension Liability.

	1% Decrease in Discount Rate (5.907%)	Discount Rate (6.907%)	1% Increase in Discount Rate (7.907%)
Proportionate Share of the Net Pension Liability:	\$ 41,402,911	\$ 27,432,958	\$ 16,123,452

WAXAHACHIE INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

Year Ended August 31, 2019

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

Employee Retirement Plan – Discount Rate *(continued)*

Pension Liabilities, Pension Expense, Deferred Outflows of Resources & Deferred Inflows of Resources Related to Pensions - At August 31, 2019, the District reported a liability of \$27,432,958 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	\$ 27,432,958
State's proportionate share that is associated with the District	<u>44,810,363</u>
Total	<u>\$ 72,243,321</u>

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

At August 31, 2018 the employer's proportion of the collective net pension liability was 0.04984% which was an increase of 0.00385% from its proportion measured as of August 31, 2017.

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

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

For the year ended August 31, 2019, the District recognized pension expense of \$8,816,625 and revenue of \$4,435,032 for support provided by the State.

WAXAHACHIE INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

Year Ended August 31, 2019

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

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

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experiences	\$ 170,995	\$ 673,096
Changes in actuarial assumptions	9,890,903	309,091
Differences between projected and actual investment earnings	-	520,521
Changes in proportion and differences between the employer’s contributions and the proportionate share of contributions	<u>4,392,385</u>	<u>535</u>
Total as of August 31, 2018	\$ 14,454,283	\$ 1,503,243
Contributions paid to TRS subsequent to the measurement date	<u>1,831,806</u>	<u>-</u>
Total as of Fiscal year end	<u>\$ 16,286,089</u>	<u>\$ 1,503,243</u>

\$1,831,806 reported as deferred outflow of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending August 31, 2019. The remaining net amounts of the employer’s balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended August 31,</u>	<u>Pension Expense Amount</u>
2020	\$ 3,423,425
2021	\$ 2,328,018
2022	\$ 2,004,602
2023	\$ 2,065,038
2024	\$ 1,913,271
Thereafter	<u>\$ 1,216,686</u>
	<u>\$ 12,951,040</u>

Long-Term Liability Disclosure

	<u>08/31/18</u>	<u>Additions</u>	<u>Retirements</u>	<u>08/31/19</u>
Net Pension Liability	\$ 14,703,907	14,408,023	(1,678,972)	27,432,958

Retiree Health Plan

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

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

WAXAHACHIE INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

Year Ended August 31, 2019

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

Retiree Health Plan *(continued)*

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

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

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for a retiree with and without Medicare coverage.

TRS-Care Monthly for Retirees January 1, 2018 through December 31, 2018				
	Medicare		Non-Medicare	
Retiree*	\$	135	\$	200
Retiree and Spouse		529		689
Retiree* and Children		468		408
Retiree and Family		1,020		999

** or surviving spouse*

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

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

	<u>2018</u>	<u>2019</u>
Member	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding Remitted by Employers	1.25%	1.25%
Fiscal Year 2019 Employer Contributions		\$ 513,826
Fiscal Year 2019 Member Contributions		\$ 399,700
2018 Measurement Year NECE On-behalf Contributions		\$ 653,514

WAXAHACHIE INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

Year Ended August 31, 2019

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

Retiree Health Plan - Contributions *(continued)*

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether or not they participate in the TRS Care OPEB program). When employers hire a TRS retiree, they are required to pay to TRS Care, a monthly surcharge of \$535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$182.6 million in fiscal year 2018. The 85th Texas Legislature, House Bill 30 provided an additional \$212 million in one-time supplemental funding for the fiscal year 2018-2019 biennium to continue to support the program. This was also received in fiscal year 2018 bringing the total appropriations received in fiscal year 2018 to \$394.6 million.

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

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2017 TRS pension actuarial valuation that was rolled forward to August 31, 2018: Rates of Mortality, Rates of Retirement, Rates of Termination, Rates of Disability Incidence, General Inflation, Wage Inflation, and Expected Growth.

Additional Actuarial Methods and Assumptions:

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

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

** Includes Inflation at 2.50%.

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

WAXAHACHIE INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

Year Ended August 31, 2019

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

Retiree Health Plan *(continued)*

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

	1% Decrease in Discount Rate <u>(2.69%)</u>	Discount Rate <u>(3.69%)</u>	1% Increase in Discount Rate <u>(4.69%)</u>
Proportionate share of the net OPEB liability:	\$ 40,133,448	\$ 33,715,852	\$ 28,639,120

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Proportionate share of the net OPEB liability:	\$ 28,001,564	\$ 33,715,852	\$ 41,241,692

OPEB Liabilities, OPEB Expense & Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs - At August 31, 2019, the District reported a liability of \$33,715,852 for its proportionate share of the TRS’s net OPEB liability. This liability reflects a reduction of State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District’s proportionate share of the collective net OPEB liability	\$ 33,715,852
State’s proportionate share that is associated with the District	47,367,980
Total	<u>\$ 81,083,832</u>

The net OPEB liability was measured as of August 31, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The employer’s proportion of the net OPEB liability was based on the employer’s contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2017 thru August 31, 2018.

At August 31, 2018, the employer’s proportion of the collective net OPEB liability was 0.06753%, which was an increase of 0.00466% 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.

WAXAHACHIE INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

Year Ended August 31, 2019

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

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

- The discount rate changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018. This change lowered the Total OPEB Liability \$2.3 billion.
- Change of Benefit Terms Since the Prior Measurement Date – Please see the 2018 TRS CAFR, page 68, section B for a list of changes made effective September 1, 2017 by the 85th Texas Legislature.

For the year ended August 31, 2019, the District recognized OPEB expense of \$2,879,416 and revenue of \$1,722,963 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experiences	\$ 1,789,175	\$ 532,086
Changes in actuarial assumptions	562,626	10,129,679
Differences between projected and actual investment earnings	5,896	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	2,556,560	-
Total as of August 31, 2018 measurement date	<u>\$ 4,914,257</u>	<u>\$ 10,661,765</u>
Contributions paid to TRS subsequent to the measurement date	513,826	-
Total as of August 31, 2019	<u><u>\$ 5,428,083</u></u>	<u><u>\$ 10,661,765</u></u>

\$513,826 reported as deferred outflow of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending August 31, 2019. The remaining net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEBs will be recognized in pension expense as follows:

<u>Fiscal Year ended August 31,</u>	
2020	\$ (1,008,941)
2021	(1,008,941)
2022	(1,008,941)
2023	(1,010,056)
2024	(1,010,694)
Thereafter	(699,935)
	<u>\$ (5,747,508)</u>

Long-Term Liability

	Beginning Balance	Additions	Reductions	Ending Balance
Net OPEB Liability	\$ 27,336,306	6,845,372	(465,826)	\$ 33,715,852

WAXAHACHIE INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

Year Ended August 31, 2019

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

Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare D allows for the Texas Public School Retired Employee Group Insurance Program (TRSCare) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. The funds allocated to the District are considered on-behalf payments and are recognized as equal revenues and expenditures in the General Fund. For the year ended August 31, 2019, the contribution made on behalf of the District was \$178,340.

JOINT VENTURES-SHARED SERVICE ARRANGEMENTS

The District is the fiscal agent for Shared Services Arrangements ("SSA'S) which provide deaf education to member districts. In addition to the District, other member districts include Ferris, Milford, and Maypearl, Independent School Districts.

All services are provided by the fiscal agent. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA'S in Special Revenues Funds. Expenditures of the SSA'S are summarized below:

	Fund 315 IDEA, Part B <u>Discretionary Deaf</u>	Fund 435 Regional <u>Day School Deaf</u>
Waxahachie	\$ 13,583	\$ 42,216
Ferris	2,717	8,443
Milford	5,433	16,886
Maypearl	5,433	16,886
	<u>\$ 27,166</u>	<u>\$ 84,431</u>

TAX ABATEMENTS

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

EVALUATION OF SUBSEQUENT EVENTS

The District has evaluated subsequent events through November 27, 2019, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 47,391,511	\$ 48,464,382	\$ 48,380,496	\$ (83,886)
5800 State Program Revenues	33,623,681	34,610,836	35,976,947	1,366,111
5900 Federal Program Revenues	2,000,000	3,152,966	3,153,019	53
5020 Total Revenues	83,015,192	86,228,184	87,510,462	1,282,278
EXPENDITURES:				
Current:				
0011 Instruction	48,123,015	49,293,364	48,921,126	372,238
0012 Instructional Resources and Media Services	1,210,675	1,221,915	1,204,742	17,173
0013 Curriculum and Instructional Staff Development	842,880	890,281	856,933	33,348
0021 Instructional Leadership	1,448,727	1,459,318	1,449,415	9,903
0023 School Leadership	5,050,408	4,989,351	4,971,366	17,985
0031 Guidance, Counseling and Evaluation Services	2,437,088	2,505,173	2,497,505	7,668
0033 Health Services	1,061,977	1,033,609	1,028,723	4,886
0034 Student (Pupil) Transportation	2,290,549	2,437,738	2,374,095	63,643
0035 Food Services	-	24,871	24,868	3
0036 Extracurricular Activities	3,635,663	3,663,372	3,594,457	68,915
0041 General Administration	2,565,633	2,522,948	2,499,328	23,620
0051 Facilities Maintenance and Operations	7,644,747	7,713,938	7,696,036	17,902
0052 Security and Monitoring Services	1,112,059	1,352,083	1,345,647	6,436
0053 Data Processing Services	1,560,871	1,588,188	1,545,408	42,780
0061 Community Services	255,900	257,310	251,906	5,404
Debt Service:				
0071 Principal on Long-Term Debt	-	1,482,480	1,482,471	9
0072 Interest on Long-Term Debt	2,500,000	469,520	358,688	110,832
Capital Outlay:				
0081 Facilities Acquisition and Construction	825,000	6,517,432	4,264,732	2,252,700
Intergovernmental:				
0091 Contracted Instructional Services Between	-	-	97,796	(97,796)
0099 Other Intergovernmental Charges	450,000	459,000	458,971	29
6030 Total Expenditures	83,015,192	89,881,891	86,924,213	2,957,678
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(3,653,707)	586,249	4,239,956
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	-	2,553	17,054	14,501
1200 Net Change in Fund Balances	-	(3,651,154)	603,303	4,254,457
0100 Fund Balance - September 1 (Beginning)	27,985,191	27,985,191	27,985,191	-
3000 Fund Balance - August 31 (Ending)	\$ 27,985,191	\$ 24,334,037	\$ 28,588,494	\$ 4,254,457

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

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016
District's Proportion of the Net Pension Liability (Asset)	0.049839658%	0.045986192%	0.044121287%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 27,432,958	\$ 14,703,907	\$ 16,672,778
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	44,810,363	26,646,736	31,513,766
Total	<u>\$ 72,243,321</u>	<u>\$ 41,350,643</u>	<u>\$ 48,186,544</u>
District's Covered Payroll	\$ 55,658,471	\$ 52,352,753	\$ 49,822,143
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	49.29%	28.09%	33.46%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.74%	82.17%	78.00%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for Year 2017, August 31, 2015 for Year 2016 and August 31, 2014 for 2015.

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

<u>FY 2016</u>		<u>FY 2015</u>	
<u>Plan Year 2015</u>		<u>Plan Year 2014</u>	
	0.0450521%		0.0232896%
\$	15,925,318	\$	6,220,974
	28,595,115		24,125,762
<u>\$ 44,520,433</u>		<u>\$ 30,346,736</u>	
\$	46,306,390	\$	41,908,789
	34.39%		14.84%
	78.43%		83.25%

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

	2019	2018	2017
Contractually Required Contribution	\$ 1,831,806	\$ 1,678,999	\$ 1,506,070
Contribution in Relation to the Contractually Required Contribution	(1,831,806)	(1,678,999)	(1,506,070)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 61,492,949	\$ 55,655,595	\$ 52,352,753
Contributions as a Percentage of Covered Payroll	2.98%	3.02%	2.88%

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

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

<hr/>	
2016	2015
<hr/>	<hr/>
\$ 1,406,647	\$ 1,334,006
(1,406,647)	(1,334,006)
<hr/>	<hr/>
\$ -	\$ -
<hr/> <hr/>	<hr/> <hr/>
\$ 49,822,143	\$ 46,309,390
2.82%	2.88%

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

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.067525002%	0.062861954%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 33,715,852	\$ 27,336,306
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	47,367,980	41,295,841
Total	<u>\$ 81,083,832</u>	<u>\$ 68,632,147</u>
District's Covered Payroll	\$ 55,658,471	\$ 52,352,753
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	60.58%	52.22%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.57%	0.91%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore the amounts reported for FY 2019 are for the measurement date August 31, 2018 and the amounts for FY 2018 are based on the August 31, 2017 measurement date.

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

WAXAHACHIE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR FISCAL YEAR 2019

	2019	2018
Contractually Required Contribution	\$ 513,826	\$ 459,947
Contribution in Relation to the Contractually Required Contribution	(513,826)	(459,947)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-
District's Covered Payroll	\$ 61,492,949	\$ 55,655,595
Contributions as a Percentage of Covered Payroll	0.84%	0.83%

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

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

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COMBINING STATEMENTS

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

Data Control Codes	205 Head Start	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
ASSETS				
1110 Cash and Cash Equivalents	\$ 1,057	\$ (194,679)	\$ (96,584)	\$ (1,558)
1240 Due from Other Governments	-	285,956	182,887	3,208
1410 Prepayments	-	-	-	-
1000 Total Assets	<u>\$ 1,057</u>	<u>\$ 91,277</u>	<u>\$ 86,303</u>	<u>\$ 1,650</u>
LIABILITIES				
2110 Accounts Payable	\$ -	\$ -	\$ 11,748	\$ -
2150 Payroll Deductions and Withholdings Payable	-	4	4	-
2160 Accrued Wages Payable	1,057	91,273	74,551	1,650
2000 Total Liabilities	<u>1,057</u>	<u>91,277</u>	<u>86,303</u>	<u>1,650</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3430 Prepaid Items	-	-	-	-
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	-	-
Committed Fund Balance:				
3545 Other Committed Fund Balance	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 1,057</u>	<u>\$ 91,277</u>	<u>\$ 86,303</u>	<u>\$ 1,650</u>

226 IDEA - Part B Discretionary	242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II, A Training and Recruiting	263 Title III, A English Lang. Acquisition	285	288	289 Other Federal Special Revenue Funds
\$ -	\$ -	\$ (181)	\$ (2,441)	\$ (14,436)	\$ -	\$ -	\$ (14,831)
-	-	181	2,441	19,565	-	-	14,831
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,129</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	5,129	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,129</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,129</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Data Control Codes	315 SSA IDEA, Part B Discretionary	316 SSA IDEA, Part B Deaf	317 SSA - IDEA, B Preschool Deaf	340 SSA - IDEA C Deaf - Early Intervention
ASSETS				
1110 Cash and Cash Equivalents	\$ (8,293)	\$ -	\$ -	\$ -
1240 Due from Other Governments	8,293	-	-	-
1410 Prepayments	-	-	-	-
1000 Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES				
2110 Accounts Payable	\$ -	\$ -	\$ -	\$ -
2150 Payroll Deductions and Withholdings Payable	-	-	-	-
2160 Accrued Wages Payable	-	-	-	-
2000 Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3430 Prepaid Items	-	-	-	-
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	-	-
Committed Fund Balance:				
3545 Other Committed Fund Balance	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

397 Advanced Placement Incentives	409 High School Completion and Success	410 State Textbook Fund	428	429 Other State Special Revenue Funds	435 SSA Regional Day School - Deaf	461 Campus Activity Funds	462 METRO League
\$ 4,825	\$ -	\$ (757,902)	\$ -	\$ 218	\$ (15,679)	\$ 573,018	\$ 287
-	-	1,522,907	-	-	21,956	-	-
-	-	-	-	3	-	-	-
<u>\$ 4,825</u>	<u>\$ -</u>	<u>\$ 765,005</u>	<u>\$ -</u>	<u>\$ 221</u>	<u>\$ 6,277</u>	<u>\$ 573,018</u>	<u>\$ 287</u>
\$ -	\$ -	\$ 761,994	\$ -	\$ -	\$ 232	\$ 21,792	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	6,045	-	-
<u>-</u>	<u>-</u>	<u>761,994</u>	<u>-</u>	<u>-</u>	<u>6,277</u>	<u>21,792</u>	<u>-</u>
-	-	-	-	3	-	-	-
4,825	-	3,011	-	218	-	-	-
-	-	-	-	-	-	551,226	287
<u>4,825</u>	<u>-</u>	<u>3,011</u>	<u>-</u>	<u>221</u>	<u>-</u>	<u>551,226</u>	<u>287</u>
<u>\$ 4,825</u>	<u>\$ -</u>	<u>\$ 765,005</u>	<u>\$ -</u>	<u>\$ 221</u>	<u>\$ 6,277</u>	<u>\$ 573,018</u>	<u>\$ 287</u>

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

Data Control Codes	480	Total Nonmajor Governmental Funds
ASSETS		
1110 Cash and Cash Equivalents	\$ -	\$ (527,179)
1240 Due from Other Governments	-	2,062,225
1410 Prepayments	-	3
1000 Total Assets	<u>\$ -</u>	<u>\$ 1,535,049</u>
LIABILITIES		
2110 Accounts Payable	\$ -	\$ 795,766
2150 Payroll Deductions and Withholdings Payable	-	8
2160 Accrued Wages Payable	-	179,705
2000 Total Liabilities	<u>-</u>	<u>975,479</u>
FUND BALANCES		
Nonspendable Fund Balance:		
3430 Prepaid Items	-	3
Restricted Fund Balance:		
3450 Federal or State Funds Grant Restriction	-	8,054
Committed Fund Balance:		
3545 Other Committed Fund Balance	-	551,513
3000 Total Fund Balances	<u>-</u>	<u>559,570</u>
4000 Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 1,535,049</u>

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

Data Control Codes	205 Head Start	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	-	1,110,887	1,190,212	31,837
5020 Total Revenues	-	1,110,887	1,190,212	31,837
EXPENDITURES:				
Current:				
0011 Instruction	-	1,079,951	156,113	3,509
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	-	30,425	10,234	637
0021 Instructional Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	1,023,865	27,691
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0061 Community Services	-	511	-	-
6030 Total Expenditures	-	1,110,887	1,190,212	31,837
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

226 IDEA - Part B Discretionary	242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II, A Training and Recruiting	263 Title III, A English Lang. Acquisition	285	288	289 Other Federal Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
12,000	10,986	73,572	150,610	69,325	-	-	75,232
12,000	10,986	73,572	150,610	69,325	-	-	75,232
-	-	68,084	-	69,325	-	-	39,603
-	-	-	-	-	-	-	-
-	-	70	39,184	-	-	-	35,629
-	-	405	111,426	-	-	-	-
12,000	-	5,013	-	-	-	-	-
-	10,986	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
12,000	10,986	73,572	150,610	69,325	-	-	75,232
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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

Data Control Codes	315 SSA IDEA, Part B Discretionary	316 SSA IDEA, Part B Deaf	317 SSA - IDEA, B Preschool Deaf	340 SSA - IDEA C Deaf - Early Intervention
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	27,166	-	-	-
5020 Total Revenues	27,166	-	-	-
EXPENDITURES:				
Current:				
0011 Instruction	27,166	-	-	-
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	-	-	-	-
0021 Instructional Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0061 Community Services	-	-	-	-
6030 Total Expenditures	27,166	-	-	-
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

397 Advanced Placement Incentives	409 High School Completion and Success	410 State Textbook Fund	428	429 Other State Special Revenue Funds	435 SSA Regional Day School - Deaf	461 Campus Activity Funds	462 METRO League
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 649,161	\$ 7,581
-	-	1,823,068	-	4,204	84,431	-	-
-	-	-	-	-	-	-	-
-	-	1,823,068	-	4,204	84,431	649,161	7,581
-	-	1,822,688	-	-	83,917	429,200	-
-	-	-	-	-	-	64,620	-
3,435	-	-	-	7,032	514	61,738	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	116,645	7,294
-	-	-	-	-	-	8,889	-
-	-	-	-	-	-	-	-
3,435	-	1,822,688	-	7,032	84,431	681,092	7,294
(3,435)	-	380	-	(2,828)	-	(31,931)	287
8,260	-	2,631	-	3,049	-	583,157	-
\$ 4,825	\$ -	\$ 3,011	\$ -	\$ 221	\$ -	\$ 551,226	\$ 287

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

Data Control Codes	480	Total Nonmajor Governmental Funds
REVENUES:		
5700 Total Local and Intermediate Sources	\$ -	\$ 656,742
5800 State Program Revenues	-	1,911,703
5900 Federal Program Revenues	-	2,751,827
5020 Total Revenues	-	5,320,272
EXPENDITURES:		
Current:		
0011 Instruction	-	3,779,556
0012 Instructional Resources and Media Services	-	64,620
0013 Curriculum and Instructional Staff Development	-	188,898
0021 Instructional Leadership	-	111,831
0031 Guidance, Counseling and Evaluation Services	-	1,068,569
0035 Food Services	-	10,986
0036 Extracurricular Activities	-	123,939
0041 General Administration	-	8,889
0061 Community Services	-	511
6030 Total Expenditures	-	5,357,799
1200 Net Change in Fund Balance	-	(37,527)
0100 Fund Balance - September 1 (Beginning)	-	597,097
3000 Fund Balance - August 31 (Ending)	\$ -	\$ 559,570

REQUIRED T.E.A SCHEDULES

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

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2010 and prior years	Various	Various	\$ Various
2011	1.040000	0.388900	2,795,858,079
2012	1.040000	0.388900	2,779,925,482
2013	1.040000	0.388900	1,792,898,661
2014	1.040000	0.388900	2,823,292,880
2015	1.170000	0.258900	2,989,789,853
2016	1.170000	0.383900	3,158,322,090
2017	1.170000	0.383900	3,423,459,544
2018	1.170000	0.383900	3,758,297,257
2019 (School year under audit)	1.170000	0.383900	3,974,454,148
1000 TOTALS			

(10) Beginning Balance 9/1/2018	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2019
\$ 108,171	\$ -	\$ 6,091	\$ 1,747	\$ (41)	\$ 100,292
27,671	-	2,743	1,026	755	24,657
37,888	-	3,810	1,424	(1,883)	30,771
44,879	-	6,211	2,322	(1,391)	34,955
48,522	-	12,177	4,554	26,139	57,930
68,637	-	16,723	3,700	32,475	80,689
89,996	-	17,984	5,901	46,806	112,917
127,532	-	27,804	9,123	40,852	131,457
300,748	-	81,188	26,639	(14,227)	178,694
-	61,759,043	45,919,694	15,067,156	(333,064)	439,129
<u>\$ 854,044</u>	<u>\$ 61,759,043</u>	<u>\$ 46,094,425</u>	<u>\$ 15,123,592</u>	<u>\$ (203,579)</u>	<u>\$ 1,191,491</u>

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

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 1,487,900	\$ 1,487,900	\$ 1,604,764	\$ 116,864
5800 State Program Revenues	114,408	114,408	140,030	25,622
5020 Total Revenues	<u>1,602,308</u>	<u>1,602,308</u>	<u>1,744,794</u>	<u>142,486</u>
EXPENDITURES:				
Current:				
0035 Food Services	3,955,272	3,966,553	4,410,345	(443,792)
0051 Plant Maintenance and Operations	88,440	88,440	74,362	14,078
6030 Total Expenditures	<u>4,043,712</u>	<u>4,054,993</u>	<u>4,484,707</u>	<u>(429,714)</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,441,404)</u>	<u>(2,452,685)</u>	<u>(2,739,913)</u>	<u>(287,228)</u>
OTHER FINANCING SOURCES (USES):				
7952 National School Breakfast Program	505,000	505,000	463,661	(41,339)
7953 National School Lunch Program	1,746,101	1,746,101	1,892,492	146,391
7954 Donated Commodities (USDA)	190,303	190,303	263,763	73,460
7080 Total Other Financing Sources (Uses)	<u>2,441,404</u>	<u>2,441,404</u>	<u>2,619,916</u>	<u>178,512</u>
1200 Change in Net Position	-	(11,281)	(119,997)	(108,716)
0100 Total Net Position - September 1	<u>204,513</u>	<u>204,513</u>	<u>204,513</u>	<u>-</u>
3000 Total Net Position - August 31 (Ending)	<u>\$ 204,513</u>	<u>\$ 193,232</u>	<u>\$ 84,516</u>	<u>\$ (108,716)</u>

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

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 15,209,250	\$ 15,465,641	\$ 15,403,575	\$ (62,066)
5800 State Program Revenues	300,000	346,135	346,135	-
5900 Federal Program Revenues	100,000	104,739	104,740	1
5020 Total Revenues	<u>15,609,250</u>	<u>15,916,515</u>	<u>15,854,450</u>	<u>(62,065)</u>
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Debt	3,000,000	6,157,529	6,157,529	-
0072 Interest on Long-Term Debt	12,602,750	9,445,221	9,445,221	-
0073 Bond Issuance Cost and Fees	6,500	6,500	5,465	1,035
6030 Total Expenditures	<u>15,609,250</u>	<u>15,609,250</u>	<u>15,608,215</u>	<u>1,035</u>
1100 Excess of Revenues Over Expenditures	-	307,265	246,235	(61,030)
OTHER FINANCING SOURCES (USES):				
7916 Premium or Discount on Issuance of Bonds	-	2,912	2,913	1
1200 Net Change in Fund Balances	-	310,177	249,148	(61,029)
0100 Fund Balance - September 1 (Beginning)	<u>2,916,440</u>	<u>2,916,440</u>	<u>2,916,440</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 2,916,440</u>	<u>\$ 3,226,617</u>	<u>\$ 3,165,588</u>	<u>\$ (61,029)</u>

FEDERAL AWARDS SECTION



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

Board of Trustees
Waxahachie Independent School District
Waxahachie, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Waxahachie Independent School District (the District), as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 27, 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 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 & Other Matters

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

Purpose of this Report

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



Evans & Knauth, PLLC
Frisco, TX
November 27, 2019



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

Board of Trustees
Waxahachie Independent School District
Waxahachie, Texas

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Other Matters

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

Report on Internal Control Over Compliance

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

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

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

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



Evans & Knauth, PLLC
Frisco, TX
November 27, 2019

WAXAHACHIE INDEPENDENT SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

For the Year Ended August 31, 2019

Summary of Auditor's Results:

Financial Statements

- An unmodified opinion was issued on the financial statements.
- Internal control over financial reporting:
 - Material weakness(es) identified? Yes No
 - Significant deficiency(ies) identified that are not considered a material weakness? Yes None reported
- Noncompliance material to financial statements noted. Yes No

Major Federal Programs

- Internal control over major federal programs:
 - Material weakness(es) identified? Yes No
 - Significant deficiency(ies) identified that are not considered a material weakness? Yes None reported
- An unmodified opinion was issued on compliance for major federal programs.
- Any audit findings disclosed that were required to be reported in accordance with 2 CFR 200.516(a)? Yes No
- Identification of major federal programs:
 - Title I 84.010A
- The dollar threshold used to distinguish between Type A and Type B programs. \$750,000
- Auditee qualified as a low-risk auditee. Yes No

WAXAHACHIE INDEPENDENT SCHOOL DISTRICT

Schedule of Status of Prior Findings
For the Year Ended August 31, 2019

Program	Status of Prior Year's Finding/Noncompliance
-NONE-	

WAXAHACHIE INDEPENDENT SCHOOL DISTRICT

Corrective Action Plan
For the Year Ended August 31, 2019

Program

Corrective Action Plan

-NONE-

Contact Person: Mr. Ryan Kahlden
Assistant Superintendent of Business and Finance

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

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through ESC Region 10</u>			
Title III, Part A - English Language Acquisition	84.365A	18671001057950	\$ 69,325
Total Passed Through ESC Region 10			69,325
<u>Passed Through ESC Region 20</u>			
Evaluation Capacity Grant	84.027A		12,000
Total Passed Through ESC Region 20			12,000
<u>Passed Through State Department of Education</u>			
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	19610101070912	1,110,887
IDEA - Part B, Formula	84.027A	196600010709126000	1,190,212
SSA - IDEA - Part B, Discretionary	84.027A	196600110709126000	27,166
Total CFDA Number 84.027A			1,217,378
IDEA - Part B, Preschool	84.173A	186610010709126000	31,837
Total Special Education Cluster (IDEA)			1,249,215
Career and Technical - Basic Grant	84.048A	19420006070912	73,572
ESEA, Title II, Part A, Teacher Principal Training	84.367A	19694501070912	150,610
ESEA, Title IV, Part A - Student Support	84.424A	19680101070912	71,477
Summer School LEP	84.369A	69551802	3,755
Total Passed Through State Department of Education			2,659,516
TOTAL U.S. DEPARTMENT OF EDUCATION			2,740,841
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through Texas Dept of Human Services</u>			
Medicaid Administrative Claiming Program - MAC	93.778		8,599
Total Passed Through Texas Dept of Human Services			8,599
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			8,599
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
School Breakfast Program	10.553	71401901	463,661
National School Lunch Program	10.555	71301901	1,892,492
National School Lunch - Donated Commodities	10.555	71301901	263,763
Total CFDA Number 10.555			2,156,255
Summer Feeding Program	10.559	TX-070-1008	10,986
Total Child Nutrition Cluster			2,630,902
Total Passed Through the State Department of Agriculture			2,630,902
TOTAL U.S. DEPARTMENT OF AGRICULTURE			2,630,902
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 5,380,342

*Denotes Major Program.

Note: School Health & Related Services reimbursements of \$3,144,420, recorded in the General Fund, and interest subsidy on Qualified School Construction Bonds of \$104,740, recorded in the Debt Service Fund, are recorded as federal program revenue on Exhibit C-3, but are not considered federal awards for the purpose of this schedule.

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

WAXAHACHIE INDEPENDENT SCHOOL DISTRICT

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2019

1. For all federal programs, the District uses the fund types specified in Texas Education Agency's "Financial Accountability System Resource Guide". Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance is generally accounted for in a Special Revenue Fund.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund that is a Governmental Fund type. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred.

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

3. The District participates in numerous Federal grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, in any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2019 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions have been recorded in the accompanying financial statements for such contingencies.

Financial Advisory Services
Provided By:

