

Ratings: Moody's: "Aaa"

S&P: "AAA"

(See "RATINGS" and "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein)

PRELIMINARY OFFICIAL STATEMENT

Dated: September 9, 2020

NEW ISSUE: BOOK-ENTRY-ONLY

Interest on the Bonds (defined below) is not excludable for federal tax purposes. "TAX MATTERS" herein.

\$88,390,000*

AMARILLO INDEPENDENT SCHOOL DISTRICT

(A political subdivision of the State of Texas located in Potter and Randall Counties, Texas)

Unlimited Tax Refunding Bonds, Taxable Series 2020

Interest Accrual and Accretion Date: Date of Delivery

Dated Date: October 1, 2020

Due: February 1, as shown on the inside cover page

The Amarillo Independent School District Unlimited Tax Refunding Bonds, Taxable 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 Chapters 1207 and 1371, Texas Government Code, as amended (together, the "Act"), and an order (the "Bond Order") authorizing the issuance of the Bonds adopted on August 17, 2020 by the Board of Trustees (the "Board") of the Amarillo Independent School District (the "District"). As permitted by the provisions of the Act, the Board, in the Bond Order, delegated the authority to certain District officials (each, a "Pricing Officer") to execute approval of a pricing certificate establishing the pricing terms for the Bonds (the "Pricing Certificate" and together with the Bond Order, the "Order"). The Bonds are payable as to principal and interest from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, against all taxable property located within the District. The District has received conditional approval from the Texas Education Agency for the Bonds to be guaranteed under the State of Texas Permanent School Fund Guarantee Program (hereinafter defined) which will automatically become effective when the Attorney General of Texas approves the Bonds. (See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").

Interest on the CIBs will accrue from the Date of Delivery and will be payable on February 1 and August 1 of each year, commencing February 1, 2021, until stated maturity or prior redemption. Interest on the CABs will accrete from the Date of Delivery, compound semiannually on each February 1 and August 1, commencing February 1, 2021, 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 fifteenth 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 and after February 1, 2031 are subject to redemption at the option of the District in whole or in part, in principal amounts of \$5,000 or integral multiples thereof, on August 1, 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 - Redemption Provisions"). If two or more serial CIBs of consecutive maturities are combined into one or more "Term Bonds" by the Underwriters, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with the provisions of the Order. (See "THE BONDS - Mandatory Sinking Fund Redemption" herein).

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, Orrick, Herrington & Sutcliffe LLP, Austin, Texas. The Bonds are expected to be available for initial delivery through the facilities of DTC on or about October 14, 2020.

HilltopSecurities

RAYMOND JAMES

RBC CAPITAL MARKETS

WELLS FARGO SECURITIES

**Preliminary, subject to change.*

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. These securities may not be sold, nor may offers to buy them be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or filing under the securities laws of any such jurisdiction.

\$88,390,000*
AMARILLO INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Potter and Randall Counties, Texas)
UNLIMITED TAX REFUNDING BONDS, TAXABLE SERIES 2020

MATURITY SCHEDULE*
Base CUSIP No.: 023051⁽¹⁾

\$87,560,000* Current Interest Bonds

Maturity Date 2/1	Principal Amount*	Interest Rate	Initial Yield	CUSIP No. Suffix⁽¹⁾
2021	\$1,995,000			
2022	680,000			
**	**			
2025	4,965,000			
2026	5,220,000			
2027	3,350,000			
2028	3,530,000			
2029	3,705,000			
2030	3,900,000			
2031	4,040,000			
2032	4,115,000			
2033	4,205,000			
2034	4,285,000			
2035	3,345,000			
2036	4,595,000			
2037	4,715,000			
2038	4,830,000			
2039	4,950,000			
2040	5,080,000			
2041	5,210,000			
2042	5,350,000			
2043	5,495,000			

(Interest to accrue from the Date of Delivery)

\$830,000* Capital Appreciation Bonds

Maturity Date 2/1	Principal* Amount	Initial Yield to Maturity	Maturity* Value	Initial Offering Price per \$5,000 in Maturity Value	CUSIP Suffix No.⁽¹⁾
2023	\$505,000		\$3,325,000		
2024	325,000		4,840,000		

(Interest to accrete from the 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.

AMARILLO INDEPENDENT SCHOOL DISTRICT

BOARD OF TRUSTEES

<u>Name</u>	<u>Date Initially Elected</u>	<u>Current Term Expires (November)</u>	<u>Occupation</u>
Robin Malone, President	2018	2021	Attorney/Director of Legal Studies
David Nance, Vice President	2019	2021	Business Owner
Kimberly Anderson, Member	2019	2023	Community Volunteer
Doyle Corder, Member	2019	2021	Minister
Alonzo Everhart, Member	2019	2023	Senior Director of Weapons Operations
Dick Ford, Member	2019	2023	Real Estate Developer
Kayla Mendez, Member	2019	2021	Process Engineer

APPOINTED OFFICIALS

<u>Name</u>	<u>Position</u>	<u>Length of Education Service</u>	<u>Length of Service with District</u>
Doug Loomis	Superintendent	34 Years	34 Years
Kevin Phillips	Deputy Superintendent	26 Years	26 Years
Pati Buchenau	Chief Financial Officer	30 Years	30 Years

CONSULTANTS AND ADVISORS

McCall, Parkhurst & Horton L.L.P., Dallas, Texas	Bond Counsel
SAMCO Capital Markets, Inc., Plano, Texas	Financial Advisor
Connor, McMillon, Mitchell, Shennum, PLLC, Amarillo, Texas	Certified Public Accountants

For additional information, contact:

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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, Schedules I and II 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 SCHEDULES I AND II 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 Amarillo Independent School District (the "District") is a political subdivision of the State of Texas located in Potter and Randall Counties, Texas. The District is governed by a seven-member Board of Trustees (the "Board"). Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent of Schools who is the chief administrative officer of the District. Support services are supplied by consultants and advisors.
The Bonds	The Bonds are being issued in the principal amount of \$88,390,000 (preliminary, subject to change) pursuant to the Constitution and general laws of the State of Texas, including Chapters 1207 and 1371, Texas Government Code, as amended (together the "Act"), and an order adopted by the Board of Trustees on August 17, 2020 (the "Bond Order"). As permitted by the provisions of the Act, the Board, in the Bond Order, delegated the authority to certain District officials (each, a "Pricing Officer") to execute a pricing certificate establishing the pricing terms for the Bonds (the "Pricing Certificate" and together with the Bond Order, the "Order"). 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).
Redemption Provisions	The CIBs maturing on and after February 1, 2031 are subject to redemption at the option of the District in whole or in part, in principal amounts of \$5,000 or integral multiples thereof, on August 1, 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 – Redemption Provisions"). If two or more serial CIBs of consecutive maturities are combined into one or more "Term Bonds" by the Underwriter, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with the provisions of the Order. (See "THE BONDS – Mandatory Sinking Fund Redemption" herein).
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").
Ratings	The Bonds are rated "Aaa" by Moody's Investors Service, Inc. ("Moody's") and "AAA" by S&P Global Ratings ("S&P") 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 ratings, including the Bonds, are "Aa2" by Moody's and "AA+" by S&P. (See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM – Ratings of Bonds Guaranteed Under the Guarantee Program" and "RATINGS" herein.)
Tax Matters	Interest on the Bonds is not excludable from gross income for federal income tax purposes. (See "TAX MATTERS" 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 October 14, 2020.

INTRODUCTORY STATEMENT

This Official Statement (the "Official Statement"), which includes the cover page, Schedule I and II and the Appendices attached hereto, has been prepared by the Amarillo Independent School District (the "District"), a political subdivision of the State of Texas (the "State") located in Potter and Randall Counties, Texas, in connection with the offering by the District of its Unlimited Tax Refunding Bonds, Taxable 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 Amarillo Independent School District, 7200 Interstate 40 West, Amarillo, Texas 79106 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 and the hereinafter defined Escrow Agreement pertaining to the Bonds will be deposited with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA) system. See "CONTINUING DISCLOSURE OF INFORMATION" herein for a description of the District's undertaking to provide certain information on a continuing basis.

COVID-19

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, 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 the State of 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 June 26, 2020 of Executive Order GA-28, as amended on July 2, 2020 which, among other things, provided further guidelines for the reopening of businesses and the maximum threshold level of occupancy related to such establishments. Certain businesses, such as cybersecurity services, child care services, youth camps, recreational programs, and religious services, do not have the foregoing limitations. The Governor's order also states, in providing or obtaining services, every person (including individuals, businesses, and other legal entities) should use good-faith efforts and available resources to follow the minimum standard health protocols. Executive Order GA-28 continued restrictions on nursing homes, state supported living centers, assisted living facilities, or long-term care facilities unless to provide critical assistance. A subsequent Executive Order, GA-29, listed the requirements and exceptions for face coverings. Executive Orders GA-28 (as amended) and GA-29 remain in place until amended, rescinded, or superseded by the Governor.

On August 4, 2020, TEA issued updated public planning health guidance related to instructional and operational flexibilities in planning for the 2020-2021 school year to address on campus and virtual instruction, administrative and extracurricular activities, and school visits. Within the guidance, TEA instructs schools to provide parental and public notices of the school district's plan for on-campus instruction (posted one week prior to the commencement of in person education) in order to mitigate COVID-19 within their facilities and confirms the attendance requirements for promotion (which may be completed by virtual education). The guidance further details screening mechanisms, identification of symptoms, and procedures for confirmed, suspected, and exposed cases. Certain actions, such as notification to health department officials and closure of high-traffic areas, will be required in the instance of confirmed cases. Schools are highly encouraged to engage in mitigation practices promoting health and hygiene consistent with CDC guidelines (including social distancing, facial coverings, frequent disinfecting of all areas, limiting visitations, etc.) to avoid unnecessary exposure to others to prevent the spread of COVID-19.

The TEA recently advised districts that for the 2020-2021 school year district funding will return to being based on ADA calculations requiring attendance to be taken. However, the TEA is crafting an approach for determining ADA that provides districts with several options for determining daily attendance. These include, remote synchronous instruction, remote asynchronous instruction, on campus instruction, and the Texas Virtual Schools Network. To stabilize funding expectations, districts will be provided an ADA grace period for the first two six weeks of Foundation School Program reporting. Specifically, if ADA counts during those two six weeks are more than 1% less than the first two six weeks of the 2019- 2020 school year, the first two six weeks will be excluded from 2020-21 ADA calculations, subject to some restrictions. In addition to this grace period, districts will also have an attendance grace period for remote asynchronous instruction plan approval, which continues through the end of the third six weeks. Additional information regarding the plans for the 2020-2021 school year may be obtained from the TEA. Following the initial grace period, the return to funding based on ADA calculations requiring attendance to be taken during the Pandemic may have a negative impact on revenues available to the District for operations and maintenance if students do not take part in the instruction options made available by the District.

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. In addition, the federal government has taken, and continues to consider additional, action without precedent in effort to counteract or mitigate the Pandemic's economic impact. These conditions and related responses and reactions may reduce or negatively affect property values within the District. See "AD VALOREM TAX PROCEDURES" herein. 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" herein.

The value of the PSF guarantee could also be adversely impacted by ongoing volatility in the diversified global markets in which the PSF is invested. See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM – Infectious Disease Outbreak. herein"

The financial and operating data contained in this Official Statement are as of dates and for periods prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not indicative of the current financial condition or future prospects of the District.

THE BONDS

Authorization and Purpose

The Bonds are being issued in the principal amount of \$88,390,000 (preliminary, subject to change) pursuant to the Constitution and general laws of the State, including Chapters 1207 and 1371, Texas Government Code, as amended (together, the "Act"), and an order adopted on August 17, 2020 (the "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 (each, a "Pricing Officer") to execute a pricing certificate establishing the pricing terms for the Bonds (the "Pricing Certificate"). 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 Refunded Bonds, and interest due thereon, are to be paid on their scheduled respective redemption dates from cash and investments to be deposited with BOKF, NA, Dallas, Texas, a national banking association (the "Escrow Agent") pursuant to an Escrow Agreement (the "Escrow Agreement") between the District and the Escrow Agent.

The Order provides that the District will deposit certain proceeds of the sale of the Bonds, along with other lawfully available funds of the District (if any), with the Escrow Agent in the amount necessary and sufficient to accomplish the discharge and final payment of the Refunded Obligations at their scheduled redemption dates (the "Redemption Date"). Such funds shall be held by the Escrow Agent in an escrow fund (the "Escrow Fund") irrevocably pledged to the payment of principal of and interest on the Refunded Obligations. Funds held in the Escrow Fund may be used to purchase some or all of the following types of obligations: (a) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States, (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 of their acquisition or purchase by the District, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent and/or (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 of their acquisition or purchase by the District, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent (the "Escrowed Securities").

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

Public Finance Partners LLC, will issue its report (the "Report") verifying at the time of delivery of the Bonds to the Underwriters thereof the mathematical accuracy of the schedules that demonstrate the Escrowed Securities will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Escrow Fund, will be sufficient to pay, when due, the principal of and interest on the Refunded Bonds. See "VERIFICATION OF ACCURACY OF MATHEMATICAL COMPUTATIONS". Such maturing principal of and interest on the Escrowed Securities will not be available to pay the Bonds.

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

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

Upon defeasance of the Refunded Bonds, the payment of the Refunded Bonds will no longer be guaranteed by the Permanent School Fund of Texas.

General Description

The Bonds will be dated October 1, 2020 and are issued as (i) obligations on which interest accrues and is payable semiannually and at stated maturity or prior redemption (the "Current Interest Bonds" or the "CIBs") and (ii) obligations on which interest accretes and is payable only at Stated Maturity (the "Premium Capital Appreciation Bonds" or "CABs"). Interest on the CIBs will accrue from the date of their initial delivery (the "Date of Delivery") to the initial purchasers thereof set forth on the cover page of this Official Statement (the "Underwriters"); interest on the CABs will accrete from the Date of Delivery to their respective dates of stated maturity (the principal amount of each CAB, plus the initial premium (if any) paid therefor, and accreted interest on such CAB payable at stated maturity 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 February 1, 2021, and on each February 1 and August 1 thereafter until stated maturity. Interest on the CABs will compound on each February 1 and August 1, commencing February 1, 2021, 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 1 and August 1 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 within a stated maturity.

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 or, with respect to the CIBs, prior redemption. So long as the Bonds are registered in the name of CEDE & CO. or other nominee for The Depository Trust Company New York, New York ("DTC"), payments of principal and interest 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.

Redemption Provisions

Optional Redemption of CIBs: The CIBs maturing on and after February 1, 2031 are subject to redemption, at the option of the District, in whole or in part, in principal amounts of \$5,000 or integral multiples thereof, on August 1, 2030, or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. If less than all of the CIBs are to be redeemed, the District shall determine the amounts and maturities thereof to be redeemed and shall direct the Paying Agent/Registrar to select by lot the CIBs, or portions thereof, to be redeemed.

No Redemption of CABs: The CABs are not subject to redemption prior to stated maturity.

Mandatory Sinking Fund Redemption

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

Notice of Redemption and DTC Notices

Not less than 30 days prior to a redemption date for the 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 holder appearing on the Bond Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER ONE OR MORE BONDHOLDERS FAILED TO RECEIVE SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE CIBS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY CIB OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH CIB OR PORTION THEREOF SHALL CEASE TO ACCRUE.

The Paying Agent/Registrar and the District, so long as the Book-Entry-Only System is used for the Bonds, will send any notice of redemption of a CIB, 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 such notice or any such notice. Redemption of portions of the CIBs by the District will reduce the outstanding principal amount of such CIBs 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 Bonds for redemption. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

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, as applicable, 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 or Maturity Value, as applicable, 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 of 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. A Pricing Officer may restrict such eligible securities and obligations as deemed appropriate in connection with the sale of the Bonds. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of the refunding bonds are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (d) any additional securities and obligations hereafter authorized by Texas law as eligible for use to accomplish the discharge of obligations such as the Bonds. There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Order does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used for defeasance purposes or that for any other Defeasance Security will be maintained at any particular rating category.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment of the Bonds have been made as described above, all rights of the District to initiate proceedings to call the 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	
Total Sources of Funds	\$

Uses

Deposit to Escrow Fund	\$
Costs of Issuance	
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 or Maturity Value of 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.3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Chapter 1371, Texas Government Code, as amended ("Chapter 1371") which pertains to the issuance of public securities by issuers such as the District permits the District to waive sovereign immunity in the proceedings authorizing its bonds. In connection with the issuance of the Bonds, the District has relied on Chapter 1371 (see "THE BONDS – Authorization and Purpose" herein), but has not waived sovereign immunity, with respect thereto. Because it is unclear whether the Texas Legislature has effectively waived the District's sovereign immunity from a suit for money damages outside of Chapter 1371, bondholders may not be able to bring such a suit against the District for breach of the Bonds or Order covenants. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the 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 other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption (CIBs only) or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC, New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each stated maturity of the Bonds, each in the aggregate principal amount 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 redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC and the District and the Underwriters believe such information to be reliable, but none of the District, the Financial Advisor or the Underwriters take any responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Direct or Indirect Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Order will be given only to DTC.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar for the Bonds is 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 CIBs 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 business day next preceding the date of mailing of such notice.

Limitation on Transfer of Bonds

The Paying Agent/Registrar shall not be required to make any such transfer, conversion or exchange (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date or (ii) with respect to any CIB or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date; provided, however, that such limitation shall not apply to uncalled portions of a CIB redeemed in part.

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 CDBG 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 CDBG 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 CDBG 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 "RATINGS" herein.

Valuation of the PSF and Guaranteed Bonds

Permanent School Fund Valuations

<u>Fiscal Year Ended 8/31</u>	<u>Book Value⁽¹⁾</u>	<u>Market Value⁽¹⁾</u>
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	
<u>At 8/31</u>	<u>Principal Amount⁽¹⁾</u>
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⁾						
<u>School District Bonds</u>			<u>Charter District Bonds</u>			<u>Totals</u>
<u>Fiscal Year Ended 8/31</u>	<u>No. of Issues</u>	<u>Principal Amount</u>	<u>No. of Issues</u>	<u>Principal Amount</u>	<u>No. of Issues</u>	<u>Principal Amount</u>
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 Amendments

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/. 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 2020-2021 fiscal year, the District was not designated as an "excess local revenue" district by the TEA. Accordingly, the District has not been required to exercise one of the wealth equalization options permitted under applicable State law. As a district with local revenue less than the maximum permitted level, the District may benefit in the future by agreeing to accept taxable

property or funding assistance from, or agreeing to consolidate with, a property-rich district to enable such district to reduce its wealth per student to the permitted level.

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

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

AD VALOREM TAX PROCEDURES

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

Valuation of Taxable Property

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

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property.

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

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

State Mandated Homestead Exemptions

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

Local Option Homestead Exemptions

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

State Mandated Freeze on School District Taxes

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

Personal Property

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

Freeport and Goods-In-Transit Exemptions

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

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

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

Other Exempt Property

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

Temporary Exemption for Qualified Property Damaged by a Disaster

The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. Except in situations where the territory is declared a disaster on or after the date the taxing unit adopts a tax rate for the year in which the disaster declaration is issued, the governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the governor declares the area to be a disaster area. For more information on the exemption, reference is made to Section 11.35 of the Tax Code. Section 11.35 of the Tax Code was enacted during the 2019 legislative session, and there is no judicial precedent for how the statute will be applied. Texas Attorney General Opinion KP-0299, issued on April 13, 2020, concluded a court would likely find the Texas Legislature intended to limit the temporary tax exemption to apply to property physically harmed as a result of a declared disaster.

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. The Property Tax Code permits taxpayers owning homes or certain businesses located in a disaster area and damaged as a direct result of the declared disaster to pay taxes imposed in the year following the disaster in four equal installments without penalty or interest, commencing on February 1 and ending on August 1. See "AD VALOREM TAX PROCEDURES – Temporary Exemption for Qualified Property Damaged by a Disaster" for further information related to a discussion of the applicability of this section of the Property Tax Code.

District's Rights in the Event of Tax Delinquencies

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

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

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

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

TAX RATE LIMITATIONS

M&O Tax Rate Limitations

The District is authorized to levy an M&O tax rate pursuant to the approval of the voters of the District at an election held on September 24, 1955 pursuant to Article 2784e-1, Texas Revised Civil Statutes Annotated, as amended.

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

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

For the 2020 and subsequent tax years, the maximum M&O tax rate per \$100 of taxable value that may be adopted by a school district is the sum of \$0.17 and the school district's MCR. A school district's MCR is, generally, inversely proportional to the change in taxable property values both within the school district and the State, and is subject to recalculation annually. For any year, the highest possible MCR for a school district is \$0.93 (see "TAX RATE LIMITATIONS – Public Hearing and Voter-Approval Tax Rate" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Funding for School Districts" herein).

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

I&S Tax Rate Limitations

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

Section 45.0031 of the Texas Education Code, as amended, requires a school district to demonstrate to the Texas Attorney General that it has the prospective ability to pay its maximum annual debt service on a proposed issue of bonds and all previously issued bonds, other than bonds approved by voters of a school district at an election held on or before April 1, 1991 and issued before September 1, 1992 (or debt issued to refund such bonds, collectively, "exempt bonds"), from a tax levied at a rate of \$0.50 per \$100 of assessed valuation before bonds may be issued (the "50-cent Test"). In demonstrating the ability to pay debt service at a rate of \$0.50, a school district may take into account EDA and IFA allotments to the school district, which effectively reduces the school district's local share of debt service, and may also take into account Tier One funds allotted to the school district. If a school district exercises this option, it may not adopt an I&S tax until it has credited to the school district's I&S fund an amount equal to all State allotments provided solely for payment of debt service and any Tier One funds needed to demonstrate compliance with the threshold tax rate test and which is received or to be received in that year. Additionally, a school district may

demonstrate its ability to comply with the 50-cent Test by applying the \$0.50 tax rate to an amount equal to 90% of projected future taxable value of property in the school district, as certified by a registered professional appraiser, anticipated for the earlier of the tax year five (5) years after the current tax year or the tax year in which the final payment for the bonds is due. However, if a school district uses projected future taxable values to meet the 50-cent Test and subsequently imposes a tax at a rate greater than \$0.50 per \$100 of valuation to pay for bonds subject to the test, then for subsequent bond issues, the Texas Attorney General must find that the school district has the projected ability to pay principal and interest on the proposed bonds and all previously issued bonds subject to the 50-cent Test from a tax rate of \$0.45 per \$100 of valuation. Once the prospective ability to pay such tax has been shown and the bonds are issued, a school district may levy an unlimited tax to pay debt service. Refunding bonds issued pursuant to Chapter 1207, Texas Government Code ("Chapter 1207"), 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". The District has not used State assistance other than EDA or IFA allotment funding or projected property values to satisfy this threshold test.

Public Hearing and Voter-Approval Tax Rate

A school district's total tax rate is the combination of the M&O tax rate and the I&S tax rate. Generally, the highest rate at which a school district may levy taxes for any given year without holding an election to approve the tax rate is the "Voter-Approval Tax Rate", as described below.

For the 2019 tax year, a school district is required to adopt its annual tax rate before the later of September 30 or the sixtieth (60th) day after the date the certified appraisal roll is received by the taxing unit, and a failure to adopt a tax rate by such required date will result in the tax rate for the taxing unit being the lower of the "effective tax rate" calculated for that tax year or the tax rate adopted by the taxing unit for the preceding tax year. "Effective tax rate" means the rate that will produce the prior year's total tax levy from the current year's total taxable values, adjusted such that lost values are not included in the calculation of the prior year's taxable values and new values are not included in the current year's taxable values.

For the 2019 tax year, the Voter-Approval Tax Rate for a school district is the sum of (i) the State Compression Percentage, multiplied by \$1.00; (ii) the greater of (a) the school district's M&O tax rate for the 2018 tax year, less the sum of (1) \$1.00, and (2) any amount by which the school district is required to reduce its Enrichment Tax Rate for the 2019 tax year, or (b) \$0.04; and (iii) the school district's I&S tax rate. For the 2019 tax year, a school district's M&O tax rate may not exceed the rate equal to the sum of (i) \$0.17 and (ii) the product of the State Compression Percentage multiplied by \$1.00.

For the 2019 tax year, a school district with a Voter-Approval Tax Rate equal to or greater than \$0.97 (excluding the school district's current I&S tax rate) may not adopt tax rate for the 2019 tax year that exceeds the school district's Voter-Approval Tax Rate. For the 2019 tax year, the District is not eligible to adopt a tax rate that exceeds its Voter-Approval Tax Rate.

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

For the 2020 and subsequent tax years, the Voter-Approval Tax Rate for a school district is the sum of (i) the school district's MCR; (ii) the greater of (a) the school district's Enrichment Tax Rate for the preceding year, less any amount by which the school district is required to reduce its current year Enrichment Tax Rate pursuant to Section 48.202(f), Education Code, as amended, or (b) the rate of \$0.05 per \$100 of taxable value; and (iii) the school district's current I&S tax rate. However, for only the 2020 tax year, if the governing body of the school district does not adopt by unanimous vote an M&O tax rate at least equal to the sum of the school district's MCR plus \$0.05, then \$0.04 is substituted for \$0.05 in the calculation for such school district's Voter-Approval Tax Rate for the 2020 tax year. For the 2020 tax year, and subsequent years, a school district's M&O tax rate may not exceed the rate equal to the sum of (i) \$0.17 and (ii) the school district's MCR (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" herein, for more information regarding the State Compression Percentage, MCR, and the Enrichment Tax Rate).

Beginning with the 2020 tax year, the governing body of a school district generally cannot adopt a tax rate exceeding the school district's Voter-Approval Tax Rate without approval by a majority of the voters approving the higher rate at an election to be held on the next uniform election date. Further, subject to certain exceptions for areas declared disaster areas, State law requires the board of trustees of a school district to conduct an efficiency audit before seeking voter approval to adopt a tax rate exceeding the Voter-Approval Tax Rate and sets certain parameters for conducting and disclosing the results of such efficiency audit. An election is not required for a tax increase to address increased expenditures resulting from certain natural disasters in the year following the year in which such disaster occurs; however, the amount by which the increased tax rate exceeds the school district's Voter-Approval Tax Rate for such year may not be considered by the school district in the calculation of its subsequent Voter-Approval Tax Rate.

The calculation of the Voter-Approval Tax Rate does not limit or impact the District's ability to set an I&S tax rate in each year sufficient to pay debt service on all of the District's tax-supported debt obligations, including the 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 respective County. The Appraisal District is governed by a board of directors appointed by members of the governing bodies of various political subdivisions within the respective 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 Potter and Randall County Tax Assessors/Collectors.

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

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

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

The District has not 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. The Plan is administered by the Teacher Retirement System of Texas ("TRS"). State contributions are made to cover costs of the Plan up to certain statutory limits. The District is obligated for a portion of the Plan costs relating to employee salaries that exceed the statutory limit. Aside from the District's contribution to TRS, the District has no pension fund expenditures or liabilities. For fiscal year ended June 30, 2019, the District made a contribution to TRS on a portion of their employee's salaries that exceeded the statutory minimum. The District does not offer any post-employment retirement benefits and has no liabilities for "Other Post Employment Retirement Benefits" as defined in GASB Statement No. 45. For a discussion of the TRS retirement plan, see "Note 13 – GENERAL INFORMATION ABOUT THE PENSION PLAN" to the audited financial statements of the District that are attached hereto as Appendix D (the "Financial Statements").

The District contributes to the Texas Public School Retired Employees Group Insurance Program ("TRS-Care"), a cost-sharing, multiple-employer defined benefit postemployment health care plan administered by the TRS. Contribution requirements to TRS-Care are legally established each biennium by the State legislature. See "NOTE 14 – DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS" in 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.

In June 2012, Government Accounting Standards Board (GASB) Statement No. 68 (Accounting and Financial Reporting for Pensions) was issued to improve accounting and financial reporting by state and local governments regarding pensions. GASB Statement No. 68 requires reporting entities, such as the District, to recognize their proportionate share of the net pension liability and operating statement activity related to changes in collective pension liability. This means that reporting entities, such as the District, that contribute to the TRS pension plan will report a liability on the face of their government-wide financial statements. Such reporting began with the District's fiscal year ending August 31, 2015. See "APPENDIX A – Change in Net Assets". GASB Statement No. 68 applies only to pension benefits and does not apply to Other Post-Employment Benefits (OPEB) or TRS-Care related liabilities.

RATINGS

The Bonds are rated "Aaa" by Moody's Investors Service ("Moody's") and "AAA" by S&P Global Ratings ("S&P") based upon the guaranteed repayment thereof under the Permanent School Fund Guarantee Program of the Texas Education Agency. The District's current unenhanced, underlying ratings, including the Bonds, are "Aa2" by Moody's and "AA+" by S&P. (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 and S&P. The rating of the Bonds by Moody's and S&P reflect only the views of said company at the time the ratings are given, and the District makes no representations as to the appropriateness of the ratings. There is no assurance that the ratings will continue for any given period of time, or that the ratings will not be revised downward or withdrawn entirely by Moody's and S&P, if, in the judgment of Moody's and S&P, circumstances so warrant. Any such downward revision or withdrawal of the ratings, 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. 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, Orrick, Herrington & Sutcliffe LLP, Austin, 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," the second paragraph under "Notice of Redemption and DTC Notices" and "Sources and Uses of Funds", as to which no opinion is expressed) "REGISTRATION, TRANSFER AND EXCHANGE", "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS", "CURRENT PUBLIC SCHOOL FINANCE SYSTEM", "TAX RATE LIMITATIONS" (except for the last sentence of the second paragraph under the subcaption "I&S Tax Rate Limitations"), "LEGAL MATTERS" (except for the last two sentences of the first paragraph thereunder), "TAX MATTERS", "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS", "REGISTRATION AND QUALIFICATION OF BONDS FOR SALE" and "CONTINUING DISCLOSURE OF INFORMATION" (except under the subcaption "Compliance with Prior Undertakings," as to which no opinion will be expressed) and such firm is of the opinion that the information relating to the Bonds and the Order contained under such captions is a fair and accurate summary of the information purported to be shown and that the information and descriptions contained under such captions relating to the provisions of applicable state and federal laws are correct as to matters of law.

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

TAX MATTERS

Certain Federal Income Tax Considerations

General. The following discussion is a summary of certain expected material federal income tax consequences of the purchase, ownership and disposition of the Bonds and is based on the Internal Revenue Code of 1986 (the "Code"), the regulations promulgated thereunder, published rulings and pronouncements of the Internal Revenue Service ("IRS") and court decisions currently in effect. There can be no assurance that the IRS will not take a contrary view, and no ruling from the IRS, has been, or is expected to be, sought on the issues discussed herein. Any subsequent changes or interpretations may apply retroactively and could affect the opinion and summary of federal income tax consequences discussed herein.

The following discussion is not a complete analysis or description of all potential U.S. federal tax considerations that may be relevant to, or of the actual tax effect that any of the matters described herein will have on, particular holders of the Bonds and does not address U.S. federal gift or estate tax or (as otherwise stated herein) the alternative minimum tax, state, local or other tax consequences. This summary does not address special classes of taxpayers (such as partnerships, or other pass-thru entities treated as a partnerships for U.S. federal income tax purposes, S corporations, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, real estate investment trusts, grantor trusts, former citizens of the U.S., broker-dealers, traders in securities and tax-exempt organizations, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be subject to the branch profits tax or, personal holding company provisions of the Code or taxpayers qualifying for the health insurance premium assistance credit) that are subject to special treatment under U.S. federal income tax laws, or persons that hold Bonds as a hedge against, or that are hedged against, currency risk or that are part of hedge, straddle, conversion or other integrated transaction, or persons whose functional currency is not the "U.S. dollar". This summary is further limited to investors who will hold the Bonds as "capital assets" (generally, property held for investment) within the meaning of Section 1221 of the Code. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

As used herein, the term "U.S. Holder" means a beneficial owner of a Bond who or which is: (i) an individual citizen or resident of the United States, (ii) a corporation or partnership created or organized under the laws of the United States or any political subdivision thereof or therein, (iii) an estate, the income of which is subject to U.S. federal income tax regardless of the source; or (iv) a trust, if (a) a court within the U.S. is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (b) the trust validly elects to be treated as a U.S. person for U.S. federal income tax purposes. As used herein, the term "Non-U.S. Holder" means a beneficial owner of a Bond that is not a U.S. Holder.

THIS SUMMARY IS INCLUDED HEREIN FOR GENERAL INFORMATION ONLY AND DOES NOT DISCUSS ALL ASPECTS OF THE U.S. FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER OF BONDS IN LIGHT OF THE HOLDER'S PARTICULAR CIRCUMSTANCES AND INCOME TAX SITUATION. PROSPECTIVE HOLDERS OF THE BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE BONDS BEFORE DETERMINING WHETHER TO PURCHASE BONDS.

THIS SUMMARY IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY ANY TAXPAYER, TO AVOID PENALTIES THAT MIGHT BE IMPOSED ON THE TAXPAYER IN CONNECTION WITH THE MATTERS DISCUSSED THEREIN. 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, OR ANY OTHER TAX CONSEQUENCE.

FOREIGN INVESTORS SHOULD ALSO CONSULT THEIR OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES UNIQUE TO NON-U.S. HOLDERS.

Certain U.S. Federal Income Tax Consequences to U.S. Holders

Periodic Interest Payments and Original Issue Discount. The Bonds are not obligations described in Section 103(a) of the Code. Accordingly, the stated interest paid on the Bonds or original issue discount, if any, accruing on the Bonds will be includable in "gross income" within the meaning of Section 61 of the Code of each owner thereof and be subject to federal income taxation when received or accrued, depending upon the tax accounting method applicable to such owner.

Disposition of Bonds. An owner will recognize gain or loss on the redemption, sale, exchange or other disposition of a Bond equal to the difference between the redemption or sale price (exclusive of any amount paid for accrued interest) and the owner's tax basis in the Bonds. Generally, a U.S. Holder's tax basis in the Bonds will be the owner's initial cost, increased by income reported by such U.S. Holder, including original issue discount and market discount income, and reduced, but not below zero, by any amortized premium. Any gain or loss generally will be a capital gain or loss and either will be long-term or short-term depending on whether the Bonds has been held for more than one year.

Defeasance of the Bonds. Defeasance of any Bond may result in a reissuance thereof, for U.S. federal income tax purposes, in which event a U.S. Holder will recognize taxable gain or loss as described above.

State, Local and Other Tax Consequences. Investors should consult their own tax advisors concerning the tax implications of holding and disposing of the Bonds under applicable state or local laws, or any other tax consequence, including the application of gift and estate taxes. Certain individuals, estates or trusts may be subject to a 3.8% surtax on all or a portion of the taxable interest that is paid on the Bonds. PROSPECTIVE PURCHASERS OF THE BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE FOREGOING MATTERS.

Certain U.S. Federal Income Tax Consequences to Non-U.S. Holders

A Non-U.S. Holder that is not subject to U.S. federal income tax as a result of any direct or indirect connection to the U.S. in addition to its ownership of a Bond, will not be subject to U.S. federal income or withholding tax in respect of a Bond, provided that such Non-U.S. Holder complies, to the extent necessary, with identification requirements including delivery of a signed statement under penalties of perjury, certifying that such Non-U.S. Holder is not a U.S. person and providing the name and address of such Non-U.S. Holder. Absent such exemption, payments of interest, including any amounts paid or accrued in respect of accrued original issue discount, may be subject to withholding taxes, subject to reduction under any applicable tax treaty. Non-U.S. Holders are urged to consult their own tax advisors regarding the ownership, sale or other disposition of a Bond.

The foregoing rules will not apply to exempt a U.S. shareholder of a controlled foreign corporation from taxation on the U.S. shareholder's allocable portion of the interest income received by the controlled foreign corporation.

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 IRS. Payments of interest and principal may be subject to withholding under sections 1471 through 1474 of the Code or 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 Texas 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 Texas Securities Board to provide such services.

As a school district that qualifies as an "issuer" under Chapter 1371, the District is also authorized to purchase, sell, and invest its funds in corporate bonds, but only if the District has formally amended its investment policy to authorize such investments. Texas law defines "corporate bonds" as senior secured debt obligations issued by a domestic business entity and rated not lower than "AA-" or the equivalent by a nationally recognized investment rating firm. The term does not include a bond that is convertible into stocks or shares in the entity issuing the bond (or an affiliate or subsidiary thereof) or any unsecured debt. Corporate bonds must finally mature not later than 3 years from their date of purchase by the school district. A school district may not (1) invest more than 15% of its monthly average fund balance (excluding bond proceeds, reserves, and other funds held for the payment of debt service) in corporate bonds; or (2) invest more than 25% of the funds invested in corporate bonds in any one domestic business entity (including subsidiaries and affiliates thereof). Corporate bonds held by a school district must be sold if they are at any time downgraded below "AA-" (or the equivalent thereof) or, with respect to a corporate bond rated "AA-" (or the equivalent thereof), such corporate bond is placed on negative credit watch.

Investment Policies

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

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

Additional Provisions

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

Current Investments

As of June 30, 2020, the District had approximately \$168,573,393 (unaudited) invested in local government investment pools (which operate as a money market equivalent), \$1,000,000 (unaudited) invested in certificates of deposit, \$108,162,468 (unaudited) invested in securities with Investment Management Firms and \$1,911,381 (unaudited) invested at the local depository bank. The market value of such investments (as determined by the District by reference to published quotations, dealer bids, and comparable information) is approximately 100% of the book value. No funds of the District are invested in derivative securities; i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

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

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

FINANCIAL ADVISOR

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

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Securities Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State, the PFIA requires that the Bonds be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "RATINGS" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with 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 6 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 6 months after any such fiscal year end, then the District shall file unaudited Financial Statements within such 6-month period and audited Financial Statements for the applicable fiscal year, when and if the audit report on such Financial Statements becomes available.

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

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

Notice of Certain Events

The District will also provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties. In addition, the District will provide timely notice of any failure by the District to provide annual financial information in accordance with their agreement described above under "Annual Reports". In the Order, the District adopted policies and procedures to ensure timely compliance with continuing disclosure undertakings. Neither the Bonds nor the Order make any provision for a bond trustee, debt service reserves, credit enhancement (except for the Permanent School Fund guarantee), liquidity enhancement or redemption of CABs prior to stated maturity. In addition, the Bonds are not obligation the interest on which is excluded for purposes of federal income taxation of the gross income of the holders thereof. The District will provide each notice described in this paragraph to the MSRB.

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

Availability of Information

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

Limitations and Amendments

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

its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

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

Compliance with Prior Undertakings

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

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Public Finance Partners LLC, will deliver to the District, on or before the settlement date of the Bonds, its verification report indicating that it has verified the mathematical accuracy of the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Escrow Securities, to pay, when due or upon early redemption, the principal of, interest on and related call premium requirements, if any, of the Refunded Bonds. Public Finance Partners LLC relied on the accuracy, completeness and reliability of all information provided to it by, and on all decisions and approvals of, the District. In addition, Public Finance Partners LLC has relied on any information provided to it by the District's retained advisors, consultants or legal counsel.

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 \$_____. 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.

RBC Capital Markets ("RBCCM") and its affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, RBCCM and its affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). RBCCM and its affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the District. RBCCM and its affiliates may make a market in credit default swaps with respect to municipal securities in the future. RBCCM and its affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the District.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Finance Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

Wells Fargo Bank, National Association, acting through its Municipal Finance Group ("WFBNA"), one of the underwriters of the Bonds, has entered into an agreement (the "WFA Distribution Agreement") with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name "Wells Fargo Advisors") ("WFA"), for the distribution of certain municipal securities offerings, including the Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Bonds with WFA. WFBNA has also entered into an agreement (the "WFSLLC Distribution Agreement") with its affiliate Wells Fargo Securities, LLC ("WFSLLC"), for the distribution of municipal securities offerings, including the Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

CONCLUDING STATEMENT

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

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

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

The 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

AMARILLO INDEPENDENT SCHOOL DISTRICT

Schedule I - Schedule of Refunded Bonds*

Unlimited Tax Refunding Bonds, Series 2012

Maturities Being Redeemed	Original CUSIP	Principal Amount Outstanding	Interest Rate	Principal Amount Being Refunded	Call Date	Principal Amount Unrefunded
2/1/2023	023051RB3	\$ 2,695,000.00	5.000%	\$ 2,695,000.00	February 1, 2022 @ Par	-
2/1/2024	023051RC1	2,825,000.00	5.000%	2,825,000.00	February 1, 2022 @ Par	-
2/1/2025	023051RD9	2,980,000.00	5.000%	2,980,000.00	February 1, 2022 @ Par	-
2/1/2026	023051RE7	1,845,000.00	3.000%	1,845,000.00	February 1, 2022 @ Par	-
2/1/2026	023051RJ6	1,265,000.00	5.000%	1,265,000.00	February 1, 2022 @ Par	-
		<u>\$ 11,610,000.00</u>		<u>\$ 11,610,000.00</u>		<u>\$ -</u>

Unlimited Tax School Building Bonds, Series 2013

Maturities Being Redeemed	Original CUSIP	Principal Amount Outstanding	Interest Rate	Principal Amount Being Refunded	Call Date	Principal Amount Unrefunded
2/1/2027	023051RQ0	\$ 1,115,000.00	5.000%	\$ 1,115,000.00	August 1, 2023 @ Par	-
2/1/2028	023051RR8	1,180,000.00	5.000%	1,180,000.00	August 1, 2023 @ Par	-
2/1/2029	023051RS6	1,240,000.00	5.000%	1,240,000.00	August 1, 2023 @ Par	-
2/1/2030	023051RT4	1,305,000.00	5.000%	1,305,000.00	August 1, 2023 @ Par	-
2/1/2031	023051RU1	1,380,000.00	5.000%	1,380,000.00	August 1, 2023 @ Par	-
2/1/2032	023051RV9	1,450,000.00	5.000%	1,450,000.00	August 1, 2023 @ Par	-
2/1/2033	023051RW7	1,520,000.00	5.000%	1,520,000.00	August 1, 2023 @ Par	-
2/1/2034	023051SB2	1,595,000.00	5.000%	1,595,000.00	August 1, 2023 @ Par	-
2/1/2035	023051SC0	3,050,000.00	5.000%	3,050,000.00	August 1, 2023 @ Par	-
2/1/2036	023051SD8	4,390,000.00	5.000%	4,390,000.00	August 1, 2023 @ Par	-
2/1/2037		4,625,000.00	5.000%	4,625,000.00	August 1, 2023 @ Par	-
2/1/2038	023051RX5	3,855,000.00	5.000%	3,855,000.00	August 1, 2023 @ Par	-
2/1/2038	023051RZ0	1,000,000.00	4.375%	1,000,000.00	August 1, 2023 @ Par	-
2/1/2039		5,100,000.00	5.000%	5,100,000.00	August 1, 2023 @ Par	-
2/1/2040		5,365,000.00	5.000%	5,365,000.00	August 1, 2023 @ Par	-
2/1/2041		5,635,000.00	5.000%	5,635,000.00	August 1, 2023 @ Par	-
2/1/2042		5,930,000.00	5.000%	5,930,000.00	August 1, 2023 @ Par	-
2/1/2043	023051RY3	5,235,000.00	5.000%	5,235,000.00	August 1, 2023 @ Par	-
2/1/2043	023051SA4	1,000,000.00	4.500%	1,000,000.00	August 1, 2023 @ Par	-
		<u>\$ 55,970,000.00</u>		<u>\$ 55,970,000.00</u>		<u>\$ -</u>

(1) Represents a mandatory sinking fund redemption of the term bond outstanding in the principal amount of \$8,480,000 that matures February 1, 2038.

(2) Represents a mandatory sinking fund redemption of the term bond outstanding in the principal amount of \$27,265,000 that matures February 1, 2043.

Unlimited Tax Refunding Bonds, Series 2014

Maturities Being Redeemed	Original CUSIP	Principal Amount Outstanding	Interest Rate	Principal Amount Being Refunded	Call Date	Principal Amount Unrefunded
2/1/2024	023051SP1	\$ 1,545,000.00	3.000%	\$ 1,545,000.00	August 1, 2023 @ Par	-
2/1/2025	023051SQ9	1,585,000.00	3.125%	1,585,000.00	August 1, 2023 @ Par	-
2/1/2026	023051SR7	1,640,000.00	3.250%	1,640,000.00	August 1, 2023 @ Par	-
2/1/2027	023051SS5	1,710,000.00	5.000%	1,710,000.00	August 1, 2023 @ Par	-
2/1/2028	023051ST3	1,795,000.00	5.000%	1,795,000.00	August 1, 2023 @ Par	-
2/1/2029	023051SU0	1,875,000.00	4.000%	1,875,000.00	August 1, 2023 @ Par	-
2/1/2030	023051SV8	1,955,000.00	4.250%	1,955,000.00	August 1, 2023 @ Par	-
2/1/2031	023051SW6	2,040,000.00	4.250%	2,040,000.00	August 1, 2023 @ Par	-
2/1/2032	023051SX4	2,125,000.00	4.250%	2,125,000.00	August 1, 2023 @ Par	-
2/1/2033	023051SY2	2,225,000.00	4.250%	2,225,000.00	August 1, 2023 @ Par	-
2/1/2034	023051SZ9	2,315,000.00	4.250%	2,315,000.00	August 1, 2023 @ Par	-
		<u>\$ 20,810,000.00</u>		<u>\$ 20,810,000.00</u>		<u>\$ -</u>

*Preliminary, subject to change.

AMARILLO INDEPENDENT SCHOOL DISTRICT
Unlimited Tax Refunding Bonds, Taxable Series 2020

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

CABs Delivery Date: October 14, 2020

<u>Date</u>	Accreted Value of 2/1/2023 Maturity		Accreted Value of 2/1/2024 Maturity	
	@	%	@	%
10/14/20	\$	-	\$	-
02/01/21				
08/01/21				
02/01/22				
08/01/22				
02/01/23				
08/01/23				
02/01/24				
08/01/24				

APPENDIX A

FINANCIAL INFORMATION OF THE DISTRICT

AMARILLO INDEPENDENT SCHOOL DISTRICT

Financial Information

ASSESSED VALUATION ⁽¹⁾

2020/21 Total Valuation.....		\$ 10,970,081,975
Less Exemptions & Deductions ⁽²⁾ :		
State Homestead Exemption	\$ 759,501,496	
State Over-65 Exemption	131,044,557	
Disabled Homestead Exemption Loss	13,062,046	
Veterans Exemption Loss	41,808,277	
Surviving Spouse 100% Disabled Veteran Loss	7,865,488	
Surviving Spouse Killed in Action Veteran Loss	250,724	
Freeport Exemption	28,011,484	
Pollution Control	663,116	
Productivity Loss	27,126,935	
Prorations & Other Partial Exemptions	11,860,060	
Homestead Cap Loss	17,198,843	
	<u>\$ 1,038,393,026</u>	
2020/21 Net Taxable Valuation		\$ 9,931,688,949

(1) Source: Certified Values from Potter-Randall Appraisal District as of July 2020. The passage of a Texas constitutional amendment that was on the ballot in the November 3, 2015 election increased 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 \$431,149,444 in 2019/20.

VOTED GENERAL OBLIGATION DEBT

Unlimited Tax Bonds Outstanding	\$ 239,375,000
Less: The Refunded Bonds ⁽¹⁾	(88,390,000)
Plus: The Bonds ^{(1) (2)}	<u>88,390,000</u>
Total Unlimited Tax Bonds ^{(1) (2)}	\$ 239,375,000
Less: Interest & Sinking Fund Balance (As of June 30, 2020) ⁽³⁾	<u>(9,175,000)</u>
Net General Obligation Debt	\$ 230,200,000

Ratio of Net G.O. Debt to Net Taxable Valuation ⁽⁴⁾ 2.32%

2019 Population Estimate ⁽⁵⁾	181,049
Per Capita Net Taxable Valuation	\$54,856
Per Capita Net G.O. Debt	\$1,271

(1) Preliminary, subject to change.

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

(3) Source: Unaudited figure from Amarillo ISD.

(4) The ratio of Net G.O. Debt to Net Taxable Valuation above does not include the portion of the District's outstanding debt service that is payable from any debt subsidies that may be provided by the State of Texas. The District has received state funding assistance for voted bond debt service equal to approximately 15% of its debt service requirements, which was subject to tax effort rules and state funding program limits, for its unlimited tax debt service for the 2020/21 fiscal year. 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 June 30, 2019" in Appendix D for more information relative to the District's outstanding obligations.

(5) Source: Municipal Advisory Council of Texas.

PROPERTY TAX RATES AND COLLECTIONS

Fiscal Year	Net Taxable		% Collections ⁽⁴⁾	
	Valuation ⁽¹⁾	Tax Rate	Current ⁽⁵⁾	Total ⁽⁵⁾
2006/07	\$ 6,584,849,867 ⁽¹⁾	\$ 1.4750 ⁽⁶⁾	97.53%	100.36%
2007/08	7,135,760,915 ⁽¹⁾	1.1720 ⁽⁶⁾	97.53%	100.37%
2008/09	7,543,923,450 ⁽¹⁾	1.1700	97.27%	99.85%
2009/10	7,700,550,721 ⁽¹⁾	1.1700	97.44%	99.95%
2010/11	7,737,940,619 ⁽¹⁾	1.1700	97.55%	100.02%
2011/12	7,815,317,617 ⁽¹⁾	1.1700	97.61%	99.95%
2012/13	7,929,437,764 ⁽¹⁾	1.1700	97.88%	100.56%
2013/14	8,131,757,219 ⁽¹⁾	1.1890	98.06%	100.51%
2014/15	8,334,526,843 ⁽¹⁾	1.1890	98.13%	100.14%
2015/16	8,297,110,931 ⁽¹⁾⁽²⁾	1.1890	98.21%	100.10%
2016/17	8,611,062,620 ⁽¹⁾⁽²⁾	1.1890	98.33%	100.05%
2017/18	9,052,955,782 ⁽¹⁾⁽²⁾	1.1890	98.15%	99.67%
2018/19	9,279,107,055 ⁽¹⁾⁽²⁾	1.2390	98.15%	99.81%
2019/20	9,581,081,500 ⁽¹⁾⁽²⁾	1.1690 ⁽⁷⁾	97.00% ⁽⁸⁾	100.00% ⁽⁸⁾
2020/21	9,931,688,949 ⁽²⁾⁽³⁾	1.1554		

(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: Certified Values from Potter-Randall Appraisal District as of July 2020.

(4) Source: Amarillo ISD Audited Financial Statements.

(5) Excludes penalties and interest.

(6) The declines in the District's Maintenance & Operation Tax for the 2006/07 and 2007/08 fiscal years are a function of House Bill 1 adopted by the Texas Legislature in May 2006. See "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in the Official Statement.

(7) The decline in the District's Maintenance & Operation Tax from the 2018/19 fiscal year to the 2019/20 fiscal year is a function of House Bill 3 adopted by the Texas Legislature in June 2019. See "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in Official Statement.

(8) Source: Amarillo ISD Estimate.

TAX RATE DISTRIBUTION ⁽¹⁾

	2016/17	2017/18	2018/19	2019/20 ⁽²⁾	2020/21
Maintenance & Operations	\$1.0800	\$1.0800	\$1.0800	\$1.0100	\$0.9964
Debt Service	\$0.1090	\$0.1090	\$0.1590	\$0.1590	\$0.1590
Total Tax Rate	<u>\$1.1890</u>	<u>\$1.1890</u>	<u>\$1.2390</u>	<u>\$1.1690</u>	<u>\$1.1554</u>

(1) On September 23, 2008, the District successfully held a tax ratification election. The voters of the District approved a maintenance and operations tax not to exceed \$1.08.

(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. See "State and Local Funding of School Districts in Texas" herein.

VALUATION AND FUNDED DEBT HISTORY

Fiscal Year	Net Taxable Valuation	Bond Debt Outstanding ⁽¹⁾	Ratio Debt to A.V. ⁽²⁾
2006/07	\$ 6,584,849,867	\$ 126,928,535	1.93%
2007/08	7,135,760,915	119,848,535	1.68%
2008/09	7,543,923,450	116,291,346	1.54%
2009/10	7,700,550,721	112,632,978	1.46%
2010/11	7,737,940,619	108,875,396	1.41%
2011/12	7,815,317,617	102,269,182	1.31%
2012/13	7,929,437,764	154,603,633	1.95%
2013/14	8,131,757,219	148,419,600	1.83%
2014/15	8,334,526,843	163,507,516	1.96%
2015/16	8,297,110,931	174,230,000	2.10%
2016/17	8,611,062,620	168,425,000	1.96%
2017/18	9,052,955,782	252,940,000	2.79%
2018/19	9,279,107,055	245,770,000	2.65%
2019/20	9,581,081,500	239,375,000	2.50%
2020/21	9,931,688,949 ⁽³⁾	230,730,000 ⁽⁴⁾	2.32%

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

(2) See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in the Official Statement, "DEBT SERVICE REQUIREMENTS" in this Appendix and see the "Audited Financial Report Fiscal Year Ended June 30, 2019" in Appendix D for more information.

(3) Source: Certified Values from Potter-Randall Appraisal District as of July 2020.

(4) Includes the Bonds and excludes the Refunded Bonds. Excludes the accreted value of outstanding capital appreciation bonds. Preliminary, subject to change.

ESTIMATED OVERLAPPING DEBT STATEMENT

Taxing Body	Amount	Percent Overlapping	Amount Overlapping
Amarillo JCD	\$ 73,365,000	69.68%	\$ 51,120,732
Amarillo, City of	131,383,000	74.20%	97,486,186
Potter County	72,815,000	61.81%	45,006,952
Randall County	42,415,000	42.38%	17,975,477
Total Overlapping Debt ⁽¹⁾			\$ 211,589,347
Amarillo Independent School District ^{(2) (3)}			230,200,000
Total Direct & Overlapping Debt ^{(2) (3)}			<u>\$ 441,789,347</u>
Ratio of Net Direct & Overlapping Debt to Net Taxable Valuation		4.45%	
Per Capita Direct & Overlapping Debt		\$2,440	

(1) Equals gross debt less self-supporting debt.

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

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

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

PRINCIPAL TAXPAYERS**2020/21 Top Ten Taxpayers ⁽¹⁾**

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
Southwestern Public Service	Electric Utility	\$ 197,526,725	1.99%
BSA Hospital LLC	Hospital	93,451,243	0.94%
BNSF Railway Co.	Railroad	88,854,022	0.89%
Atmos Energy	Gas Utility	83,605,553	0.84%
Northwest Texas Healthcare	Healthcare	82,460,145	0.83%
Wal-Mart Real Estate	Retail Store	81,850,779	0.82%
Amarillo National Bank	Bank	44,657,575	0.45%
Case Properties	Apartment Complex	42,501,988	0.43%
Toot N Totum Inc.	Retail Store	39,101,423	0.39%
HP Inc.	Consignment	31,411,921	0.32%
		<u>\$ 785,421,374</u>	<u>7.91%</u>

2019/20 Top Ten Taxpayers ⁽²⁾

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
Southwestern Public Service	Electric Utility	\$ 171,171,760	1.79%
BSA Hospital LLC	Hospital	93,865,776	0.98%
BNSF Railway Co.	Railroad	81,727,771	0.85%
Wal-Mart Real Estate	Retail Store	80,385,501	0.84%
Northwest Texas Healthcare	Healthcare	79,852,123	0.83%
Atmos Energy	Gas Utility	75,857,483	0.79%
Amarillo Mall LLC	Shopping Mall	61,742,282	0.64%
Case Properties	Apartment Complex	44,297,790	0.46%
Amarillo National Bank	Bank	44,003,064	0.46%
Toot N Totum Inc.	Retail Store	38,765,425	0.40%
		<u>\$ 771,668,975</u>	<u>8.05%</u>

2018/19 Top Ten Taxpayers ⁽²⁾

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
Southwestern Public Service	Electric Utility	\$ 150,544,297	1.62%
BSA Hospital LLC	Hospital	95,029,013	1.02%
Wal-Mart Real Estate	Retail Store	85,597,215	0.92%
Northwest Texas Healthcare	Healthcare	81,185,667	0.87%
BNSF Railway Co.	Railroad	79,987,432	0.86%
Atmos Energy	Gas Utility	71,095,162	0.77%
Amarillo Mall LLC	Shopping Mall	63,264,783	0.68%
Case Properties	Apartment Complex	43,426,724	0.47%
Amarillo National Bank	Bank	42,186,186	0.45%
Toot N Totum Inc.	Retail Store	38,087,715	0.41%
		<u>\$ 750,404,194</u>	<u>8.09%</u>

(1) Source: Certified Values from Potter-Randall Appraisal District as of July 2020.

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

CLASSIFICATION OF ASSESSED VALUATION BY USE CATEGORY

Category	2020/21 ⁽¹⁾	% of Total	2019/20 ⁽²⁾	% of Total	2018/19 ⁽²⁾	% of Total
Real, Residential, Single-Family	\$ 7,129,047,293	64.99%	\$ 6,913,200,639	65.25%	\$ 6,721,755,360	65.18%
Real, Residential, Multi-Family	411,786,341	3.75%	408,868,074	3.86%	407,502,915	3.95%
Real, Vacant Lots/Tracts	84,297,909	0.77%	79,204,317	0.75%	78,781,452	0.76%
Real, Qualified Land & Improvements	27,520,000	0.25%	26,647,611	0.25%	26,302,308	0.26%
Real, Non-Qualified Land & Improvements	892,124	0.01%	1,048,670	0.01%	1,117,708	0.01%
Real, Commercial & Industrial	1,859,337,838	16.95%	1,839,062,444	17.36%	1,780,625,153	17.27%
Oil & Gas	-	0.00%	-	0.00%	-	0.00%
Utilities	393,247,770	3.58%	354,762,291	3.35%	330,415,185	3.20%
Tangible Personal, Commercial	964,312,208	8.79%	880,544,445	8.31%	871,355,148	8.45%
Tangible Personal, Industrial	37,339,461	0.34%	35,364,435	0.33%	36,472,386	0.35%
Tangible Personal, Mobile Homes & Other	12,390,198	0.11%	12,312,950	0.12%	13,090,300	0.13%
Tangible Personal, Residential Inventory	8,081,425	0.07%	3,235,657	0.03%	4,440,597	0.04%
Tangible Personal, Special Inventory	<u>41,829,408</u>	<u>0.38%</u>	<u>40,715,492</u>	<u>0.38%</u>	<u>40,168,477</u>	<u>0.39%</u>
Total Appraised Value	\$ 10,970,081,975	100.00%	\$ 10,594,967,025	100.00%	\$ 10,312,026,989	100.00%
Less:						
Homestead Cap Adjustment	\$ 17,198,843		\$ 18,590,312		\$ 28,332,430	
Productivity Loss	27,126,935		26,179,773		25,770,486	
Exemptions	<u>994,067,248</u> ⁽³⁾		<u>969,115,440</u> ⁽³⁾		<u>978,817,018</u> ⁽³⁾	
Total Exemptions/Deductions ⁽⁴⁾	<u>\$ 1,038,393,026</u>		<u>\$ 1,013,885,525</u>		<u>\$ 1,032,919,934</u>	
Net Taxable Assessed Valuation	\$ 9,931,688,949		\$ 9,581,081,500		\$ 9,279,107,055	

Category	2017/18 ⁽²⁾	% of Total	2016/17 ⁽²⁾	% of Total	2015/16 ⁽²⁾	% of Total
Real, Residential, Single-Family	\$ 6,540,839,561	64.86%	\$ 6,160,154,017	63.77%	\$ 5,941,721,896	63.43%
Real, Residential, Multi-Family	411,025,929	4.08%	404,906,319	4.19%	407,584,567	4.35%
Real, Vacant Lots/Tracts	83,922,033	0.83%	82,849,852	0.86%	86,027,484	0.92%
Real, Qualified Land & Improvements	28,816,480	0.29%	28,174,687	0.29%	27,919,115	0.30%
Real, Non-Qualified Land & Improvements	423,148	0.00%	702,133	0.01%	1,054,788	0.01%
Real, Commercial & Industrial	1,715,012,263	17.01%	1,660,962,897	17.19%	1,628,154,960	17.38%
Oil & Gas	-	0.00%	-	0.00%	-	0.00%
Utilities	319,975,875	3.17%	291,794,588	3.02%	276,161,014	2.95%
Tangible Personal, Commercial	888,626,417	8.81%	935,076,474	9.68%	893,756,491	9.54%
Tangible Personal, Industrial	36,693,838	0.36%	38,468,903	0.40%	45,317,986	0.48%
Tangible Personal, Mobile Homes & Other	11,846,838	0.12%	10,822,937	0.11%	11,075,189	0.12%
Tangible Personal, Residential Inventory	4,431,985	0.04%	2,923,468	0.03%	3,913,140	0.04%
Tangible Personal, Special Inventory	<u>43,511,224</u>	<u>0.43%</u>	<u>42,992,468</u>	<u>0.45%</u>	<u>44,144,876</u>	<u>0.47%</u>
Total Appraised Value	\$ 10,085,125,591	100.00%	\$ 9,659,828,743	100.00%	\$ 9,366,831,506	100.00%
Less:						
Homestead Cap Adjustment	\$ 33,993,246		\$ 14,650,699		\$ 4,043,542	
Productivity Loss	28,287,632		27,642,572		27,446,740	
Exemptions	<u>969,888,931</u> ⁽³⁾		<u>1,006,472,852</u> ⁽³⁾		<u>1,038,230,293</u> ⁽³⁾	
Total Exemptions/Deductions ⁽⁴⁾	<u>\$ 1,032,169,809</u>		<u>\$ 1,048,766,123</u>		<u>\$ 1,069,720,575</u>	
Net Taxable Assessed Valuation	\$ 9,052,955,782		\$ 8,611,062,620		\$ 8,297,110,931	

(1) Source: Certified Values from Potter-Randall Appraisal District as of July 2020.

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

(3) The passage of a Texas constitutional amendment on November 3, 2015 increased the homestead exemption from \$15,000 to \$25,000.

(4) Excludes values on which property taxes are frozen for persons 65 years of age or older and disabled taxpayers.

PRINCIPAL REPAYMENT SCHEDULE ⁽¹⁾

Fiscal Year	Outstanding	Less:	Plus:		Bonds	Percent of
Ending 8/31	Bonds	Refunded	The		Unpaid	Principal
		Bonds ⁽²⁾	Bonds ^{(2) (3)}	Total ^{(2) (3)}	At Year End	Retired
2020	\$ 6,395,000.00	\$ -	\$ -	\$ 6,395,000.00	\$ 239,375,000.00	2.60%
2021	6,650,000.00	-	1,995,000.00	8,645,000.00	230,730,000.00	6.12%
2022	6,925,000.00	-	680,000.00	7,605,000.00	223,125,000.00	9.21%
2023	7,240,000.00	2,695,000.00	505,000.00	5,050,000.00	218,075,000.00	11.27%
2024	7,575,000.00	4,370,000.00	325,000.00	3,530,000.00	214,545,000.00	12.70%
2025	7,915,000.00	4,565,000.00	4,965,000.00	8,315,000.00	206,230,000.00	16.09%
2026	8,260,000.00	4,750,000.00	5,220,000.00	8,730,000.00	197,500,000.00	19.64%
2027	7,970,000.00	2,825,000.00	3,350,000.00	8,495,000.00	189,005,000.00	23.10%
2028	8,345,000.00	2,975,000.00	3,530,000.00	8,900,000.00	180,105,000.00	26.72%
2029	8,695,000.00	3,115,000.00	3,705,000.00	9,285,000.00	170,820,000.00	30.50%
2030	9,040,000.00	3,260,000.00	3,900,000.00	9,680,000.00	161,140,000.00	34.43%
2031	9,410,000.00	3,420,000.00	4,040,000.00	10,030,000.00	151,110,000.00	38.52%
2032	9,795,000.00	3,575,000.00	4,115,000.00	10,335,000.00	140,775,000.00	42.72%
2033	10,200,000.00	3,745,000.00	4,205,000.00	10,660,000.00	130,115,000.00	47.06%
2034	10,620,000.00	3,910,000.00	4,285,000.00	10,995,000.00	119,120,000.00	51.53%
2035	11,070,000.00	3,050,000.00	3,345,000.00	11,365,000.00	107,755,000.00	56.16%
2036	11,565,000.00	4,390,000.00	4,595,000.00	11,770,000.00	95,985,000.00	60.95%
2037	12,100,000.00	4,625,000.00	4,715,000.00	12,190,000.00	83,795,000.00	65.91%
2038	12,655,000.00	4,855,000.00	4,830,000.00	12,630,000.00	71,165,000.00	71.04%
2039	13,265,000.00	5,100,000.00	4,950,000.00	13,115,000.00	58,050,000.00	76.38%
2040	13,930,000.00	5,365,000.00	5,080,000.00	13,645,000.00	44,405,000.00	81.93%
2041	14,635,000.00	5,635,000.00	5,210,000.00	14,210,000.00	30,195,000.00	87.71%
2042	15,370,000.00	5,930,000.00	5,350,000.00	14,790,000.00	15,405,000.00	93.73%
2043	16,145,000.00	6,235,000.00	5,495,000.00	15,405,000.00	-	100.00%
Total	<u>\$ 245,770,000.00</u>	<u>\$ 88,390,000.00</u>	<u>\$ 88,390,000.00</u>	<u>\$ 245,770,000.00</u>		

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

(2) Preliminary, subject to change.

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

DEBT SERVICE REQUIREMENTS ⁽¹⁾

Fiscal Year Ending 8/31	Outstanding Debt Service	Less:	Plus:			Combined Total ^{(2) (3) (4)}
		Refunded	The Bonds ^{(2) (3)}			
		Bonds ⁽²⁾	Principal	Interest	Total	
2020	\$ 17,201,943.76	\$ -	\$ -	\$ -	\$ -	\$ 17,201,943.76
2021	17,204,668.76	4,183,331.26	1,995,000.00	2,184,592.60	4,179,592.60	17,200,930.10
2022	17,194,743.76	4,183,331.26	680,000.00	2,686,066.50	3,366,066.50	16,377,479.00
2023	17,193,618.76	6,810,956.26	505,000.00	5,489,066.50	5,994,066.50	16,376,729.00
2024	17,190,443.76	8,324,781.26	325,000.00	7,184,066.50	7,509,066.50	16,374,729.00
2025	17,193,003.13	8,326,715.63	4,965,000.00	2,544,941.50	7,509,941.50	16,376,229.00
2026	17,192,037.50	8,326,500.00	5,220,000.00	2,290,316.50	7,510,316.50	16,375,854.00
2027	16,541,287.50	6,244,925.00	3,350,000.00	2,076,066.50	5,426,066.50	15,722,429.00
2028	16,542,787.50	6,249,925.00	3,530,000.00	1,904,066.50	5,434,066.50	15,726,929.00
2029	16,540,443.75	6,247,050.00	3,705,000.00	1,723,191.50	5,428,191.50	15,721,585.25
2030	16,538,862.50	6,249,381.25	3,900,000.00	1,533,066.50	5,433,066.50	15,722,547.75
2031	16,540,696.88	6,257,362.50	4,040,000.00	1,396,984.50	5,436,984.50	15,720,318.88
2032	16,538,378.13	6,253,106.25	4,115,000.00	1,317,664.00	5,432,664.00	15,717,935.88
2033	16,539,506.25	6,256,418.75	4,205,000.00	1,232,983.25	5,437,983.25	15,721,070.75
2034	16,538,337.50	6,247,068.75	4,285,000.00	1,142,120.25	5,427,120.25	15,718,389.00
2035	16,538,725.00	5,221,750.00	3,345,000.00	1,056,732.00	4,401,732.00	15,718,707.00
2036	16,538,550.00	6,375,750.00	4,595,000.00	964,043.50	5,559,043.50	15,721,843.50
2037	16,540,075.00	6,385,375.00	4,715,000.00	852,299.50	5,567,299.50	15,721,999.50
2038	16,539,725.00	6,381,500.00	4,830,000.00	734,884.50	5,564,884.50	15,723,109.50
2039	16,541,275.00	6,380,750.00	4,950,000.00	612,870.00	5,562,870.00	15,723,395.00
2040	16,537,900.00	6,384,125.00	5,080,000.00	485,469.50	5,565,469.50	15,719,244.50
2041	16,540,625.00	6,379,125.00	5,210,000.00	352,722.00	5,562,722.00	15,724,222.00
2042	16,537,650.00	6,385,000.00	5,350,000.00	215,435.00	5,565,435.00	15,718,085.00
2043	16,539,775.00	6,388,375.00	5,495,000.00	72,808.75	5,567,808.75	15,719,208.75
	\$ 401,545,059.44	\$ 146,442,603.17	\$ 88,390,000.00	\$ 40,052,457.85	\$ 128,442,457.85	\$ 383,544,914.12

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

(2) Preliminary, subject to change.

(3) Includes the accreted value of outstanding capital appreciation bonds.

(4) Based on its wealth per student, the District expects to receive approximately \$2,390,000 of state financial assistance for the payment of debt service for the fiscal year 2020/21. 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⁾	\$ 17,201,943.76
Projected State Financial Assistance for Debt Service in 2020/21 ⁽²⁾	2,390,000.00
Projected Net Debt Service Requirement ^{(1) (2)}	\$ 14,811,943.76
 \$0.15218 Tax Rate @ 98% Collections Produces	 \$ 14,811,943.76
 2020/21 Net Taxable Valuation	 \$ 9,931,688,949

(1) Includes the Bonds and excludes the Refunded 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.

AUTHORIZED BUT UNISSUED BONDS

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

COMPARATIVE STATEMENT OF GENERAL FUND REVENUES AND EXPENDITURES ⁽¹⁾

	Fiscal Year Ended June 30				
	2015	2016	2017	2018	2019
Beginning Fund Balance	\$ 92,458,294	\$ 100,696,243	\$ 105,267,846	\$ 116,194,852	\$ 113,463,730
Revenues:					
Local and Intermediate Sources	\$ 89,090,493	\$ 88,388,925	\$ 92,282,078	\$ 96,511,327	\$ 100,402,034
State Sources	162,290,280	168,497,346	167,612,806	170,800,001	165,984,100
Federal Sources & Other	3,678,496	3,775,354	6,713,319	7,604,719	8,065,762
Total Revenues	\$ 255,059,269	\$ 260,661,625	\$ 266,608,203	\$ 274,916,047	\$ 274,451,896
Expenditures:					
Instruction	\$ 156,057,669	\$ 157,772,284	\$ 160,956,548	\$ 168,032,029	\$ 166,491,575
Instructional Resources & Media Services	3,226,672	3,212,841	3,239,928	3,560,402	3,486,887
Curriculum and Instructional Staff Development	7,608,385	7,680,582	7,227,636	7,573,441	6,887,275
Instructional Leadership	2,571,191	2,585,913	2,870,275	3,231,417	3,275,764
School Leadership	14,562,931	15,130,639	15,725,186	16,325,016	16,640,221
Guidance, Counseling & Evaluation Services	10,622,763	10,653,757	10,707,530	11,196,166	11,543,506
Social Work Services	170,665	166,417	403,893	404,292	417,972
Health Services	3,016,480	3,263,019	3,414,123	3,640,559	3,669,649
Student (Pupil) Transportation	3,512,158	3,503,370	4,087,392	3,995,339	4,115,621
Food Services	15,148	18,608	33,612	38,937	71,945
Cocurricular/Extracurricular Activities	5,796,519	5,758,458	6,471,452	6,648,956	6,703,642
General Administration	4,707,946	4,999,512	5,288,060	5,825,036	5,678,339
Facilities Maintenance and Operations	26,480,117	26,918,000	25,276,753	27,865,805	27,741,333
Security and Monitoring Services	885,597	1,022,640	1,005,126	1,305,475	1,226,316
Data Processing Services	4,959,259	6,111,774	4,388,922	5,268,012	4,904,399
Community Services	475,976	367,533	350,087	354,545	528,354
Debt Service - Principal on Long Term Debt	241,654	263,575	271,046	229,739	226,869
Debt Service - Interest on Long Term Debt	4,329	3,670	3,325	11,368	11,769
Facilities Acquisition and Construction	4,409,098	3,500,417	1,852,337	8,461,483	8,688,725
Payments to Shared Service Arrangements	491,912	494,765	449,687	556,241	678,883
Payments to Juvenile Justice Alternative Ed. Program	44,355	41,502	45,518	46,201	46,428
Other Intergovernmental Charges	1,073,043	1,015,863	1,054,491	1,035,717	1,120,680
Total Expenditures	\$ 250,933,867	\$ 254,485,139	\$ 255,122,927	\$ 275,606,176	\$ 274,156,152
Excess (Deficiency) of Revenues					
over Expenditures	\$ 4,125,402	\$ 6,176,486	\$ 11,485,276	\$ (690,129)	\$ 295,744
Other Resources and (Uses):					
Sale of Real and Personal Property	\$ 2,002,711	\$ 22,309	\$ 55,086	\$ 2,610	\$ 251
Proceeds from Capital Leases	29,909	103,207	-	1,088,292	14,333
Total Other Resources (Uses)	\$ 2,032,620	\$ 125,516	\$ 55,086	\$ 1,090,902	\$ 14,584
Special Items:					
Extraordinary Items (Sources)	\$ 2,322,925	\$ -	\$ -	\$ -	\$ 32,754,388
Extraordinary Items (Uses)	(242,998)	(1,730,399)	(613,356)	(3,131,895)	(7,730,840)
Total Special Items	\$ 2,079,927	\$ (1,730,399)	\$ (613,356)	\$ (3,131,895)	\$ 25,023,548
Excess (Deficiency) of					
Revenues and Other Sources					
over Expenditures and Other Uses	\$ 8,237,949	\$ 4,571,603	\$ 10,927,006	\$ (2,731,122)	\$ 25,333,876
Ending Fund Balance	\$ 100,696,243	\$ 105,267,846	\$ 116,194,852	\$ 113,463,730	\$ 138,797,606

(1) See "MANAGEMENT'S DISCUSSION AND ANALYSIS - Economic Factors and Next Year's Budget and Rates" in Appendix D hereto for a discussion of the 2020/21 budget and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - Possible Effects of Wealth Transfer Provisions on the District's Financial Condition" in the Official Statement. The District elected to change its fiscal year from August 31st to June 30th beginning with the period ending June 30, 2008.

CHANGE IN NET ASSETS ⁽¹⁾

	Fiscal Year Ended June 30				
	2015	2016	2017	2018	2019
Revenues:					
Program Revenues:					
Charges for Services	\$ 14,502,547	\$ 14,078,783	\$ 16,547,255	\$ 19,682,895	\$ 16,870,650
Operating Grants and Contributions	50,345,832	53,979,834	49,390,618	(6,606,852)	60,899,693
Capital Grants and Contributions	25,362	15,195	67,121	59,126	7,730
General Revenues:					
Property Taxes Levied for General Purposes	86,328,297	86,011,699	89,397,043	93,356,804	95,330,493
Property Taxes Levied for Debt Service	8,704,897	8,670,074	9,011,563	9,413,870	14,001,980
State Aid - Formula Grants	153,020,421	161,950,210	160,640,336	160,951,043	156,122,972
Investment Earnings	609,038	586,426	1,185,754	2,836,103	6,538,519
Miscellaneous	1,106,212	(1,459,877)	1,099,189	(414,503)	750,299
	<u>\$ 314,642,606</u>	<u>\$ 323,832,344</u>	<u>\$ 327,338,879</u>	<u>\$ 279,278,486</u>	<u>\$ 350,522,336</u>
Expenses:					
Instruction	\$ 180,253,541	\$ 190,811,404	\$ 184,591,830	\$ 128,217,090	\$ 200,434,237
Instruction Resources & Media Services	3,752,624	3,890,508	3,699,645	2,697,471	4,077,669
Curriculum & Staff Development	10,554,815	11,175,920	10,217,353	7,254,860	10,630,117
Instructional Leadership	2,937,439	3,039,903	3,120,744	2,331,148	3,704,728
School Leadership	15,180,615	16,523,073	16,510,690	10,874,038	18,152,003
Guidance, Counseling & Evaluation Services	11,377,882	11,972,983	11,698,927	7,852,292	13,228,861
Social Work Services	697,418	813,739	941,406	667,542	1,069,603
Health Services	3,366,558	3,786,938	3,809,899	2,713,408	4,236,601
Student Transportation	3,517,591	3,506,691	4,090,856	4,000,361	4,126,252
Food Service	18,644,953	19,152,926	18,790,551	16,182,436	18,803,173
Cocurricular/Extracurricular Activities	6,645,113	6,903,236	7,917,440	7,338,574	8,791,136
General Administration	4,626,003	5,212,837	5,337,053	4,035,414	5,949,986
Plant Maintenance & Operations	26,557,392	27,827,961	25,648,126	22,856,218	29,229,514
Security and Monitoring Services	893,189	1,031,527	1,065,361	1,415,185	1,330,228
Data Processing Services	4,941,185	5,133,950	5,005,902	4,726,949	4,957,640
Community Services	1,052,405	1,010,843	982,314	736,980	1,236,931
Debt Service - Interest on Long-term Debt	5,931,817	6,517,092	6,866,336	7,916,562	10,051,595
Debt Service - Bond Issuance Cost and Fees	577,329	2,750	245,448	603,729	3,750
Payments to Juvenile Justice Alternative Ed. Program	44,355	41,502	49,311	46,201	46,428
Payments related to Shared Service Arrangements	491,912	494,765	449,687	556,241	678,883
Other Intergovernmental Charges	1,073,043	1,015,863	1,054,491	1,035,717	1,120,680
Total Expenditures	<u>\$ 303,117,179</u>	<u>\$ 319,866,411</u>	<u>\$ 312,093,370</u>	<u>\$ 234,058,416</u>	<u>\$ 341,860,015</u>
Business-Type Activities:					
Office Park Rental Activities	\$ 421,812	\$ 410,597	\$ 474,169	\$ 515,952	\$ 499,542
Extended Day School Activities	913,923.00	1,190,414.00	1,165,131	995,669	958,132.00
Total Business-Type Activities	<u>\$ 1,335,735</u>	<u>\$ 1,601,011</u>	<u>\$ 1,639,300</u>	<u>\$ 1,511,621</u>	<u>\$ 1,457,674</u>
Extraordinary Items					
Settlement Proceeds	\$ 2,322,925 ⁽²⁾	\$ -	\$ -	\$ -	\$ 32,754,388
Costs Related to Settlement	(242,998.00)	(1,730,399.00)	(613,356)	(3,131,895)	(7,730,840)
Total Extraordinary Items	<u>\$ 2,079,927</u>	<u>\$ (1,730,399)</u>	<u>\$ (613,356)</u>	<u>\$ (3,131,895)</u>	<u>\$ 25,023,548</u>
Change in Net Assets	\$ 12,269,619	\$ 634,523	\$ 12,992,853	\$ 40,576,554	\$ 32,228,195
Beginning Net Assets	\$ 201,154,139	\$ 176,776,636	\$ 177,411,159	\$ 190,404,012	\$ 55,316,611
Prior Period Adjustment	\$ (36,647,122) ⁽³⁾	\$ -	\$ -	\$ (175,663,955) ⁽⁴⁾	\$ -
Ending Net Assets	<u>\$ 176,776,636</u>	<u>\$ 177,411,159</u>	<u>\$ 190,404,012</u>	<u>\$ 55,316,611</u>	<u>\$ 87,544,806</u>

(1) The foregoing information represents government-wide financial information provided in accordance with GASB Statement No. 34, which the District adopted for the 2002 fiscal year.

(2) In 2015, the District reported receipt of additional funds from insurance for hail damage to buildings that occurred in May 2013.

(3) In 2015, the District implemented GASB Statement 68 (Accounting and Financial Reporting for Pensions).

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

APPENDIX B

GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY

AMARILLO INDEPENDENT SCHOOL DISTRICT

General and Economic Information

The Amarillo Independent School District (the "District" or "AISD") is predominately located in the south central section of Potter County with boundaries extending into the north central area of Randall County in the heart of the Texas Panhandle. Located approximately 360 miles northwest of Dallas and 250 miles north of Midland, the District encompasses an area of 72 square miles and is traversed by Interstate highway 27 and 40, United States Highways 60, 87, and 287 and State Highway 136.

Amarillo is the county seat and banking, distribution and commercial center for the Panhandle of Texas. The economy of the area is primarily based on ranching, agricultural related businesses, varied manufacturing, medical services, distribution, marketing and food processing and natural gas production. The City of Amarillo is a major health care center serving the medical needs of a tri-state area including the Texas Panhandle, Eastern New Mexico and Western Oklahoma. The District's estimated current population is approximately 181,049.

Source: *Texas Municipal Report for Amarillo ISD.*

Enrollment Statistics

<u>Year Ending 6/30</u>	<u>Enrollment</u>
2007	30,206
2008	30,178
2009	30,647
2010	31,483
2011	32,445
2012	32,995
2013	33,306
2014	33,450
2015	33,578
2016	33,655
2017	33,542
2018	33,254
2019	32,895
2020	32,865

District Staff

Teachers	2,062
Teachers' Aides & Secretaries	527
Auxiliary Personnel	995
Administrators	159
Other	<u>420</u>
Total	4,163

Principal Employers within the Area

<u>Name of Company</u>	<u>Type of Business</u>	<u>Number of Employees</u>
Amarillo ISD	Education	4,163
Tyson Foods, Inc.	Distributor	4,400
CNS Pantex	Nuclear Weapons	3,200
BSA Health System	Healthcare	3,200
Northwest Texas Healthcare System	Healthcare	1,900
United Supermarkets	Grocery Store	1,600
City of Amarillo	Municipal Government	1,400
Walmart Supercenter	Retail	1,400
Amarillo VA Health Care System	Healthcare	1,200

Source: *Amarillo Chamber of Commerce*

Unemployment Rates

	<u>June 2018</u>	<u>June 2019</u>	<u>June 2020</u>
Potter County	3.3%	3.0%	6.7%
Randall County	2.9%	2.6%	5.6%
State of Texas	4.2%	3.7%	8.9%

Source: *Texas Workforce Commission.*

Facilities					
<u>Campus</u>	<u>Grades</u>	<u>Current Enrollment</u>	<u>Capacity*</u>	<u>Year Built</u>	<u>Year of Addition/ Renovation**</u>
Avondale Elementary	PK-5	578	620	1951	2020
Belmar Elementary	EE-5	355	475	1963	2020
Bivins Elementary	PK-5	483	600	1931	1999, 2020
Carver Elementary Academy	2-5	344	500	1958	2020
Carver Early Childhood Academy	EE-1	367	400	1953	1999, 2020
Coronado Elementary	EE-5	484	550	1955	2014, 2019
Eastridge Elementary	EE-5	727	850	1960	2013, 2014, 2019
Emerson Elementary	PK-5	493	650	2005	2013, 2019
Forest Hill Elementary	PK-5	535	675	1930	2006, 2020
Glenwood Elementary	PK-5	466	500	1921	2007, 2020
Hamlet Elementary	EE-5	350	475	1959	2014, 2019
Humphry's Highland Elementary	PK-5	564	650	1927	2009, 2019
Lamar Elementary	EE-5	316	450	1951	1999, 2019
Landergin Elementary	PK-5	274	440	1928	2019
Lawndale Elementary	EE-5	363	428	1956	2019
Mesa Verde Elementary	EE-5	492	640	1960	2004, 2014, 2019
Oak Dale Elementary	PK-5	408	550	1960	2020
Olsen Park Elementary	PK-5	427	484	1956	2020
Paramount Terrace Elementary	EE-5	356	400	1956	2008, 2020
Park Hills Elementary	EE-5	300	506	1950	1999, 2004, 2019
Pleasant Valley Elementary	PK-5	263	471	1930	2004, 2020
Puckett Elementary	K-5	398	440	1977	2019
Ridgecrest Elementary	EE-5	421	525	1960	2019
Rogers Elementary	PK-5	509	704	1948	1996, 2005, 2014, 2020
San Jacinto Elementary	EE-5	532	750	1922	2020
Sanborn Elementary	PK-5	453	546	1923	2005, 2013, 2019
Sleepy Hollow Elementary	K-5	549	700	1978	2020
South Georgia Elementary	EE-5	447	450	1960	2020

**Facilities
Continued**

<u>Campus</u>	<u>Grades</u>	<u>Current Enrollment</u>	<u>Capacity*</u>	<u>Year Built</u>	<u>Year of Addition/ Renovation**</u>
South Lawn Elementary	EE-5	419	520	1954	2020
Sunrise Elementary	EE-5	272	480	1954	2020
Tradewind Elementary	EE-5	672	710	2007	2013, 2020
Western Plateau Elementary	PK-5	406	410	1963	2020
Whittier Elementary	PK-5	533	550	1954	1999, 2020
Wills Elementary	PK-5	553	600	1928	2007, 2013, 2020
Windsor Elementary	EE-5	521	530	1982	2020
Wolflin Elementary	PK-5	358	462	1926	2020
Woodlands Elementary	K-5	401	455	1999	2020
Allen 6 th Grade Campus	6	226	350	1941	2005, 2020
Bowie 6 th Grade Campus	6	406	550	2015	
Travis 6 th Grade Campus	6	337	450	2015	
Austin Middle School	6-8	791	840	1952	2020
Bonham Middle School	6-8	870	850	1967	1999, 2006, 2020
Bowie Middle School	6-8	802	890	1955	1999, 2006, 2020
Crockett Middle School	6-8	916	920	1960	2006, 2014, 2020
de Zavala Middle School	6-8	430	400	2005	
Fannin Middle School	6-8	682	850	1957	2006, 2020
Houston Middle School	6-8	644	830	1930	1999, 2007, 2014, 2020
Mann Middle School	6-8	481	718	1910	2006, 2019
Travis Middle School	6-8	753	900	1957	1998, 2006, 2020
North Heights Alternative School	6-12	218	300	1948	
Amarillo High School	9-12	2,148	2,500	1973	1999, 2005, 2020
Caprock High School	9-12	2,186	2,000	1963	1999, 2020
Palo Duro High School	9-12	1,964	1,960	1954	1998, 2005, 2013, 2019
Tascosa High School	9-12	2,271	2,500	1958	1999, 2007, 2014, 2020
Amarillo Area Center for Advanced Learning	9-12	351	400	1976	2007

**Without portable classroom buildings.*

***All campuses received or will receive renovations as part of the 2017 Bond Program. More recent additions and renovations are listed in this column.*

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

Proposed Form of Opinion of Bond Counsel

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

**AMARILLO INDEPENDENT SCHOOL DISTRICT
UNLIMITED TAX REFUNDING BONDS, TAXABLE SERIES 2020**

IN THE AGGREGATE PRINCIPAL AMOUNT OF \$88,390,000

AS BOND COUNSEL for the Amarillo Independent School District in Potter and Randall Counties, Texas (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 Bonds 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.

WE EXPRESS NO OPINION as to any federal, state or local tax consequences of acquiring, carrying, owning or disposing of the Bonds.

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 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 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 JUNE 30, 2019**

**AMARILLO INDEPENDENT
SCHOOL DISTRICT**
Amarillo, Texas

ANNUAL FINANCIAL REPORT
Year Ended June 30, 2019

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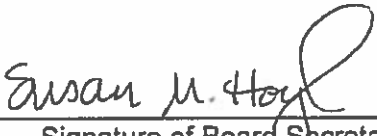
CERTIFICATE OF BOARD

Amarillo Independent School District
Name of School District

Potter
County

188-901
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial report of the above-named school district was reviewed and approved (☒) /disapproved (☐) for the year ended June 30, 2019, at a meeting of the board of trustees of such school district on the 14th day of November, 2019.


Signature of Board Secretary


Signature of Board President

If the annual financial report was checked above as disapproved, the reason(s) therefore is/are (attach list if necessary):

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Independent Auditor's Report

The Board of Trustees
Amarillo Independent School District
Amarillo, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Amarillo Independent School District (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2019, and the respective changes in financial position, where applicable, and cash flows thereof for the year then ended in conformity 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, the Budgetary Comparison Schedule-General Fund, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of the District's Contributions, Schedule of the District's Proportionate Share of the Net Other Post-Employment Benefits (OPEB) Liability, Schedule of District's Contributions to the OPEB Plan, and Notes to Required Supplemental Information on pages 7 through 14 and 78 through 84 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 accompanying combining statements and other schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations 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 nonmajor fund financial statements and schedules and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally

accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 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 solely 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 the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Connor McMillon Mitchell & Sherman PLLC

Amarillo, Texas
November 14, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Amarillo Independent School District's (the District's) annual financial report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2019. Please read this section in conjunction with the District's financial statements, which follow this section.

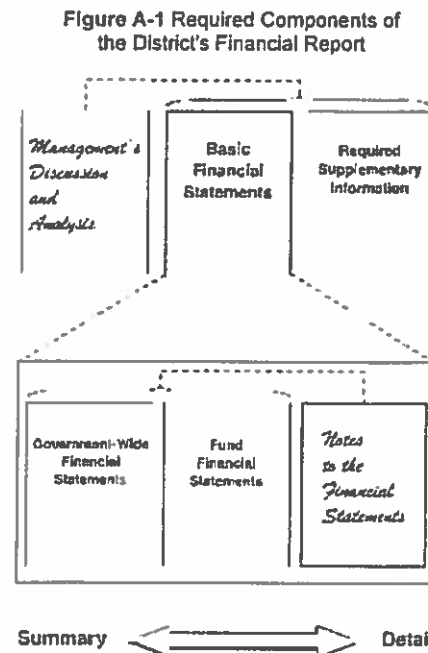
FINANCIAL HIGHLIGHTS

- The District's combined net position was \$87,544,806 as of June 30, 2019.
- During the year, the District's expenses were \$32,228,195 less than the \$350,522,336 generated in taxes and other revenues.
- The general fund reported a fund balance this year of \$138,797,606 of which \$20,000,000 was committed and \$7,000,000 was assigned for future capital acquisition. The capital projects fund reported a fund balance of \$103,653,576 that is restricted for capital acquisition.
- In the District's business-type activities, revenue exceeded expenses by \$369,915.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$111,756,652 or 41% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the government, reporting the District's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services were financed in the short term as well as what remains for future spending.
- Proprietary fund statements offer short- and long-term financial information about the activities the government operates like businesses, such as the Office Park Fund.
- Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

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

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

<i>Type of Statements</i>	Government-wide	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	Entire District's government (except fiduciary funds) and the Agency's component units	The activities of the District that are not proprietary or fiduciary	Activities the District operates similar to private businesses; self insurance	Instances in which the District is the trustee or agent for someone else's resources
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, & changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses, and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Statements

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

The two government-wide statements report the District's net position and how they have changed. Net position — the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources — is one way to measure the District's financial health or position.

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

The government-wide financial statements of the District include the governmental activities and business-type activities. Most of the District's basic services are included in the governmental activities, such as instruction, extracurricular activities, curriculum and staff development, health services, and general administration. Property taxes and grants finance most of these activities. The business-type activities of the District primarily relate to the operations of its office complex and an extended day program.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has three kinds of funds:

- **Governmental funds** – Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- **Proprietary funds** – Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.
- **Fiduciary funds** – The District is trustee, or fiduciary, for certain funds. It is also responsible for other assets that – because of a trust arrangement – can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The following tables are reported in thousands and, accordingly, reflect rounding differences when compared to the Basic Financial Statements.

Net position. The District's combined net position was approximately \$87.5 million at June 30, 2019. (See Table A-1.)

Table A-1
Amarillo Independent School District's Net Position
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 350.9	\$ 329.5	\$ 5.5	\$ 5.4	\$ 356.4	\$ 334.9
Capital	247.0	231.9	1.2	1.1	248.2	233.0
Total Assets	597.9	561.4	6.7	6.5	604.6	567.9
Deferred outflows of resources	63.6	21.7	-	-	63.6	21.7
Current liabilities	61.8	50.0	0.1	0.2	61.9	50.2
Long-term liabilities	475.2	432.8	-	-	475.2	432.8
Total Liabilities	537.0	482.8	0.1	0.2	537.1	483.0
Deferred inflows of resources	43.6	51.3	-	-	43.6	51.3
Net position:						
Invested in capital assets	75.9	70.0	1.2	1.1	77.1	71.1
Restricted	19.4	18.1	-	-	19.4	18.1
Unrestricted	(14.4)	(39.1)	5.4	5.2	(9.0)	(33.9)
Net Position	\$ 80.9	\$ 49.0	\$ 6.6	\$ 6.3	\$ 87.5	\$ 55.3

Approximately \$9.0 million of the District's restricted net position represents proceeds from local taxes. These proceeds when spent are restricted for debt service. The \$(9.0) million of unrestricted net position does not reflect the resources available to fund the programs of the District next year.

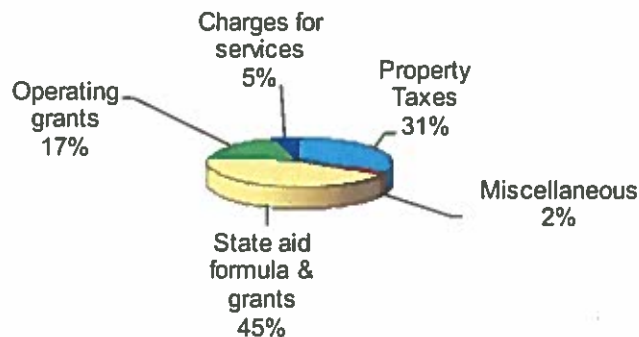
Changes in net position. The District's total revenues, before extraordinary items, were \$350.5 million. This is an increase of approximately \$71.2 million from the prior year, which is primarily the result of an increase in property tax revenue, a decrease in state aid and a significant increase in operating grants and contributions mainly due to the accounting for the TRS pension plan and TRS Care postemployment benefits. A significant portion, 31%, of the District's revenue comes from taxes. (See Figure A-3.) State aid formula and operating grants provide 45% and 17%, respectively, while only 5% relates to charges for services and 2% for miscellaneous sources. The District reported an extraordinary net sources related to settlement of \$25 million, which represents the settlement of a lawsuit and costs related to repairs and pursuing the settlement for hail damage to buildings that occurred in May 2013.

As a result of implementing GASB 68, *Accounting and Financial Reporting for Pensions*, there are three categories on the Statement of Net Position – deferred resource outflow related to TRS of \$47.6 million, deferred resource inflow related to TRS of \$6.0 million, and net pension liability of \$95.6 million that represents the District's proportionate share of the Teacher Retirement System pension liability.

As a result of implementing the new GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, there are three categories on the Statement of Net Position – deferred resource outflow related to TRS of \$14.2 million, deferred resource inflow related to TRS of \$37.6 million, and net liability of \$119.0 million that represents the District's proportionate share of the Teacher Retirement System health insurance liability.

The total cost of all programs and services was approximately \$343.3 million; 84% of these costs are for instructional and instructional related, instructional and campus leadership, and student services.

Figure A-3
District Sources of Revenue for Fiscal Year 2019



Governmental Activities

- Property tax rates increased in 2019 by \$.05 per \$100 valuation for operating costs and debt service requirements due to the issuance of the new bonds in 2018.
- Property values increased by \$226.2 million or 2.5%.
- State formula aid decreased 3% due to a decrease in student enrollment.

Table A-2
Changes in Amarillo Independent School District's Net Position
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenues						
<u>Program revenues:</u>						
Charges for services	\$ 15.0	\$ 17.8	\$ 1.8	\$ 1.8	\$ 16.8	\$ 19.6
Operating grants & contributions	60.9	(6.6)	-	-	60.9	(6.6)
Capital grants & contributions	-	0.1	-	-	-	0.1
<u>General revenues:</u>						
Property taxes	109.3	102.8	-	-	109.3	102.8
State aid formula & grants	156.1	160.9	-	-	156.1	160.9
Other	7.3	2.4	-	-	7.3	2.4
Total Revenues	348.6	277.4	1.8	1.8	350.4	279.2
Expenses						
Instruction	200.4	128.2	-	-	200.4	128.2
Instructional resources and media services	4.1	2.7	-	-	4.1	2.7
Curriculum and instructional staff development	10.6	7.3	-	-	10.6	7.3
Instructional leadership	3.7	2.3	-	-	3.7	2.3
School leadership	18.2	10.9	-	-	18.2	10.9
Guidance, counseling, and evaluation services	13.2	7.9	-	-	13.2	7.9
Social work services	1.1	0.7	-	-	1.1	0.7
Health services	4.2	2.7	-	-	4.2	2.7
Student transportation	4.1	4.0	-	-	4.1	4.0
Food services	18.8	16.2	-	-	18.8	16.2
Cocurricular/extracurricular activities	8.8	7.3	-	-	8.8	7.3
General administration	5.9	4.1	-	-	5.9	4.1
Plant maintenance and operations	29.2	22.9	-	-	29.2	22.9
Security and monitoring services	1.3	1.4	-	-	1.3	1.4
Data processing services	5.0	4.7	-	-	5.0	4.7
Community services	1.2	0.7	-	-	1.2	0.7
Debt service	10.1	8.5	-	-	10.1	8.5
Payments to fiscal agent/member districts of shared svc arrangements	0.7	0.6	-	-	0.7	0.6
Intergovernmental charges	1.1	1.0	-	-	1.1	1.0
Other	-	-	1.5	1.5	1.5	1.5
Total Expenses	341.7	234.1	1.5	1.5	343.2	235.6
Excess before special items -						
Governmental activities	6.9	43.3	-	-	6.9	43.3
Business-type activities	-	-	0.3	0.3	0.3	0.3
Total government	6.9	43.3	0.3	0.3	7.2	43.6
Extraordinary gain (loss) on settlement	25.0	(3.1)	-	-	25.0	(3.1)
Increase in net position	31.9	40.2	0.3	0.3	32.2	40.5
Net position, beginning of year, restated	49.0	184.4	6.3	6.0	55.3	190.4
Prior period adjustment	-	(175.6)	-	-	-	(175.6)
Net position, end of year	\$ 80.9	\$ 49.0	\$ 6.6	\$ 6.3	\$ 87.5	\$ 55.3

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

- The cost of all governmental activities this year was \$341.7 million.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$109.3 million.
- Some of the cost was paid by those who directly benefited from the programs, \$15.0 million, or by grants and contributions, \$60.9 million.

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

	Total Cost of Services			%	Net Cost of Services			%
	2019	2018	Change		2019	2018	Change	
Instruction	200.4	128.2	56.3%		160.4	132.6	21.0%	
School leadership	18.2	10.9	67.0%		16.3	13.3	22.6%	
Guidance, counseling & evaluation services	13.2	7.9	67.1%		10.3	8.1	27.2%	
Food services	18.8	16.2	16.0%		0.2	-2.5	-108.0%	
Plant maintenance & operations	29.2	22.9	27.5%		26.9	25.3	6.3%	

Business-type Activities

The District's business-type activities in the current year represent two different enterprises. The operations of the office park the District owns are shown in business activity one, the net income of which increased by \$3,907 from the prior year. The reason for this increase is a slight decrease in operating costs. Business activity two reflects the operations of the District's extended school day activities with an emphasis on tutoring and reinforcing the regular classroom teaching. Profit for this activity increased by \$15,700 due to a slight decrease in payroll expense.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$339.3 million. The increase in local revenues is a result of increases in property tax revenue and investment earnings. The state revenue decrease was due to a decrease in student enrollment. The increase in federal revenue is the result of higher Medicaid claims for the current year.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget 10 times. After these adjustments, actual expenditures were \$10.9 million or 3.8% below final budget amounts. The most significant positive variances were in instruction, plant maintenance and operations, and facilities acquisition and construction. The variance in the instructional area was predominantly caused by the reduction in staff due to the loss of student enrollment during the year. In the plant maintenance and operations and the facilities acquisition and construction functional areas, the positive variance was due to several large repair and construction projects not being complete by year-end. The Board of Trustees designated a portion of the fund balance to provide for the completion of these projects. Conservative spending by budget managers is also a large factor for the positive variance in all areas.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2019, the District had invested \$503.9 million in a broad range of capital assets, including land, buildings, equipment, vehicles, and construction in progress. (See Table A-4.) This amount represents a \$27.3 million increase from the previous year.

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

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	15.4	15.4	0.2	0.2	15.6	15.6
Buildings and improvements	415.1	406.1	3.4	3.3	418.5	409.4
Furniture and equipment	30.8	28.9	-	-	30.8	28.9
Equipment purchased under capital lease	1.5	1.5	-	-	1.5	1.5
Other depreciable capital assets	15.4	13.9	-	-	15.4	13.9
Construction in progress	22.0	7.3	0.1	-	22.1	7.3
	500.2	473.1	3.7	3.5	503.9	476.6
Less accumulated depreciation	(253.2)	(241.2)	(2.5)	(2.4)	(255.7)	(243.6)
	247.0	231.9	1.2	1.1	248.2	233.0

The District's taxpayers approved a bond issue in May 2013 for \$99.45 million and issued the first installment in July 2013. The District issued refunded debt in August 2014 and issued the second installment of the approved bond issue in April 2015. The final installment of the approved bond issue was sold in July, 2016. A new elementary school is scheduled to be built in southeast Amarillo with these proceeds as soon as there are a sufficient number of homes built in the area. More detailed information about the District's capital assets is presented in the notes to the financial statements.

The District's taxpayers approved an additional bond issue in November, 2017 for \$100 million. The District issued three installments during the 2017-18 year for the entire \$100 million. The 2018 bonds were issued in January, 2018 for \$51.2 million; the 2018A bonds were issued in February, 2018 for \$2.0 million; and the 2018B bonds were issued in May, 2018 for \$36.4 million.

Long-Term Debt

At the end of the year the District had \$245.8 million in bonds outstanding as shown in Table A-5. This balance represents a 2.8% decrease from the previous year. One rating agency, Standard & Poor's, moved the District's bond rating up in 2009 to AA+ from AA. Moody's Investor Services rates the District as Aa. However, due to the guarantee of school district bonds by the Texas Permanent School Fund, the District's underlying bond rating is Aaa and AAA from Moody's Investor Services and Standard & Poor's, respectively. More detailed information about the District's debt is presented in the notes to the financial statements. Also included in long-term debt is premium on bonds, compensated absences, and capital lease obligations.

Table A-5
District's Bonds Payable
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Bonds payable	245.8	252.9	-	-	245.8	252.9
Less amounts due within one year	6.4	7.2	-	-	6.4	7.2
	<u>239.4</u>	<u>245.7</u>	<u>-</u>	<u>-</u>	<u>239.4</u>	<u>245.7</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised property values used for the 2019-20 budget preparation were up \$298.7 million, or about 3.2% from the previous year.
- General operating fund expenditures increased in the 2019-20 budget by 7% over the original 2018-19 budget. Among the larger increases in the budget was a 4% raise for all professional employees, a 5.5% raise for all paraprofessional employees, and an increase in staff for special populations of students and the newly-required full-day prekindergarten of \$5.4 million.

These indicators were taken into account when adopting the general fund budget for 2019-20. Amounts available for appropriation in the general fund budget are \$289.3 million.

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 demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Office at (806) 326-1121.

BASIC FINANCIAL STATEMENTS

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EXHIBIT A-1

AMARILLO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2019

Data Control Codes		Primary Government		
		Governmental Activities	Business Type Activities	Total
ASSETS				
1110	Cash and cash equivalents	\$ 219,291,936	\$ 5,640,181	\$ 224,932,117
1120	Investments	85,035,118	-	85,035,118
	Receivables:			
1220	Property taxes receivable	4,529,359	-	4,529,359
1230	Allowance for uncollectible taxes	(2,458,365)	-	(2,458,365)
1240	Due from other governments	41,520,973	-	41,520,973
1250	Accrued interest	476,748	-	476,748
1290	Other receivables	1,702,346	6,743	1,709,089
1300	Inventories, at cost	165,422	-	165,422
1410	Prepayments	534,699	20,743	555,442
	Capital assets:			
1510	Land	15,358,872	224,455	15,583,327
1520	Buildings and improvements (net)	193,922,864	804,028	194,726,892
1530	Furniture and equipment (net)	4,951,391	-	4,951,391
1540	Other depreciable capital assets (net)	10,729,165	19,125	10,748,290
1580	Construction in progress	22,069,162	115,908	22,185,070
1000	Total assets	597,829,690	6,831,183	604,660,873
DEFERRED OUTFLOWS OF RESOURCES				
1701	Deferred charge on refunding	1,790,693	-	1,790,693
1705	Deferred resource outflow related to TRS	47,597,969	-	47,597,969
1706	Deferred resource outflow related to TRS Care OPEB	14,219,884	-	14,219,884
1700	Total deferred outflows of resources	63,608,546	-	63,608,546
LIABILITIES				
2110	Accounts payable	11,823,718	33,201	11,856,919
2150	Payroll deductions and withholdings payable	1,653,865	-	1,653,865
2160	Accrued wages payable	30,932,202	73,335	31,005,537
2180	Due to other governments	506,427	681	507,108
2200	Accrued expenses	8,079,726	-	8,079,726
2300	Unearned revenues	822,932	29,685	852,617
	Non-current liabilities:			
2501	Due within one year	7,972,557	-	7,972,557
2502	Due in more than one year	260,563,362	-	260,563,362
2540	Net pension liability	95,634,192	-	95,634,192
2545	Net liability for other post employment benefits	119,005,971	-	119,005,971
2000	Total liabilities	536,994,952	136,902	537,131,854
DEFERRED INFLOWS OF RESOURCES				
2605	Deferred resource infow related to TRS	5,960,204	-	5,960,204
2606	Deferred resource inflow reated to TRS Care OPEB	37,632,555	-	37,632,555
2600	Total deferred inflows of resources	43,592,759	-	43,592,759
NET POSITION				
3200	Net investment in capital assets	75,918,971	1,163,516	77,082,487
	Restricted for:			
3820	Federal and state programs	3,919,380	-	3,919,380
3850	Debt service	9,012,503	-	9,012,503
3860	Construction	4,057,834	-	4,057,834
3890	Campus activities	2,513,911	-	2,513,911
3900	Unrestricted	(14,572,074)	5,530,765	(9,041,309)
3000	Total net position	\$ 80,850,525	\$ 6,694,281	\$ 87,544,806

The accompanying notes are an integral part of the basic financial statements.

**AMARILLO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2019**

Data Control Codes	1	Charges for Program Revenues		
		3	4	5
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
11 Instruction	\$ 200,434,237	\$ 8,616,737	\$ 31,391,446	\$ -
12 Instructional resources and media services	4,077,669	90,852	464,978	-
13 Curriculum and instructional staff development	10,630,117	187,137	3,672,890	-
21 Instructional leadership	3,704,728	385,292	433,036	-
23 School leadership	18,152,003	190,721	1,666,662	-
31 Guidance, counseling, and evaluation services	13,228,861	1,008,746	1,945,399	-
32 Social work services	1,069,603	19,013	740,576	-
33 Health services	4,236,601	39,072	673,159	-
34 Student transportation	4,126,252	542,227	10,547	-
35 Food services	18,803,173	2,692,775	15,874,632	-
36 Cocurricular/extracurricular activities	8,791,136	873,327	426,056	-
41 General administration	5,949,986	3,598	496,763	-
51 Plant maintenance and operations	29,229,514	191,006	2,167,002	7,730
52 Security and monitoring services	1,330,228	3,452	60,408	-
53 Data processing services	4,957,640	-	226,005	-
61 Community services	1,236,931	8,432	650,134	-
72 Debt service - interest on long-term debt	10,051,595	-	-	-
73 Debt service - bond issuance and servicing fees	3,750	-	-	-
93 Payments to fiscal agent/member districts of shared services arrangements	678,883	190,674	-	-
95 Payments to juvenile justice alternative education programs	46,428	-	-	-
99 Intergovernmental charges	1,120,680	-	-	-
TG TOTAL GOVERNMENTAL ACTIVITIES	341,860,015	15,043,061	60,899,693	7,730
BUSINESS-TYPE ACTIVITIES				
01 Office Park rental activities	499,542	535,730	-	-
02 Extended Day School activities	958,132	1,291,859	-	-
TB TOTAL BUSINESS-TYPE ACTIVITIES	1,457,674	1,827,589	-	-
TP TOTAL PRIMARY GOVERNMENT	\$ 343,317,689	\$ 16,870,650	\$ 60,899,693	\$ 7,730

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
IE	Investment earnings
MI	Miscellaneous
	Total general revenues
EXTRAORDINARY ITEMS	
E1	Settlement proceeds
E2	Costs related to settlement
	Total extraordinary items
TR	Total general revenues and extraordinary items
CN	CHANGE IN NET POSITION
NB	NET POSITION, BEGINNING OF YEAR
NE	NET POSITION, END OF YEAR

EXHIBIT B-1

Net (Expense) Revenue and Changes in Net Position		
6	7	8
Governmental Activities	Business Type Activities	Total
\$ (160,426,054)	\$ -	\$ (160,426,054)
(3,521,839)	-	(3,521,839)
(6,770,090)	-	(6,770,090)
(2,886,400)	-	(2,886,400)
(16,294,620)	-	(16,294,620)
(10,274,716)	-	(10,274,716)
(310,014)	-	(310,014)
(3,524,370)	-	(3,524,370)
(3,573,478)	-	(3,573,478)
(235,766)	-	(235,766)
(7,491,753)	-	(7,491,753)
(5,449,625)	-	(5,449,625)
(26,863,776)	-	(26,863,776)
(1,266,368)	-	(1,266,368)
(4,731,635)	-	(4,731,635)
(578,365)	-	(578,365)
(10,051,595)	-	(10,051,595)
(3,750)	-	(3,750)
(488,209)	-	(488,209)
(46,428)	-	(46,428)
(1,120,680)	-	(1,120,680)
(265,909,531)	-	(265,909,531)
-	36,188	36,188
-	333,727	333,727
-	369,915	369,915
\$ (265,909,531)	\$ 369,915	\$ (265,539,616)
\$ 95,330,493	\$ -	\$ 95,330,493
14,001,980	-	14,001,980
156,122,972	-	156,122,972
6,538,519	-	6,538,519
750,299	-	750,299
272,744,263	-	272,744,263
32,754,388	-	32,754,388
(7,730,840)	-	(7,730,840)
25,023,548	-	25,023,548
297,767,811	-	297,767,811
31,858,280	369,915	32,228,195
48,992,245	6,324,366	55,316,611
\$ 80,850,525	\$ 6,694,281	\$ 87,544,806

The accompanying notes are an integral part of the basic financial statements.

EXHIBIT C-1

**AMARILLO INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019**

Data Control Codes		10	60	98	
		General Fund	Capital Projects Fund	Other Funds	Total Governmental Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Assets:					
1110	Cash and cash equivalents	\$ 87,486,528	\$ 74,734,194	\$ 17,398,217	\$ 179,618,939
1120	Investments	44,040,488	34,998,290	-	79,038,778
Receivables:					
1225	Taxes receivable, net	1,817,567	-	253,427	2,070,994
1240	Due from other governments	36,174,958	-	5,346,015	41,520,973
1250	Accrued interest	223,715	196,896	-	420,611
1260	Due from other funds	2,804,900	-	2	2,804,902
1290	Other receivables	725,612	-	345,885	1,071,497
1300	Inventories, at cost	40,954	-	124,468	165,422
1410	Other current assets	529,844	-	4,855	534,699
1000	Total assets	\$ 173,844,566	\$109,929,380	\$ 23,472,869	\$ 307,246,815
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
2110	Accounts payable	\$ 3,095,529	\$ 6,270,860	\$ 1,278,432	\$ 10,644,821
2150	Payroll deductions and withholdings payable	1,653,865	-	-	1,653,865
2160	Accrued wages payable	28,053,260	4,400	2,874,512	30,932,172
2170	Due to other funds	-	337	2,718,358	2,718,695
2180	Due to other governments	411,399	207	94,754	506,360
2300	Unearned revenue	15,340	-	807,592	822,932
2000	Total liabilities	33,229,393	6,275,804	7,773,648	47,278,845
Deferred Inflows of Resources:					
2601	Unavailable revenue - property taxes	1,817,567	-	253,427	2,070,994
2600	Total deferred inflows of resources	1,817,567	-	253,427	2,070,994
Fund Balances:					
Nonspendable fund balance:					
3410	Investment in inventories	40,954	-	124,468	165,422
Restricted fund balance:					
3450	Food service	-	-	3,794,912	3,794,912
3470	Capital acquisition program	-	103,653,576	-	103,653,576
3480	Retirement of long-term debt	-	-	9,012,503	9,012,503
3490	Campus activities	-	-	2,513,911	2,513,911
Committed fund balance:					
3510	Capital acquisition	20,000,000	-	-	20,000,000
3570	Assigned fund balance	7,000,000	-	-	7,000,000
3600	Unassigned fund balance	111,756,652	-	-	111,756,652
3000	Total fund balances	138,797,606	103,653,576	15,445,794	257,896,976
4000	Total liabilities, deferred inflows of resources, and fund balances	\$ 173,844,566	\$109,929,380	\$ 23,472,869	\$ 307,246,815

The accompanying notes are an integral part of the basic financial statements.

AMARILLO INDEPENDENT SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
June 30, 2019

Total fund balances - governmental funds (from Exhibit C-1)	<u>\$257,896,976</u>
1 The District uses an internal service fund to charge the costs of self-insurance and the District's motor coach transportation pool to appropriate functions in other funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position.	42,001,144
2 Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. The net effect of including the balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to decrease net position.	(235,356,448)
3 Current year capital outlays and long-term debt principal payments 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. Long-term liabilities related to compensated absences payable were adjusted to reflect the net change accrued during the year. The net effect of including the 2019 capital outlays, debt principal payments and changes in other long-term liabilities was to increase net position.	36,017,442
4 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 in the amount of \$40,126,224, a deferred resource inflow related to TRS in the amount of \$3,426,848, and a deferred resource outflow related to TRS in the amount of \$29,310,177. This amounted to a decrease in net position in the amount of \$7,392,259.	(7,392,259)
5 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 in the amount of \$18,934,701. The net position related to TRS OPEB included a deferred resource outflow in the amount of \$12,821,077, and a deferred resource inflow in the amount of \$4,227,447. This amounted to a decrease in net position in the amount of \$1,886,177.	(1,886,177)
6 The 2019 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(12,501,147)
7 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.	2,070,994
19 Net position of governmental activities (see Exhibit A-1)	<u>\$ 80,850,525</u>

The accompanying notes are an integral part of the basic financial statements.

AMARILLO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2019

Data Control Codes		10	60	98	
		General Fund	Capital Projects Fund	Other Funds	Total Governmental Funds
REVENUES					
5700	Local and intermediate sources	\$100,402,034	\$ 2,930,024	\$ 21,549,608	\$ 124,881,666
5800	State program revenues	165,984,100	-	5,932,377	171,916,477
5900	Federal program revenues	8,065,762	-	34,485,970	42,551,732
5020	Total revenues	274,451,896	2,930,024	61,967,955	339,349,875
EXPENDITURES					
0011	Instruction	166,491,575	-	19,732,825	186,224,400
0012	Instructional resources and media services	3,486,887	44,627	243,918	3,775,432
0013	Curriculum and instructional staff development	6,887,275	-	3,267,194	10,154,469
0021	Instructional leadership	3,275,764	-	286,574	3,562,338
0023	School leadership	16,640,221	-	273,756	16,913,977
0031	Guidance, counseling, and evaluation services	11,543,506	-	870,011	12,413,517
0032	Social work services	417,972	-	618,191	1,036,163
0033	Health services	3,669,649	-	346,894	4,016,543
0034	Student transportation	4,115,621	-	9,734	4,125,355
0035	Food services	71,945	-	18,109,279	18,181,224
0036	Cocurricular/extracurricular activities	6,703,642	-	337,080	7,040,722
0041	General administration	5,678,339	-	4,972	5,683,311
0051	Plant maintenance and operations	27,741,333	-	549,982	28,291,315
0052	Security and monitoring services	1,226,316	-	61,689	1,288,005
0053	Data processing services	4,904,399	-	-	4,904,399
0061	Community services	528,354	-	630,631	1,158,985
0071	Debt service - principal on long-term debt	226,869	-	7,171,782	7,398,651
0072	Debt service - interest on long-term debt	11,769	-	10,857,335	10,869,104
0073	Debt service - bond issuance & carrying costs	-	-	3,750	3,750
0081	Facilities acquisition and construction	8,688,725	17,445,995	30,730	26,165,450
0093	Payments to fiscal agent/member districts of shared services arrangements	678,883	-	-	678,883
0095	Payments to juvenile justice alternative education programs	46,428	-	-	46,428
0099	Intergovernmental charges	1,120,680	-	-	1,120,680
6030	Total expenditures	274,156,152	17,490,622	63,406,327	355,053,101
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	295,744	(14,560,598)	(1,438,372)	(15,703,226)
OTHER FINANCING SOURCES (USES)					
7912	Sale of real or personal property	251	-	-	251
7913	Proceeds from capital leases	14,333	-	-	14,333
7080	Total other financing sources (uses)	14,584	-	-	14,584
SPECIAL ITEMS					
7919	Extraordinary items (resources)	32,754,388	-	-	32,754,388
8913	Extraordinary items (uses)	(7,730,840)	-	-	(7,730,840)
1200	NET CHANGE IN FUND BALANCE	25,333,876	(14,560,598)	(1,438,372)	9,334,906
0100	FUND BALANCES AT BEGINNING OF YEAR	113,463,730	118,214,174	16,884,166	248,562,070
3000	FUND BALANCES AT END OF YEAR	\$138,797,606	\$103,653,576	\$ 15,445,794	\$ 257,896,976

The accompanying notes are an integral part of the basic financial statements.

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

Total net change in fund balances - governmental funds (from Exhibit C-3)	\$ 9,334,906
The District uses an internal service fund to charge the costs of self-insurance and the District's motor coach transportation pool to appropriate functions in other funds. The net income (loss) of the internal service fund is included in the governmental activities in the Statement of Activities. The net effect of this consolidation is to increase net position. (See Exhibit D-2)	8,206,083
Current year capital outlays and long-term debt principal payments 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. There were also changes in the long-term liabilities with changes in compensated absences. The net effect of including the 2019 capital outlays and debt principal payments is to increase net position.	36,017,442
Depreciation is not recognized as an expense in the governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(12,501,147)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, and recognizing the liabilities associated with maturing, long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.	79,432
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 \$5,097,933. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liabilities, causing a decrease in net position totaling \$4,988,947. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$7,501,245. The net results is a decrease in the change in position of \$7,392,259.	(7,392,259)
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 \$1,393,239. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net OPEB liability, causing a decrease in net position of \$1,383,144. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the net position by \$1,896,272. The net result is an decrease in the net position of \$1,886,177.	(1,886,177)
Change in net position of governmental activities (see Exhibit B-1)	<u>\$ 31,858,280</u>

The accompanying notes are an integral part of the basic financial statements.

**AMARILLO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2019**

	<u>Business-Type Activities</u>	<u>Governmental Activities</u>
	<u>Enterprise</u>	<u>Internal Service</u>
	<u>Fund</u>	<u>Funds</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 5,640,181	\$ 39,672,997
Investments	-	5,996,340
Receivables:		
Accrued interest	-	56,137
Other receivables	6,743	625,953
Prepayments	20,743	-
Total current assets	<u>5,667,667</u>	<u>46,351,427</u>
Land, buildings and equipment:		
Land	224,455	-
Buildings and improvements, net	804,028	-
Furniture and equipment (net)	-	441,699
Other depreciable capital assets, net	19,125	-
Construction in progress	115,908	-
Total assets	<u>6,831,183</u>	<u>46,793,126</u>
LIABILITIES		
Current Liabilities		
Accounts payable	26,496	1,178,897
Accrued wages payable	73,335	30
Due to other funds	6,705	81,311
Due to other governments	681	67
Accrued expenditures or expenses	-	3,531,677
Unearned revenues	29,685	-
Total current liabilities	<u>136,902</u>	<u>4,791,982</u>
Total liabilities	<u>136,902</u>	<u>4,791,982</u>
NET POSITION		
Net investment in capital assets	1,163,516	441,699
Unrestricted net position	5,530,765	41,559,445
Total net position	<u>\$ 6,694,281</u>	<u>\$ 42,001,144</u>

The accompanying notes are an integral part of the basic financial statements.

AMARILLO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2019

	<u>Business-Type Activities</u> Enterprise Fund	<u>Governmental Activities</u> Internal Service Funds
OPERATING REVENUES		
Charges for services	\$ 1,770,254	\$ 39,739,560
Total operating revenues	<u>1,770,254</u>	<u>39,739,560</u>
OPERATING EXPENSES		
Payroll costs	908,538	50,561
Purchased and contracted services	386,885	27,575,128
Supplies and materials	9,209	105,095
Other operating costs	79,664	4,847,936
Depreciation	73,378	-
Total operating expenses	<u>1,457,674</u>	<u>32,578,720</u>
Operating income	<u>312,580</u>	<u>7,160,840</u>
NONOPERATING REVENUES		
Interest and investment income	57,335	1,045,243
Total nonoperating revenues	<u>57,335</u>	<u>1,045,243</u>
CHANGE IN NET POSITION	369,915	8,206,083
NET POSITION - BEGINNING OF YEAR	<u>6,324,366</u>	<u>33,795,061</u>
NET POSITION - END OF YEAR	<u>\$ 6,694,281</u>	<u>\$ 42,001,144</u>

The accompanying notes are an integral part of the basic financial statements.

**AMARILLO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2019**

	Business- Type Activities	Governmental Activities
	Enterprise Fund	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 1,777,128	\$ 9,987,216
Payments to suppliers	(488,287)	(6,194,996)
Claims paid	-	(26,878,704)
Payments to employees	(895,311)	(50,509)
Internal activity - payments from other funds	-	29,868,903
Net cash provided by operating activities	<u>393,530</u>	<u>6,731,910</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(162,997)	-
Net cash used by capital and related financing activities	<u>(162,997)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	-	(3,072,900)
Interest on investments	57,335	1,045,243
Net cash provided (used) by investing activities	<u>57,335</u>	<u>(2,027,657)</u>
Net increase in cash and cash equivalents	287,868	4,704,253
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>5,352,313</u>	<u>34,968,744</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 5,640,181</u></u>	<u><u>\$ 39,672,997</u></u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 312,580	\$ 7,160,840
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	73,378	115,442
Change in assets and liabilities:		
(Increase) decrease in accrued interest receivable	-	(40,849)
(Increase) decrease in other receivables	7,289	(185,325)
(Increase) decrease in due from other funds	-	144,084
(Increase) decrease in other current assets	2,938	-
Increase (decrease) in accounts payable	(12,255)	(187,553)
Increase (decrease) in accrued wages payable	13,227	3
Increase (decrease) in due to other funds	(3,220)	81,311
Increase (decrease) in due to other governments	8	50
Increase (decrease) in accrued expenses	(415)	(356,093)
Net cash provided by operating activities	<u><u>\$ 393,530</u></u>	<u><u>\$ 6,731,910</u></u>

The accompanying notes are an integral part of the basic financial statements.

AMARILLO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2019

	<u>Agency Funds</u>	<u>Private Purpose Trust Funds</u>
ASSETS		
Cash and cash equivalents	\$ 175,631	\$ 658,195
Investments - current	-	1,306,587
Receivables:		
Due from other funds	<u>136</u>	<u>1,673</u>
Total assets	<u><u>\$ 175,767</u></u>	<u><u>\$ 1,966,455</u></u>
LIABILITIES		
Due to other governments	\$ -	\$ 12
Due to student groups	<u>175,767</u>	<u>-</u>
Total liabilities	<u><u>\$ 175,767</u></u>	<u><u>\$ 12</u></u>
NET POSITION		
Restricted for:		
Scholarships		\$ 1,937,446
Unrestricted net position		<u>28,997</u>
Total net position		<u><u>\$ 1,966,443</u></u>

The accompanying notes are an integral part of the basic financial statements.

**AMARILLO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUNDS
Year Ended June 30, 2019**

ADDITIONS

Miscellaneous local sources	\$ 85,048
Memorial contributions	44,249
Investment income	<u>119,447</u>
Total additions	<u>248,744</u>

DEDUCTIONS

Payroll costs	15,264
Purchased and contracted services	21,470
Supplies and materials	10,547
Other operating costs	<u>100,769</u>
Total deductions	<u>148,050</u>
Change in net position	100,694

NET POSITION - BEGINNING OF YEAR	<u>1,865,749</u>
NET POSITION - END OF YEAR	<u><u>\$1,966,443</u></u>

The accompanying notes are an integral part of the basic financial statements.

AMARILLO INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Amarillo Independent School District (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 that are elected by registered voters of the District. The District prepares its basic financial statements in conformity with Generally Accepted Accounting Principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB). Additionally, the District complies with the requirements of the appropriate version of the Texas Education Agency (TEA) *Financial Accountability System Resource Guide* (FASRG) and the requirements of contracts and grants of agencies from which it receives funds.

Reporting Entity

The Board of the District is elected by the public; has the authority to make decisions, appoint administrators and managers, significantly influence operations, and has the primary accountability for fiscal matters. Therefore, the District is not included in any other governmental "reporting entity" as defined by the GASB. There are no component units included within the reporting entity.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. The *governmental activities* are supported by tax revenues, grants and intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

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

Since Internal Service Funds support the operations of governmental funds, they are consolidated with the governmental funds in the government-wide financial statements. The expenditures of governmental funds that create the revenues of internal service funds are eliminated to avoid "grossing up" the revenues and expenses of the District as a whole.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

AMARILLO INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. 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*. Revenues are recognized as soon as they are both measurable and available. 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. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State of Texas are recognized under the susceptible-to-accrual concept. 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.

Grant funds are considered earned to the extent of the expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until the related and authorized expenditures have been made. 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.

The District reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund. Major revenue sources include local property taxes, state funding and interest earnings. Expenditures include all costs associated with the daily operations of the District except for specific programs funded by the federal or state government, food service, debt service, and capital projects that are funded by the issuance of bonds.

The *capital projects fund* is used to account for proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions.

AMARILLO INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

Additionally, the District reports the following nonmajor governmental fund types:

Special Revenue Funds - The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most federal and some state and local financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Debt Service Fund - The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

The District reports the following proprietary funds:

The *internal service funds* account for the District's self-funded workers' compensation plan, medical insurance plan and dental insurance plan provided for the benefit of eligible employees. The plans are intended to be self-supporting and contributions for premiums are increased periodically to cover the cost of claims, insurance premiums and administrative fees. The internal service fund also accounts for the operations of the District's motor coach pool. These motor coaches are used primarily for extracurricular travel. This fund is also intended to be self-supporting through charges to users.

The *enterprise fund* accounts for the District's business-type activities, which consist primarily of the operations of an office complex owned by the District for the purpose of making a profit to offset the District's costs. The extended school day fund is used to account for the charges to parents for after-school care, the focus of which is reinforcing classroom instruction with coordination of the campus teachers.

Additionally, the District reports the following fiduciary funds:

Private Purpose Trust Funds - These funds are used to account for resources legally held in trust related to donations for scholarships.

Agency Funds - The District accounts for resources held for others in a custodial capacity in agency funds. The District's agency fund is the student activity fund.

Private-sector standards of accounting and financial reporting generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB.

Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

AMARILLO INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund and internal service funds are charges to customers for rent, services, and user charges. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, and then unrestricted resources as they are needed.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balance

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. Investments for the District are reported at fair value.

The funds of the District must be deposited and invested under the terms of a depository contract, contents of which are set out in the Depository Contract Law. The depository bank may either place approved pledged securities for safekeeping and trust with the District's agent bank or file a corporate surety bond 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 FDIC insurance.

Interfund Balances and Transfers

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Transfers are used to move revenue from the General Fund to other funds to assist with payment of expenditures in various funds.

Inventories and Prepaid Items

Inventories of supplies on the balance sheet are stated at lower of cost or market and they

**AMARILLO INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balance (Continued)

Inventories and Prepaid Items (Continued)

include consumable maintenance and cafeteria items. Inventories of governmental funds are recorded as expenditures when they are consumed rather than when purchased.

Capital Assets

Capital assets, which include land, buildings, furniture and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market 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 assets lives are not capitalized.

When assets are retired or otherwise disposed of, the related costs or other recorded amounts are removed.

Land, buildings, furniture and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and building improvements	35
Site improvements	10-15
Furniture, fixtures & equipment	5-10
Information systems (computer equipment)	3
Automobiles	5
Buses	10

Compensated Absence

The District employees are entitled to one paid leave day per contract month. The District's vested obligations under this policy are accrued and are reflected as liabilities in government-wide financial statements.

Risks and Uncertainties

The District is exposed to various risks of loss related to torts; theft of, damage to and

AMARILLO INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balance (Continued)

Risks and Uncertainties (Continued)

destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the current fiscal year, 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 years. The District offers its employees the option of participating in its self-insured health plan or an "opt out" health plan. The District is self-insured for workers' compensation.

Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of GASB pronouncements are met. Claims and judgments that mature or become due are recorded during the year as expenditures in the governmental funds. If they have not matured, no liability is recognized in the governmental fund statements. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred.

Arbitrage Payable

The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the United States Treasury for investment income received at yields that exceed the issuer's tax exempt borrowing rates. The Treasury requires payment for each issue every five years. The estimated liability is updated annually for all tax-exempt issuances or changes in yields until such time payment of the calculated liability is due. The District did not have an arbitrage liability due and payable as of June 30, 2019.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

AMARILLO INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balance (Continued)

Long-Term Obligations (Continued)

Interest on capital appreciation bonds is accreted over the term of the bonds and paid at maturity. Interest expense is not recognized in debt service until paid. The annual amount of accreted interest is recorded as an increase in bonds payable and is included in outstanding principal.

Pensions

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

Other Post-Employment Benefits (OPEB)

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has three items totaling \$63,608,546 that qualify for reporting in this category—a deferred charge on refunding of bonds in the amount of \$1,790,693, a deferred outflow related to the District's net pension liability in the amount of \$47,597,969 and a deferred outflow related to the District's net OPEB liability of \$14,219,884.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will

AMARILLO INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balance (Continued)

Deferred Outflows/Inflows of Resources (Continued)

not be recognized as an inflow of resources (revenue) until that time. The District has two items totaling \$43,592,759 that qualify for reporting in this category—a deferred inflow related to the District's net pension liability in the amount of \$5,960,204 and a deferred inflow related to the District's net OPEB liability \$37,632,555.

Net Position

In the government-wide financial statements, the difference between the District's total assets, deferred outflows of resources and liabilities and deferred inflows of resources represents net position. Net position displays the following three components:

Net investment in capital assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted net position – This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted net position – This amount is the net position that does not meet the definition of "net investment in capital assets" or "restricted net position." It represents the amount available for future operations.

Fund Balances

In the governmental funds financial statements, fund balances are classified as follows:

Nonspendable fund balance – Includes amounts that cannot be spent because they are not in spendable form or they are legally or contractually required to be maintained intact.

Restricted fund balance – Includes amounts that are restricted to specific purposes because of state or federal laws or externally imposed conditions by grantors or creditors.

Committed fund balance – Includes amounts that can only be used for specific purposes as pursuant to official action by the Board of Trustees prior to the end of the reporting period.

Assigned fund balance – Comprises amounts the District intends to use for a specific purpose but is neither restricted nor committed. The superintendent has authority to assign fund balance.

Unassigned fund balance – Represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

**AMARILLO INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances (Continued)

When restricted and other fund balance resources are available for use, it is the District's policy to use restricted resources first, followed by committed, assigned and unassigned amounts, respectively.

Use of Estimates

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

Data Control Codes

The data control codes refer to the account code structure prescribed by TEA in the FASRG. The TEA requires school districts to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a statewide database for policy development and funding plans.

Budgetary Data

The Board of Trustees adopts an "appropriated budget" for the General Fund, the Debt Service Fund and the National School Breakfast & Lunch Program, which is included in the Special Revenue Funds. At a minimum, the District is required to present the final amended budgeted revenues and expenditures compared to actual revenues and expenditures for these three funds in Exhibits G-1, J-4 and J-5.

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

1. Prior to June 19, the District prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to July 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 function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year.

AMARILLO INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year-end.

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits

The District's total cash and cash equivalents at year-end primarily consisted of deposits with the contracted depository bank and amounts invested in uninsured public fund investment pools (Investment Pools). Investment Pools invest in certain eligible investments, including obligations of the United States and the State of Texas and fully collateralized direct repurchase agreements.

Cash and cash equivalents included on the statement of net position consists of the following:

Deposits	\$ 74,451,321
TexPool	16,882,771
Lone Star Investment Pool	101,520,328
Texas CLASS	<u>32,077,697</u>
Total cash and cash equivalents	<u>\$224,932,117</u>

Legal and Contractual Provisions Governing Deposits

The District's policy states that the depository selected shall be a bank located in the state of Texas and it cannot be at any bank where the deposits are not insured by the Federal Deposit Insurance Corporation. The District must secure public funds by eligible securities to the extent and in the manner required by the Public Funds Collateral Act. The District is in compliance with applicable legal and contractual provisions.

Policies Governing Deposits

Custodial Credit Risk: In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's cash deposits at June 30, 2019, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank and, therefore, were not exposed to custodial credit risk.

Participation in External Investment Pools

As of June 30, 2019, the carrying amount of amounts invested in Investment Pools was \$150,843,056 in all funds. The Investment Pools are recorded at cost, which approximated market value at June 30, 2019. All Investment Pools are uninsured and are not registered with the Securities and Exchange Commission. Investment Pools are not subject to custodial credit risk as they are not evidenced by securities that exist in physical or book entry form.

AMARILLO INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits (Continued)

The District's investment in Investment Pools includes Lone Star Investment Pool, TexPool Participant Services, and Texas CLASS. Lone Star Investment Pool's regulatory oversight agent is the Texas Association of School Boards and their credit risk rating is AAf. Their financial reports may be obtained by writing TASB, Inc., P.O. Box 400, Austin, Texas 78767-0400. TexPool Participant Services' regulatory oversight agent is the Texas Treasury Safekeeping Trust Company and their credit risk rating is AAAM. Their financial reports may be obtained by writing Federated Investment Management Companies, Federated Investors Tower, 1001 Liberty Avenue, Pittsburgh, PA 15222-3779. Texas CLASS's regulatory oversight agent is the Public Trust Advisors, LLC and their credit risk rating is AAAM. Their financial reports may be obtained in writing, 717 17th Street, Suite 1850, Denver, Colorado 80202.

Investments

Investment Type	Market Value	Percent	Maturity Date	Security Rating
Municipal Bonds				
Houston TX Utility System Rev	\$ 3,045,030	3.58%	05/15/2021	AA
New Hope Cultural (TAMU)	747,293	0.88%	04/01/2021	AA+
TX St Wtr Dev Brd Rev Bond	251,615	0.30%	10/15/2022	AAA
Total Municipal Bonds	<u>\$ 4,043,938</u>	<u>4.76%</u>		
U.S. Government Agency				
FHLMC (Quarterly Call)	\$ 2,999,670	3.53%	03/29/2021	AA+
FHLMC (Quarterly Call)	6,000,540	7.06%	04/27/2021	AA+
FHLMC (Quarterly Call)	2,992,680	3.52%	12/29/2021	AA+
FHLMC (Quarterly Call)	2,992,680	3.52%	12/29/2021	AA+
FHLMC Multi Step Cpn	3,003,660	3.53%	08/23/2022	AA+
FHLMC Multi Step Cpn	3,003,660	3.53%	08/23/2022	AA+
FHLB	10,003,100	11.76%	09/13/2019	AA+
IBRD	9,975,800	11.73%	09/30/2019	AAA
FFCB	7,015,610	8.25%	04/13/2020	AA+
FHLB (Quarterly Call)	7,003,780	8.24%	10/30/2020	AA+
Total U.S. Government Agency	<u>\$ 54,991,180</u>	<u>64.67%</u>		
Certificates of Deposit				
Discovery Bank - CD	\$ 246,000	0.29%	04/19/2021	FDIC Insured
Sallie Mae Bank - CD	246,000	0.29%	04/19/2021	FDIC Insured
Morgan Stanley Bank - CD	246,000	0.29%	04/19/2021	FDIC Insured
Ally Bank - CD	246,000	0.29%	04/19/2021	FDIC Insured
Citibank - CD	16,000	0.02%	04/26/2021	FDIC Insured
Happy State Bank - CD	25,000,000	29.39%	04/26/2020	Securities Pledged
Total Certificates of Deposit	<u>26,000,000</u>	<u>30.57%</u>		
Total Investments	<u><u>\$ 85,035,118</u></u>	<u><u>100.00%</u></u>		

AMARILLO INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

The District records investments at fair value as determined by quoted market prices except for short-term, highly liquid debt instruments with a remaining maturity at time of purchase of one year or less. These instruments are recorded at amortized cost, which approximates fair value.

Legal and Contractual Provisions Governing Investments

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

Policies Governing Investments

In compliance with the **Public Funds Investment Act**, the District has adopted an investment policy.

Custodial Credit Risk: For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District is not exposed to custodial credit risk for its investments as all are insured, registered and held by the District or by its agent in the District's name.

Interest Rate Risk: Interest rate risk occurs when potential purchasers of debt securities do not agree to pay face value for those securities if interest rates rise. The District's policy generally states that the maximum allowable stated maturity of individual investments owned by the District shall not exceed one to two years from the time of purchase, within legal limits. The District uses the specific identification method to disclose interest-rate risk.

Credit Risk: State law limits investments in commercial paper to those rated not less than A-1 or P-1 and no-load money market mutual funds to those rated not less than AAA.

**AMARILLO INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019**

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

Concentration of Credit Risk: Concentration risk is defined as positions of 5% or more in the securities of a single issuer. The District's policy regarding concentration states that the investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from overconcentration of assets in a specific class of investments, specific maturity, or specific issuer.

NOTE 3 - FAIR VALUE MEASUREMENTS

GASB Statement No. 72, *Fair Value Measurement and Application* established a three-level valuation hierarchy for disclosure based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). An asset's fair value measurement level within the hierarchy is based on the lowest level of input that is significant to the valuation.

The three levels are defined as follows:

- Level 1 – Quoted prices for identical assets or liabilities in active markets.
- Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The District uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the District measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs were used only when Level 1 or Level 2 inputs were not available.

Assets Measured at Fair Value on a Recurring Basis

		Fair Value Measurements Using:		
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>June 30, 2019:</u>				
U.S. government and agency obligations	\$ 54,991,180	\$ -	\$ 54,991,180	\$ -
Municipal bonds	4,043,938	-	4,043,938	-

**AMARILLO INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019**

NOTE 3 - FAIR VALUE MEASUREMENTS (CONTINUED)

Assets Measured at Fair Value on a Recurring Basis (Continued)

	<u>Fair Value</u>	<u>Fair Value Measurements Using:</u>		
		<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
June 30, 2019 (Continued):				
Certificate of deposit	<u>26,000,000</u>	<u>-</u>	<u>26,000,000</u>	<u>-</u>
Total	<u>\$ 85,035,118</u>	<u>\$ -</u>	<u>\$ 85,035,118</u>	<u>\$ -</u>

For the valuation of certain U.S. government and agency obligations, municipal bonds and certificates of deposits at June 30, 2019, the District used significant other observable inputs as of the valuation date, particularly dealer market price for comparable investments as of the valuation date (Level 2).

Assets Measured at Fair Value on a Nonrecurring Basis

There were no fair values of assets and liabilities measured on a nonrecurring basis at June 30, 2019.

NOTE 4 - PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

The appraisal and recording of all property within the District is the responsibility of the Potter/Randall County Appraisal District (PRAD), an independent governmental unit with a board of directors appointed by the taxing jurisdictions within the county and funded from assessments against those taxing jurisdictions. PRAD is required by law to assess property at 100% of its appraised value. Real property must be reappraised at least every two years. Under certain circumstances taxpayers and taxing units, including the District, may challenge orders of the PRAD Review Board through various appeals and, if necessary, legal action.

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

AMARILLO INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

In the fund financial statements, interfund receivables and payables at June 30, 2019, consisted of the following:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund:		
Special Revenue Fund	\$ 2,725,063	\$ -
Debt Service Fund	(2)	-
Internal Service Fund	81,311	-
Trust and Agency Fund	(1,809)	-
Capital Projects Fund	337	-
Enterprise Fund	-	-
Total general fund	<u>2,804,900</u>	<u>-</u>
Special Revenue Fund:		
General Fund	-	2,725,063
Enterprise Fund	-	(6,705)
Total special revenue fund	<u>-</u>	<u>2,718,358</u>
Debt Service Fund:		
General Fund	<u>2</u>	<u>-</u>
Total debt service fund	<u>2</u>	<u>-</u>
Capital Projects Fund:		
General Fund	<u>-</u>	<u>337</u>
Total capital projects fund	<u>-</u>	<u>337</u>
Enterprise Fund:		
General Fund		
Special Revenue Fund	<u>-</u>	<u>6,705</u>
Total enterprise fund	<u>-</u>	<u>6,705</u>
Internal Service Fund:		
General Fund	<u>-</u>	<u>81,311</u>
Total internal service fund	<u>-</u>	<u>81,311</u>
Private Purpose Trust Funds:		
General Fund	<u>1,673</u>	<u>-</u>
Total private purpose trust funds	<u>1,673</u>	<u>-</u>
Agency Funds:		
General Fund	<u>136</u>	<u>-</u>
Total agency funds	<u>136</u>	<u>-</u>
Total	<u>\$ 2,806,711</u>	<u>\$2,806,711</u>

AMARILLO INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

All transactions between funds represent "due to/from other funds" caused by cash from one fund paying for expenditures or expenses of another. The District did not incur transactions between funds that would represent lending/borrowing arrangements outstanding at the end of the fiscal year. At June 30, 2019, there were no interfund transfers.

NOTE 6 - DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables as of June 30, 2019, were as follows:

	<u>Property Taxes</u>	<u>Other Governments</u>	<u>Accrued Interest</u>	<u>Other</u>	<u>Total Receivables</u>
Governmental Activities:					
General Fund	\$ 4,054,932	\$ 36,174,958	\$ 223,715	\$ 723,803	\$ 41,177,408
Capital Projects Fund	-	-	196,896	-	196,896
Nonmajor Governmental Funds	474,427	5,346,015	-	352,590	6,173,032
Governmental Activities:					
Internal Service Funds	-	-	56,137	625,953	682,090
Total governmental activities	<u>\$ 4,529,359</u>	<u>\$ 41,520,973</u>	<u>\$ 476,748</u>	<u>\$ 1,702,346</u>	<u>\$ 48,229,426</u>
Amounts not scheduled for collection in subsequent year					
General Fund	\$ (2,237,365)	\$ -	\$ -	\$ -	\$ (2,237,365)
Nonmajor Governmental Funds	(221,000)	-	-	-	(221,000)
Total governmental activities	<u>\$ (2,458,365)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,458,365)</u>
Business-Type Activities:					
Office Park rental activities	\$ -	\$ -	\$ -	\$ 6,743	\$ 6,743
Extended School Day activities	-	-	-	-	-
Total business-type activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,743</u>	<u>\$ 6,743</u>

Payables as of June 30, 2019, were as follows:

	<u>Accounts Payable</u>	<u>Payroll Deductions</u>	<u>Accrued Wages</u>	<u>Due to Other Governments</u>	<u>Total Payables</u>
Governmental Activities:					
General Fund	\$ 3,095,529	\$ 1,653,865	\$ 28,053,260	\$ 411,399	\$ 33,214,053
Capital Projects Fund	6,270,860	-	4,400	207	6,275,467
Nonmajor Governmental Funds	1,278,432	-	2,874,512	94,754	4,247,698
Internal Service Funds	1,178,897	-	30	67	1,178,994
Total governmental activities	<u>\$ 11,823,718</u>	<u>\$ 1,653,865</u>	<u>\$ 30,932,202</u>	<u>\$ 506,427</u>	<u>\$ 44,916,212</u>
Amounts not scheduled for payment during the subsequent year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

AMARILLO INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 6 - DISAGGREGATION OF RECEIVABLES AND PAYABLES (CONTINUED)

	<u>Accounts Payable</u>	<u>Payroll Deductions</u>	<u>Accrued Wages</u>	<u>Due to Other Governments</u>	<u>Total Payables</u>
Business-Type Activities:					
Office Park rental activities	\$ 26,220	\$ -	\$ -	\$ -	\$ 26,220
Extended School Day activities	6,981	-	73,335	681	80,997
Total business-type activities	<u>\$ 33,201</u>	<u>\$ -</u>	<u>\$ 73,335</u>	<u>\$ 681</u>	<u>\$ 107,217</u>

NOTE 7 - CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 15,358,872	\$ -	\$ -	\$ 15,358,872
Construction in progress	7,323,081	18,071,485	(3,325,384)	22,069,182
Total capital assets not being depreciated	<u>22,681,933</u>	<u>18,071,485</u>	<u>(3,325,384)</u>	<u>37,428,034</u>
Capital assets being depreciated:				
Depreciable site improvements	13,848,048	1,737,878	(218,032)	15,367,894
Buildings & improvements	406,149,215	9,177,638	(201,679)	415,125,174
Furniture & equipment	28,857,492	2,240,468	(329,963)	30,767,997
Equipment purchased under capital lease	1,530,863	14,334	-	1,545,197
Total capital assets being depreciated	<u>450,385,618</u>	<u>13,170,318</u>	<u>(749,674)</u>	<u>462,806,262</u>
Less accumulated depreciation for:				
Depreciable site improvements	(4,373,832)	(1,136,439)	168,246	(5,344,025)
Buildings & improvements	(212,047,349)	(9,317,109)	162,148	(221,202,310)
Furniture & equipment	(24,178,852)	(1,930,874)	293,120	(25,816,606)
Equipment purchased under capital lease	(807,734)	(232,167)	-	(839,901)
Total accumulated depreciation	<u>(241,207,767)</u>	<u>(12,616,589)</u>	<u>621,514</u>	<u>(253,202,842)</u>
Total capital assets being depreciated, net	<u>209,177,851</u>	<u>553,729</u>	<u>(128,160)</u>	<u>209,603,420</u>
Governmental activities capital assets, net	<u>\$ 231,859,784</u>	<u>\$ 18,625,214</u>	<u>\$ (3,453,544)</u>	<u>\$ 247,031,454</u>

Capital asset activity for the business-type activities for the year ended June 30, 2019, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 224,455	\$ -	\$ -	\$ 224,455
Construction in process	-	115,908	-	115,908
Total capital assets not being depreciated	<u>224,455</u>	<u>115,908</u>	<u>-</u>	<u>340,363</u>
Capital assets being depreciated:				
Buildings & Improvements	3,242,463	47,089	-	3,289,552
Site Improvements	22,500	-	-	22,500
Furniture & equipment	27,452	-	-	27,452
Total capital assets being depreciated	<u>3,292,415</u>	<u>47,089</u>	<u>-</u>	<u>3,339,504</u>

**AMARILLO INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019**

NOTE 7 - CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Less accumulated depreciation for:				
Buildings & Improvements	(2,413,396)	(72,128)	-	(2,485,524)
Site Improvements	(2,125)	(1,250)	-	(3,375)
Furniture & equipment	(27,452)	-	-	(27,452)
Total accumulated depreciation	(2,442,973)	(73,378)	-	(2,516,351)
Total capital assets being depreciated, net	649,442	(26,289)	-	823,153
Business-type activities capital assets, net	<u>\$ 1,073,897</u>	<u>\$ 89,818</u>	<u>\$ -</u>	<u>\$ 1,163,516</u>

Depreciation expense was charged to functions/programs as follows:

11	Instruction	\$ 6,984,774
12	Instructional resources and media sources	163,186
13	Curriculum and instructional staff development	56,035
21	Instructional leadership	18,724
23	School leadership	383,985
31	Guidance, counseling and evaluation services	268,053
32	Social work services	15,197
33	Health services	125,440
35	Food services	1,040,206
36	Cocurricular/extracurricular activities	1,556,096
41	General administration	25,423
51	Plant maintenance and operations	751,337
52	Security and monitoring services	111,143
53	Data processing services	935,457
61	Community services	66,091
		<u>12,501,147</u>

Capital assets held by the District's internal service funds are charged to the various functions based on their usage of the asset

Total depreciation expense – governmental activities **\$ 12,616,589**

Total depreciation expense – business like activities **\$ 73,378**

NOTE 8 - LONG-TERM LIABILITIES

A summary of the changes in long-term liability activity for the year ended June 30, 2019, is as follows:

	<u>Balance 07/01/18</u>	<u>Accretion of Discount</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06/30/19</u>	<u>Due Within One Year</u>
Bonds payable	\$ 252,940,000	\$ -	\$ -	\$ 7,170,000	\$ 245,770,000	\$ 6,395,000
Premium on bonds	22,679,484	-	-	1,212,530	21,466,954	1,212,530
Obligation under capital leases	927,977	-	14,333	228,395	713,915	231,855

**AMARILLO INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019**

NOTE 8 - LONG-TERM LIABILITIES (CONTINUED)

	<u>Balance 07/01/18</u>	<u>Accretion of Discount</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06/30/19</u>	<u>Due Within One Year</u>
Compensated absences payable	612,406		105,816	133,172	585,050	133,172
Total governmental activity long-term liabilities	\$ 277,159,867	\$ -	\$ 120,149	\$ 8,744,097	\$ 268,535,919	\$ 7,972,557
Net Pension Liability	\$ 55,507,968	\$ -	\$ 45,979,298	\$ 5,853,074	\$ 95,634,192	\$ -
Net OPEB Liability	\$ 100,071,270	\$ -	\$ 20,578,915	\$ 1,644,214	\$ 119,005,971	\$ -

NOTE 9 - LONG-TERM DEBT

A detail of the District's bonds payable at June 30, 2019, is as follows:

Unlimited Tax Refunding Bonds, Series 2012 - due in varying annual installments of \$2,405,000 to \$3,110,000 for the years 2020 through 2026; interest varies from 3.00% to 5.00%, payable semi-annually; callable on February 1, 2022	\$ 19,095,000
Unlimited Tax School Building Bonds, Series 2013 - due in varying annual installments of \$1,115,000 to \$6,235,000 for the years 2027 through 2043; interest varies from 4.38% to 5.00%, payable semi-annually; callable on August 1, 2023	55,970,000
Unlimited Tax Refunding Bonds Series 2014 - due in varying annual installments of \$1,295,000 to \$2,315,000 for the years 2020 through 2034; interest varies from 2.00% to 5.00%, payable semi-annually; callable on August 1, 2023	26,335,000
Unlimited Tax Refunding Bonds, Series 2014A - due in varying annual installments of \$1,065,000 to \$1,880,000 for the years 2020 through 2035; interest varies from 3.00% to 5.00%, payable semi-annually; callable on February 1, 2024	23,380,000
Unlimited Tax School Building Bonds, Series 2015 - due in varying annual installments of \$65,000 to \$2,805,000 for the years 2027 through 2043; interest varies from 3.00% to 5.00%, payable semi-annually; callable on February 1, 2025	20,730,000
Unlimited Tax School Building Bonds, Series 2016 - due in varying annual installments of \$410,000 to \$635,000 for the years 2020 through 2043; interest varies from 2.00% to 5.00%, payable semi-annually; callable on August 1, 2026	12,550,000

AMARILLO INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 9 - LONG-TERM DEBT (CONTINUED)

Unlimited Tax School Building Bonds, Series 2018 – due in varying annual installments of \$690,000 to \$3,620,000 for the years 2020 through 2043; interest varies from 4.00% to 5.00%, payable semi-annually; callable on February 1, 2028	49,510,000
Unlimited Tax School Building Bonds, Series 2018A – due in varying annual installments of \$180,000 to \$225,000 for the years 2020 through 2028; interest varies from 2.00% to 3.00%, payable semi-annually; non-callable	1,800,000
Unlimited Tax School Building Bonds, Series 2018B – due in varying annual installments of \$240,000 to \$2,850,000 for the years 2020 through 2043; interest varies from 3.00% to 5.00%, payable semi-annually; callable on February 21, 2028	<u>36,400,000</u>
Total bonds payable	<u>\$ 245,770,000</u>

The current portion of bonds payable at June 30, 2019, is as follows:

Unlimited Tax Refunding Bonds, Series 2012	\$ 2,405,000
Unlimited Tax Refunding Bonds, Series 2014	1,295,000
Unlimited Tax Refunding Bonds, Series 2014A	1,065,000
Unlimited Tax School Building Bonds, Series 2016	485,000
Unlimited Tax School Building Bonds, Series 2018	690,000
Unlimited Tax School Building Bonds, Series 2018A	180,000
Unlimited Tax School Building Bonds, Series 2018B	<u>275,000</u>
Total	<u>\$ 6,395,000</u>

On July 1, 2012, the District issued \$32,865,000 in Unlimited Tax Refunding Bonds, Series 2012 (2012 Bonds) for a refunding of \$35,595,000 of outstanding Unlimited School Building Bonds, Series 2005A. The bonds were issued at a premium of \$3,884,756. Accumulated amortization for 2019 was \$2,001,960. The refunding was undertaken to reduce total debt service payments by approximately \$6,243,000 and resulted in an economic gain of approximately \$4,684,000. At June 30, 2019, the deferred charge on the refunding was \$761,569, net of accumulated amortization of \$809,768. For financial reporting purposes, the 2005A debt was considered defeased and, therefore, removed as a liability from the District's government-wide financial statements. The defeased debt was called for full redemption on February 1, 2013.

In May 2013, the District's constituents approved, through a general bond election, a bond issuance of approximately \$99.5 million. The proceeds from the issuance of the bonds were used to construct several new campuses within the District.

On July 15, 2013, the District issued \$56,795,000 in Unlimited Tax School Building Bonds, Series 2013 (2013 Bonds). The 2013 Bonds are payable as to principal and interest from the proceeds

AMARILLO INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 9 - LONG-TERM DEBT (CONTINUED)

of an ad valorem tax levied, without legal limit as to rate or amount, against all taxable property located within the District. The bonds were issued at a premium of \$3,777,736. Accumulated amortization for 2019 was \$714,415. Proceeds from the sale of the 2013 Bonds were used to (i) acquire, construct, renovate, and equip school buildings in the District and to acquire sites for school buildings and (ii) pay the cost of issuing the Bonds. The 2013 Bonds consist of both serial bonds and term bonds.

On December 1, 2013 the District issued \$30,155,000 in Unlimited Tax Refunding Bonds, Series 2014 (2014 Bonds) for a refunding of \$30,305,000 of the outstanding Unlimited Tax School Building Bonds Series 2004. The bonds were issued at a premium of \$1,475,195. Accumulated amortization for 2019 was \$408,421. The refunding was undertaken to reduce total debt service payments over the next 21 years by approximately \$3,838,000 and resulted in an economic gain of approximately \$2,723,000. At June 30, 2019, the deferred charge on the refunding was \$518,600, net of amortization of \$198,549. For financial reporting purposes, the 2004 debt has been considered defeased and, therefore, removed as a liability from the District's government-wide financial statements. The defeased debt was called for a full redemption on February 1, 2014.

On August 13, 2014, the District issued \$26,855,000 in Unlimited Tax Refunding Bonds, Series 2014A (2014A Bonds) for a refunding of the Series 2005 Bonds. The bonds were issued at a premium of \$1,942,105. Accumulated amortization for 2019 was \$462,783. The refunding was undertaken to reduce total debt service payments over the next 20 years by approximately \$6,628,000 and resulted in an economic gain of approximately \$4,881,000. At June 30, 2019, the deferred charge on the refunding was \$510,524, net of amortization of \$159,710. For financial reporting purposes, the 2005 debt has been considered defeased, and therefore, removed as a liability from the District's government-wide financial statements. The defeased debt was called for a full redemption on February 1, 2015.

On April 15, 2015, the District issued \$20,730,000 in Unlimited Tax School Building Bonds, Series 2015 (2015 Bonds). The 2015 Bonds are payable as the principal and interest from the proceeds of an ad valorem tax levied, without legal limit as to rate or amount, against all taxable property located within the District. The bonds were issued at a premium of \$3,208,371. Accumulated amortization for 2019 was \$485,826. Proceeds from the sale of the 2015 Bonds will be used to: (i) acquire, construct, renovate, and equip school buildings in the District and to acquire sites for school buildings and (ii) pay the cost of issuing the Bonds. The 2015 Bonds consist of both serial bonds and term bonds.

On August 1, 2016, the District issued \$15,245,000 in Unlimited Tax School Building Bonds, Series 2016 (2016 Bonds). The 2016 Bonds are payable as principal and interest from the proceeds of an ad valorem tax levied, without legal limit as to rate or amount, against all taxable property located within the District. The bonds were issued at a premium of \$999,687. Accumulated amortization for 2019 was \$110,028. Proceeds from the sale of the 2016 Bonds will be used to (i) acquire, construct, renovate, and equip school buildings in the District and to acquire sites for school buildings and (ii) pay the cost of issuing the Bonds. The 2016 Bonds consist of both serial bonds and term bonds.

AMARILLO INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 9 - LONG-TERM DEBT (CONTINUED)

On November 7, 2017, the District's taxpayers approved a bond issue for \$100 million. The bond proceeds will be used for safety and security, classroom additions, facility update and restoration and replacement. The District issued the following bonds in fiscal year 2018. The District's bond rating was Aaa and AAA from Moody's Investor Services, and Standard & Poor's, respectively.

On January 15, 2018, the District issued \$51,235,000 in Unlimited Tax School Building Bonds, Series 2018 (2018 Bonds). The 2018 Bonds are payable as principal and interest from the proceeds of an ad valorem tax levied, without legal limit as to rate or amount, against all taxable property located within the District and are guaranteed by the corpus of the Permanent School Fund (PSF) of the state pursuant to the bond guarantee program administered by TEA. The bonds were issued at a premium of \$7,046,212. Accumulated amortization for 2019 was \$410,346. Proceeds from the sale of the 2018 Bonds will be used to (i) acquire, construct, renovate, and equip school buildings in the District, including providing school facility security improvements and the purchase of necessary sites for school buildings, and (ii) to pay the costs of issuing the Bonds. The 2018 Bonds consist of serial bonds.

On February 15, 2018, the District issued \$1,975,000 in Unlimited Tax School Building Bonds, Series 2018A (2018A Bonds). The 2018A Bonds are payable as principal and interest from the proceeds of an ad valorem tax levied, without legal limit as to rate or amount, against all taxable property located within the District and are guaranteed by the corpus of the PSF. The bonds were issued at a premium of \$65,877. Accumulated amortization for 2019 was \$9,096. Proceeds from the sale of the 2018A Bonds will be used to (i) acquire, construct, renovate, and equip school buildings in the District, including providing school facility security improvements and the purchase of necessary sites for school buildings, and (ii) to pay the costs of issuing the Bonds. The 2018A Bonds consist of serial bonds.

On May 1, 2018, the District issued \$36,400,000 in Unlimited Tax School Building Bonds, Series 2018B (2018B Bonds). The 2018B Bonds are payable as principal and interest from the proceeds of an ad valorem tax levied, without legal limit as to rate or amount, against all taxable property located within the District payments of principal and interest will be further secured by the corpus of the PSF. The bonds were issued at a premium of \$3,888,524. Accumulated amortization for 2019 was \$218,632. Proceeds from the sale of the 2018B Bonds will be used to (i) acquire, construct, renovate, and equip school buildings in the District, including providing school facility security improvements and the purchase of necessary sites for school buildings, and (ii) to pay the costs of issuing the Bonds. The 2018B Bonds consist of serial and term bonds.

The District is required to create a special sinking fund for paying the interest on and the principal of the bonds which is to be kept separate and apart from all other funds. Annual ad valorem taxes sufficient to provide for the payment of the interest on and principal of the District's bonds are irrevocably pledged without limit as to rate or amount. The District is subject to arbitrage provisions under the Internal Revenue Code (IRC), which requires that excess earnings on invested proceeds from tax-exempt bond sales over interest expense paid to bond holders be remitted to the Internal Revenue Service (IRS). The District did not have an arbitrage liability due and payable at June 30, 2019.

AMARILLO INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 9 - LONG-TERM DEBT (CONTINUED)

Total interest expenditures related to the bonds for the year ended June 30, 2019, was \$10,857,335.

Following is a summary of bonds payable principal maturities and interest requirements excluding accretion:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 6,395,000	\$ 10,915,318	\$ 17,310,318
2021	6,650,000	10,698,570	17,348,570
2022	6,925,000	10,410,768	17,335,768
2023	7,240,000	10,128,720	17,368,720
2024	7,575,000	9,778,517	17,353,517
2025-2029	41,185,000	43,712,021	84,897,021
2030-2034	49,065,000	34,617,856	83,682,856
2035-2039	60,655,000	23,419,850	84,074,850
2040-2043	<u>60,080,000</u>	<u>7,551,100</u>	<u>67,631,100</u>
Totals	<u>\$245,770,000</u>	<u>\$161,232,720</u>	<u>\$407,002,720</u>

NOTE 10 - UNEARNED REVENUE

In the fund financial statements, governmental funds report *unearned revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

As of June 30, 2019, the various components of unavailable revenue and unearned revenue were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable (general fund)	\$ 1,817,567	\$ -
Delinquent property taxes receivable (debt service fund)	253,427	-
Miscellaneous local grants	-	3,300
Prepaid student cafeteria accounts	-	257,348
Miscellaneous state grant revenues	-	337,855
Miscellaneous local revenues	<u>-</u>	<u>254,114</u>
Total unavailable revenue	<u>\$ 2,070,994</u>	<u>\$ 852,617</u>

AMARILLO INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 11 - LEASES

The District leases certain office space to unrelated third parties under noncancelable operating leases. The following reflects the carrying amount and accumulated depreciation of assets held for lease at June 30, 2019:

Land	\$ 224,455
Buildings and improvements	3,317,004
Other depreciable capital assets	22,500
Construction in progress	115,908
Accumulated depreciation	<u>(2,516,351)</u>
Assets under operating lease	<u>\$ 1,163,516</u>

The following is a schedule by years of minimum future rentals to be received from such noncancelable operating leases as of June 30, 2019:

<u>Year Ending June 30,</u>	
2020	\$ 336,905
2021	146,980
2022	94,093
2023	14,742
2024	<u>-</u>
Total minimum future rentals	<u>\$ 592,720</u>

The District has various leases for copiers, educational and storage facilities classified as operating leases. Total rent expense for all operating leases for 2019 was approximately \$140,000.

Future minimum lease payments under the noncancelable operating leases with initial or remaining terms of one year or more are as follows:

<u>Year Ending June 30,</u>	
2020	\$ 77,796
2021	49,190
2022	24,282
2023	20,532
2024	<u>15,066</u>
Total future minimum lease payments	<u>\$ 186,866</u>

Capital Leases

The District has entered into noncancelable lease agreements for certain equipment totaling \$1,545,197 which have been capitalized for financial reporting purposes. Following is a summary of future minimum lease payments remaining under these capital leases as of June 30, 2019:

AMARILLO INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 11 - LEASES (CONTINUED)

Capital Leases (Continued)

<u>Year Ending June 30,</u>	
2020	\$ 240,672
2021	234,488
2022	228,305
2023	26,963
2024	<u>253</u>
	730,681
Less: imputed interest	<u>(16,766)</u>
Present value of capital leases	713,915
Less: Current maturities of capital lease obligations	<u>(231,855)</u>
Long-term capital lease obligations	<u>\$ 482,060</u>

NOTE 12 - EMPLOYEE BENEFITS AND RISK FINANCING

The District participates in the Texas Association of School Board's public entity risk pool for general, professional and auto liability. Claims and judgments are accounted for in accordance with GASB Statement No. 10, *Accounting and Financial Reporting Principles for Risk Financing and Related Insurance Issues*. Property and casualty risks are insured through insurance contracts.

The District sponsors a self-insurance health and prescription plan and an "opt out" health plan to provide health and prescription benefits to eligible employees and their dependents. Participation in one of the plans is mandatory for full-time and half-time employees. The "opt out" plan is a fixed indemnity/limited benefit that is provided to employees who have health coverage through other sources. Transactions related to these plans are accounted for in the Health Insurance Fund (the Fund), an internal service fund of the District. The District obtained stop-loss insurance for specific claims in excess of \$250,000 in the self-insured health plan with no aggregate specific deductible. The total aggregate benefit maximum is unlimited.

The District sponsors a self-insured workers' compensation insurance plan. Transactions related to the plan are accounted for in the Workers' Compensation Fund, an internal service fund of the District. The District funded 100% of the premium. Stop-loss insurance was obtained for dollars paid in excess of \$4,000,000 over a two-year period. Individual employee claims in excess of \$400,000 in one year are also covered by stop-loss insurance.

The District hires an actuary to determine the liability for the self-insured medical and workers' compensation plans. Estimates of claims payable and of claims incurred, but not reported at June 30, 2019, are reflected as accounts and claims payable of the Fund. The plan is funded to discharge liabilities of the Fund as they become due. Claim payments based on actual claims ultimately filed could differ materially from this estimate.

AMARILLO INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 12 - EMPLOYEE BENEFITS AND RISK FINANCING (CONTINUED)

Changes in the balances of claims liabilities during the years ended June 30 are as follows:

	<u>2019</u>	<u>2018</u>
Workers' Compensation Plan Liability		
Unpaid claims, beginning of year	\$ 1,510,718	\$ 1,608,476
Incurred claims (including incurred but not reported)	102,193	483,309
Claims payments	<u>(458,546)</u>	<u>(581,067)</u>
Unpaid claims, end of year	<u>\$ 1,154,365</u>	<u>\$ 1,510,718</u>
Dental Insurance Plan Liability		
Unpaid claims, beginning of year	\$ 99,000	\$ 99,000
Incurred claims (including incurred but not reported)	1,231,765	1,237,089
Claims payments	<u>(1,231,765)</u>	<u>(1,237,089)</u>
Unpaid claims, end of year	<u>\$ 99,000</u>	<u>\$ 99,000</u>
Medical Insurance Plan Liability		
Unpaid claims, beginning of year	\$ 2,278,052	\$ 2,084,601
Incurred claims (including incurred but not reported)	25,188,653	23,703,599
Claims payments	<u>(25,188,393)</u>	<u>(23,510,148)</u>
Unpaid claims, end of year	<u>\$ 2,278,312</u>	<u>\$ 2,278,052</u>
Combined Liability		
Unpaid claims, beginning of year	\$ 3,887,770	\$ 3,792,077
Incurred claims (including incurred but not reported)	26,522,611	25,423,997
Claims payments	<u>(26,878,704)</u>	<u>(25,328,304)</u>
Unpaid claims, end of year	<u>\$ 3,531,677</u>	<u>\$ 3,887,770</u>

District employees earn one paid leave day per contract month, of which a maximum of five days can be used for personal business. There is no maximum vested amount of paid leave, which is paid only upon retirement. All full-year, non-maintenance employees receive unpaid discretionary leave with a fifteen day maximum accrual. Payment for accumulated discretionary leave is made only to non-exempt employees. All maintenance employees receive between five to fifteen paid vacation days per year that accumulate to a maximum of 15 days at the end of the work year. Days above the maximum are forfeited at the end of the work year. Unused vacation days are forfeited at termination. Compensated absences are accrued as earned in the government-wide financial statements.

AMARILLO INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 13 - GENERAL INFORMATION ABOUT THE PENSION PLAN

Plan Description

The District participates in TRS, a cost-sharing, multiple-employer defined benefit pension plan (the Plan) that has a special funding situation. TRS administers retirement and disability annuities and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of 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 IRC. The Texas Legislature has the authority to establish and amend benefit provisions of the pension plan. The pension's Board of Trustees does not have the authority to establish or amend benefits.

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

Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.texas.gov/TRS%20Documents/cafr2018.pdf>, by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of service credit 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 XVI, Section 67 of the Texas Constitution 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

**AMARILLO INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019**

NOTE 13 - GENERAL INFORMATION ABOUT THE PENSION PLAN (CONTINUED)

Contributions (Continued)

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. The 85th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2018 and 2019.

Contribution rates for Plan fiscal year (September to August) 2018 and 2019 follow:

	Contribution Rates	
	<u>Plan Fiscal Year</u>	
	<u>2018</u>	<u>2019</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employer	6.8%	6.8%
	<u>Contributions</u>	
	<u>Required and Made</u>	
2019 District (Employer)	\$ 5,962,060	
2019 Member (Employee)	15,087,167	
2019 Non-employer contributing agency (State)	9,580,437	

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

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source.

**AMARILLO INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019**

NOTE 13 - GENERAL INFORMATION ABOUT THE PENSION PLAN (CONTINUED)

Contributions (Continued)

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 in a TRS eligible position, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of salary up to statutory minimum for certain instructional or administrative employees; and 1.5% of total salaries for all other employees.

Actuarial Assumptions

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

The following assumptions were applied to this measurement period:

Valuation date	August 31, 2017, rolled forward to August 31, 2018
Actuarial cost method	Individual entry age normal
Asset valuation method	Market Value
Single Discount rate	6.907%
Long-term expected investment rate of return	7.25%
Municipal Bond Rate as of August 2018*	3.69%
Last year ending August 31, in Projection	
Period (100 years)	2116
Inflation	2.30%
Salary increases	3.05% to 9.05% including inflation
Ad hoc postemployment 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".*

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

Changes of Assumptions Since the Prior Measurement Date

The following were changes to the actuarial assumptions that significantly increased the Net Pension Liability since the prior measurement date:

1. The total pension liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.

**AMARILLO INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019**

NOTE 13 - GENERAL INFORMATION ABOUT THE PENSION PLAN (CONTINUED)

Changes of Assumptions since the Prior Measurement Date (Continued)

2. 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.
3. Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
4. The discount rate changed from 8.0 percent as of August 31, 2017 to 6.907 percent as of August 31, 2018.
5. The long term assumed rate of return changed from 8.0 percent to 7.25 percent.
6. 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.

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

Discount Rate

The single discount rate used to measure the total pension liability was 6.907%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.69%. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the Legislature during the 2013 legislative session. It is assumed that future employer and state contributions will be 7.76% of payroll. This includes a factor for the rehired retirees and the Non-OASDI surcharge. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date.

The long-term rate of return on pension plan investments is 7.25%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the systems target asset allocation as of August 31, 2018, are summarized below:

AMARILLO INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 13 - GENERAL INFORMATION ABOUT THE PENSION PLAN (CONTINUED)

Discount Rate (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Real Return Geometric Basis</u>	<u>Long-Term Expected Portfolio Real Rate of Return*</u>
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%	0.0%	0.00%
Risk Parity			
Risk parity	<u>5.00%</u>	<u>3.70%</u>	<u>0.18%</u>
Inflation Expectation			2.30%
Volatility Drag			(0.79)%
Total	<u>100.00%</u>		<u>7.25%</u>

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

Sensitivity of the District's Share of the Net Pension Liability

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (6.907%) in measuring the 2018 Net Pension Liability.

	<u>1% Decrease Discount Rate</u> <u>5.907%</u>	<u>Current Discount Rate</u> <u>6.907%</u>	<u>1% Increase Discount Rate</u> <u>7.907%</u>
District's proportionate share of the net pension liability	\$144,334,928	\$95,634,192	\$56,208,058

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

At June 30, 2019, the District reported a liability of \$95,634,192 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to

**AMARILLO INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019**

NOTE 13 - GENERAL INFORMATION ABOUT THE PENSION PLAN (CONTINUED)

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

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 net pension liability	\$ 95,634,192
State's proportionate share of the net pension liability associated with the District	<u>156,633,604</u>
Total	<u>\$ 252,267,796</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 August 31, 2017 that was rolled forward to August 31, 2018. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all participating entities to the Plan for the period September 1, 2017, through August 31, 2018.

At August 31, 2018 the District's proportion of the collective net pension liability was 0.1737463213% which was an increase of 0.0001461966% from its proportion measured as of August 31, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$27,992,744 and revenue of \$15,502,552 for support provided by the State in the Government Wide Statement of Activities.

At June 30, 2019, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 596,105	\$ 2,346,485
Changes in actuarial assumptions	34,480,733	1,077,524
Net difference between projected and actual earnings on pension plan investments	-	1,814,590
Changes in proportion and differences between District contributions and proportionate share of contributions	7,423,198	721,605
District contributions subsequent to the measurement date	<u>5,097,933</u>	<u>-</u>
Total	<u>\$47,597,969</u>	<u>\$ 5,960,204</u>

The \$5,097,933 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred

AMARILLO INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 13 - GENERAL INFORMATION ABOUT THE PENSION PLAN (CONTINUED)

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

outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,

2020	\$ 10,014,136
2021	6,195,472
2022	5,105,678
2023	5,763,714
2024	5,676,499
Thereafter	<u>3,784,333</u>
Total	<u>\$ 36,539,832</u>

NOTE 14 - DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

Plan Description

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

OPEB Plan Fiduciary Net Position

Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.texas.gov/TRS%20Documents/cafr2018.pdf>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2018 are as follows:

<u>Net OPEB Liability</u>	<u>Total</u>
Total OPEB Liability	\$ 50,729,490,103
Less: plan fiduciary net position	<u>(798,574,633)</u>
Net OPEB liability	<u>\$ 49,930,915,470</u>
Net position as a percentage of total OPEB liability	1.57%

**AMARILLO INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019**

NOTE 14 - DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED)

Benefits Provided

The 85th Legislature, Regular Session, passed the following statutory changes in HB 3976 which became effective on September 1, 2017. These are described below under the section "Changes in Benefit Terms".

These new premium rates for retirees became effective January 1, 2018. (See the TRS CAFR page 70 for plan rates effective from September 1, 2016 – December 31, 2017.)

**TRS-Care Monthly Premium Rates
Effective January 1, 2018 - December 31, 2018**

	<u>Medicare</u>	<u>Non- Medicare</u>
Retiree*	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree* and Children	468	408
Retiree and Family	1,020	999
<i>* or surviving spouse</i>		

Contributions

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act which is 0.75% of each active employee's pay for fiscal year 2018. The following table shows contributions to the TRS-Care plan by type of contributor.

**AMARILLO INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019**

NOTE 14 - DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED)

Contributions (Continued)

	<u>Contribution Rates</u>	
	<u>2018</u>	<u>2019</u>
Active Employee	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%
 District's - 2019 Employer Contributions	 \$	 1,654,309
District's - 2019 Member Contributions	\$	1,273,033
District's - 2018 NECE On-behalf Contributions	\$	2,264,763

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 in a TRS eligible position, they are required to pay to TRS Care, a monthly surcharge of \$535 per retiree.

With Senate Bill 1, 85th Legislature, Regular Session, 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. House Bill 30 of the 85th Legislature provided an additional \$212 million in a one-time supplemental funding for the FY 2018-2019 biennium. One-time supplemental contributions during fiscal 2018 totaled \$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:

**AMARILLO INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019**

NOTE 14 - DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED)

Actuarial Assumptions (Continued)

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	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Expected Payroll Growth
Rates of Disability Incidence	

Additional Actuarial Methods and Assumptions:

Valuation date	August 31, 2017 Rolled forward to August 31, 2018
Actuarial cost method	Individual Entry Age Normal
Inflation	2.30%
Single 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 claims costs.
Projected salary increases	3.05% - 9.05%
Election rates	Normal retirement: 70% participation prior to age 65 and 75% participation after age 65.
Ad hoc postemployment 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.*

**AMARILLO INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019**

NOTE 14 - DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED)

Actuarial Assumptions (Continued)

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

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

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

Discount Rate

A single discount rate of 3.69% was used to measure the total OPEB liability. There was an increase of 0.27 percent in the discount rate since the previous year. The Discount Rate can be found in the 2018 TRS CAFR on page 71. 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.

Sensitivity of the Net OPEB Liability:

Discount Rate Sensitivity Analysis

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

	<u>1% Decrease in Discount Rate (2.69%)</u>	<u>Current Discount Rate (3.69%)</u>	<u>1% Increase in Discount Rate (4.69%)</u>
District's proportionate share of the net OPEB liability	\$141,657,993	\$119,005,971	\$101,086,761

**AMARILLO INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019**

NOTE 14 - DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED)

Healthcare Cost Trend Rates Sensitivity Analysis

The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% less than or 1% higher than the assumed healthcare cost trend rate.

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the Net OPEB Liability	\$ 98,836,397	\$119,005,971	\$145,569,736

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

At June 30, 2019, the District reported a liability of \$119,005,971 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective Net OPEB Liability	\$119,005,971
State's proportionate share that is associated with the District	<u>164,154,391</u>
Total	<u>\$283,160,362</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 District's proportion of the Net OPEB Liability was based on the District's contributions to the OPEB plan relative to the contributions of all Districts to the plan for the period September 1, 2017 thru August 31, 2018.

At August 31, 2018 the District's proportion of the collective Net OPEB Liability was 0.2383412559% compared to 0.2301216445% as of August 31, 2017. This is an increase of 0.0082196114%.

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

1. 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.
2. 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.

**AMARILLO INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019**

NOTE 14 - DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED)

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

3. 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.
4. The discount rate changed from 3.42 percent as of August 31, 2017 to 3.69 percent as of August 31, 2018. This change lowered the total OPEB liability \$2.3 billion.

Changes in Benefit Terms: The 85th Legislature, Regular Session passed the following statutory changes which became effective on September 1, 2017:

1. Created a high-deductible health plan that provides a zero cost for generic prescriptions for certain preventive drugs and provides a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare.
2. Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants.
3. Allowed the System to provide other, appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
4. Allowed eligible retirees and their eligible dependents enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the next enrollment period.
5. Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during Plan Years 2018 through 2021, requiring members to contribute \$200 per month toward their health insurance premiums.

For the year ended June 30, 2019, the District recognized OPEB expense of \$9,250,367 and revenue of \$5,970,951 for support provided by the State.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 6,315,204	\$ 1,878,089
Changes in actuarial assumptions	1,985,887	35,754,466
Net difference between projected and actual earnings	20,813	-

**AMARILLO INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019**

NOTE 14 - DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in proportion and differences between District contributions and proportionate share of contributions	4,504,741	-
District contributions subsequent to the measurement date	<u>1,393,239</u>	<u>-</u>
Total	<u>\$ 14,219,884</u>	<u>\$ 37,632,555</u>

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

Year ended June 30,

2020	\$ (4,123,402)
2021	(4,123,402)
2022	(4,123,402)
2023	(4,127,338)
2024	(4,129,589)
Thereafter	<u>(4,178,777)</u>
Total	<u>\$(24,805,910)</u>

NOTE 15 - DUE FROM OTHER GOVERNMENTS

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

	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Other Government</u>	<u>Total</u>
General Fund	\$ 36,174,958	\$ -	\$ -	\$ 36,174,958
Special Revenue Fund	<u>93,832</u>	<u>4,859,498</u>	<u>392,685</u>	<u>5,346,015</u>
Total	<u>\$ 36,268,790</u>	<u>\$ 4,859,498</u>	<u>\$ 392,685</u>	<u>\$ 41,520,973</u>

**AMARILLO INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019**

NOTE 16 - REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

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

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Special Revenue Service</u>	<u>Debt Service Fund</u>	<u>Total</u>
Tax revenues including					
penalties and interest	\$ 95,322,249	\$ -	\$ -	\$ 13,930,792	\$ 109,253,041
Revenues from services to other districts	7,500	-	939,308	-	946,808
Tuition and fees	232,158	-	-	-	232,158
Investment and miscellaneous income	3,288,014	2,930,024	102,783	217,698	6,538,519
Athletic, food service, extra-curricular, co-curricular, and enterprising activities	676,525	-	2,692,925	-	3,369,450
Other	875,588	-	3,666,102	-	4,541,690
Total	<u>\$ 100,402,034</u>	<u>\$ 2,930,024</u>	<u>\$ 7,401,118</u>	<u>\$ 14,148,490</u>	<u>\$ 124,881,666</u>

NOTE 17 - COMMITMENTS AND CONTINGENCIES

The District had commitments for capital improvement projects of approximately \$41,979,301 at June 30, 2019.

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, refunds of any money received may be required. In the opinion of the District's administration, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants. The District participates in the school nutrition program and contracts with a Food Service Management Company (FSMC). The contract is in effect for a period of one year ending June 30, 2018 and may be renewed for two additional terms of one year. The contract is a Cost-Reimbursable contract, direct costs incurred plus fees, and provides for a guaranteed return to the District of \$455,505, subject to certain conditions as identified in the contract. The District may charge the food services budget for certain identified direct and allocated expenses not to exceed \$1,672,326.

At June 30, 2019, the District had no known or threatened pending litigation, which would materially affect the District's financial condition.

NOTE 18 - SPECIAL AND EXTRAORDINARY ITEMS

On May 28, 2013, a severe hail storm damaged forty-six of the District's facilities and other assets that are covered under a property insurance policy at Replacement Cost. The District and the insurance company reached a settlement for a total of \$42 million. The District replaced roofs at

**AMARILLO INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019**

NOTE 18 - SPECIAL AND EXTRAORDINARY ITEMS (CONTINUED)

four locations in 2017-2018, with additional roof repair or replacement work at five additional locations expected to be bid in December, 2019. The District estimates the cost of replacing or repairing the remaining damaged properties will require an additional \$5-\$12 million, based on current replacement/repair estimates. These excess costs will be paid using the District's unrestricted fund balance.

On June 8, 2017, another hail storm damaged four additional campuses that were not damaged in the 2013 hail storm. These facilities are covered under a property insurance policy at Replacement Cost. Claims have been filed with the insurance carrier for the damages and an inspection has been done of all affected campuses. The District expects the policy to cover the damage incurred from the hail storm with the exception of the \$1,000,000 deductible. The District received approximately \$2.6 million on an Actual Cash Value basis in January, 2019. The roof work will not be started until the bond projects are completed at some of these schools in spring of 2021.

NOTE 19 - GENERAL FUND FEDERAL SOURCE REVENUES

Federally financed programs are generally accounted for in the Special Revenue Funds of the District, except for indirect costs charged to federal programs which are accounted for in the General Fund as prescribed by the TEA. The District recognized in the General Fund such revenues for the year ended June 30, 2019, from various federal sources as follows:

<u>Program or source</u>	<u>CFDA number</u>	<u>Total grant or entitlement</u>	<u>Amount</u>
ROTC salaries and other	12.000	\$ 219,917	\$ 219,917
ESEA, Title I, Part A	84.010A	9,952,427	276,772
ESEA, Title I, Part C, Migrant	84.011A	582,465	7,124
IDEA, Part B, Formula	84.027A	6,227,789	186,950
IDEA Part B Discretionary	84.027A	126,268	3,660
Carl D. Perkins Basic Grant Formula for CATE	84.048A	449,385	12,431
IDEA, Part B, Preschool	84.173A	243,214	5,480
McKinney-Vento Texas Support for Homeless	84.196A	7,776	169
Texas Education for Homeless Children & Youth	84.196A	169,425	4,974
ESEA, Title III, Part A, English Language Acquisition and Enhancement	84.365A	628,362	10,842
ESEA, Title II, Part A, Teacher/Principal Training and Recruiting	84.367A	1,644,998	37,366
ESEA, Title IV, Part A, Subpart 1	84.424A	661,762	18,751
Americorps Literacy	94.006	325,720	9,550
Medicaid Reimbursement	NA	7,238,356	7,238,356
Texas Workforce Commission Apprenticeship Program	NA	<u>75,863</u>	<u>33,420</u>
Total		<u>\$ 28,553,717</u>	<u>\$ 8,065,762</u>

**AMARILLO INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019**

NOTE 20 - SHARED SERVICE ARRANGEMENTS

The District is the fiscal agent for a shared service arrangement (SSA) that provides education to deaf students of area school districts. This program is called the Regional Education Program for the Deaf (REPD) and is funded by a grant from the TEA, reimbursements received from Medicaid and from billings to the home school districts of the students participating in the program. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in the following Special Revenue Funds: 315, 340, and 435, depending upon the type of revenue received for the regional program for the deaf. The REPD bills its member districts for their pro rata share of the program costs that exceed the state grant and for all administrative costs. In addition, the District has accounted for this SSA using Model 2 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized below:

<u>District</u>	<u>District ID</u>	<u>Fund 435</u>	<u>Fund 315</u>	<u>Fund 340</u>	<u>Total</u>
Amarillo	188901	\$ 921,114	\$ 81,049	\$ 750	\$ 1,002,913
Bovina	185901	24,718	2,217	-	26,935
Bushland	188904	1,944	174	-	2,118
Canyon	191901	95,541	8,570	-	104,111
Channing	103901	2,916	262	-	3,178
Dumas	171901	93,874	8,420	-	102,294
Friona	185903	2,638	237	-	2,875
Highland Park	188903	24,718	2,217	-	26,935
Pampa	090904	555	50	-	605
River Road	188902	78,738	7,062	-	85,800
Tulia	219903	24,718	2,217	-	26,935
Total		<u><u>\$ 1,271,474</u></u>	<u><u>\$ 112,475</u></u>	<u><u>\$ 750</u></u>	<u><u>\$ 1,384,699</u></u>

NOTE 21 - NEW GASB PRONOUNCEMENTS

The Governmental Accounting Standards Board has issued several new pronouncements that the District has reviewed for application to their accounting and reporting.

Recently Issued Accounting Pronouncements

GASB Statement No. 83, *Certain Asset Retirement Obligations*, establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). It requires the measurement of an

AMARILLO INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 21 - NEW GASB PRONOUNCEMENTS (CONTINUED)

Recently Issued Accounting Pronouncements (Continued)

ARO to be based on the best estimate of the current value of outlays expected to be incurred and requires that a deferred outflow of resources associated with an ARO to be measured at the amount of the corresponding liability upon initial measurement. In addition, this statement requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation, at least annually, and requires a government to evaluate all relevant factors, at least annually, and requires a government to evaluate all relevant factors, at least annually, to determine whether the effects of one or more of the factors are expected to significantly change the estimated asset retirement outlays. In cases where governments are legally required to provide funding or other financial assurance for their performance of asset retirement activities, this statement requires disclosure of how those funding and assurance requirements are being met, as well as the amount of any assets restricted for payment of the government's AROs, if not separately displayed in the financial statements. This statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. GASB 83 is effective for financial statements for reporting periods beginning after June 15, 2018. The District implemented this statement in 2019.

GASB Statement No. 84, *Fiduciary Activities*, the objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement establishes criteria for identifying fiduciary activities of all state and local governments. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. GASB No. 84 is effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The District is currently evaluating the effect of this statement on their financial statements.

GASB Statement No. 87, *Leases*, the objective of this statement is to better meet the information needs of the financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB 87 is effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The District is currently evaluating the effect of this statement on their financial statements.

**AMARILLO INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019**

NOTE 21 - NEW GASB PRONOUNCEMENTS (CONTINUED)

Recently Issued Accounting Pronouncements (Continued)

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Borrowing and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The District implemented this statement in 2019.

GASB Statement No. 89, *Accounting For Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of *Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The District is currently evaluating the effect of this statement on their financial statements.

GASB Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those

AMARILLO INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 21 - NEW GASB PRONOUNCEMENTS (CONTINUED)

Recently Issued Accounting Pronouncements (Continued)

governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis. The District is currently evaluating the effect of this statement on their financial statements.

GASB Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required not disclosures. This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The District is currently evaluating the effect of this statement on their financial statements.

**AMARILLO INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019**

NOTE 22 - SUBSEQUENT EVENT

The District has evaluated for inclusion as a subsequent event disclosure only those events that occurred prior to November 14, 2019, the date the financial statements were available to be issued.

This information is an integral part of the accompanying basic financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT G-1

**AMARILLO INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended June 30, 2019**

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance with Final Budget Positive (Negative)
		Original	Final		
	REVENUES:				
5700	Local and intermediate sources	\$ 100,167,955	\$ 100,609,952	\$100,402,034	\$ (207,918)
5800	State program revenues	157,261,414	165,637,251	165,984,100	346,849
5900	Federal program revenues	7,600,000	8,254,966	8,065,762	(189,204)
	Total revenues	265,029,369	274,502,169	274,451,896	(50,273)
	EXPENDITURES:				
	Current:				
0011	Instruction	161,447,796	168,922,641	166,491,575	2,431,066
0012	Instructional resources and media services	3,260,858	3,552,029	3,486,887	65,142
0013	Curriculum and instructional staff development	6,863,436	7,230,448	6,887,275	343,173
0021	Instructional leadership	3,079,368	3,441,094	3,275,764	165,330
0023	School leadership	15,730,665	16,914,008	16,640,221	273,787
0031	Guidance, counseling, and evaluation services	11,355,008	11,805,871	11,543,506	262,365
0032	Social work services	396,604	426,122	417,972	8,150
0033	Health services	3,560,717	3,765,420	3,669,649	95,771
0034	Student transportation	4,415,416	4,526,234	4,115,621	410,613
0035	Food services	-	78,000	71,945	6,055
0036	Cocurricular/extracurricular activities	5,906,082	7,031,205	6,703,642	327,563
0041	General administration	5,529,362	6,053,441	5,678,339	375,102
0051	Plant maintenance and operations	30,919,309	29,956,307	27,741,333	2,214,974
0052	Security and monitoring services	1,133,757	1,295,721	1,226,316	69,405
0053	Data processing services	4,027,710	6,114,702	4,804,399	1,210,303
0061	Community services	605,664	536,985	528,354	8,631
0071	Debt service - principal on long-term debt	225,872	226,872	226,869	3
0072	Debt service - interest on long-term debt	11,769	11,769	11,769	-
0081	Facilities acquisition and construction	1,012,000	11,271,436	8,688,725	2,582,711
0093	Payments to fiscal agent/member districts of shared services arrangements	646,630	679,630	678,883	747
0095	Payments to juvenile justice alternative education programs	46,500	46,500	46,428	72
0099	Intergovernmental charges	1,247,000	1,121,200	1,120,680	520
6030	Total expenditures	261,421,523	285,007,635	274,156,152	10,851,483
1100	Excess (deficiency) of revenues over (under) expenditures	3,607,846	(10,505,466)	295,744	10,801,210
	OTHER FINANCING SOURCES (USES):				
7912	Sale of real or personal property	-	251	251	-
7913	Proceeds from capital leases	-	-	14,333	14,333
7080	Total other financing sources (uses)	-	251	14,584	14,333
	SPECIAL AND EXTRAORDINARY ITEMS:				
7919	Sources from extraordinary items	-	32,754,400	32,754,388	(12)
8913	Uses for extraordinary items	-	(38,473,709)	(7,730,840)	30,742,869
1200	Net change in fund balance	3,607,846	(16,224,524)	25,333,876	41,558,400
0100	BUDGETARY FUND BALANCE, JULY 1	113,463,730	113,463,730	113,463,730	-
3000	BUDGETARY FUND BALANCE, JUNE 30	\$ 117,071,576	\$ 97,239,206	\$138,797,606	\$ 41,558,400

**AMARILLO INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION -
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
TEACHERS RETIREMENT SYSTEM OF TEXAS
For the Year Ended June 30, 2019**

	Measurement Year Ended August 31,				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportionate share of the net pension liability	0.1737463%	0.1736001%	0.1746997%	0.1856328%	0.1196745%
District's proportionate share of the net pension liability	\$ 95,634,192	\$ 55,507,968	\$ 66,016,422	\$ 65,618,724	\$ 31,966,714
State's proportionate share of the net pension liability associated with the District	<u>156,633,604</u>	<u>94,293,742</u>	<u>115,123,996</u>	<u>111,117,238</u>	<u>97,866,761</u>
Total	<u>\$252,267,796</u>	<u>\$149,801,710</u>	<u>\$181,140,418</u>	<u>\$176,735,962</u>	<u>\$129,833,475</u>
District's covered payroll	\$195,269,530	\$191,335,167	\$188,171,306	\$183,927,857	\$179,348,201
District's proportionate share of the net pension liability as a percentage of its covered payroll	48.98%	29.01%	35.08%	35.68%	17.82%
Plan's fiduciary net pension as a percentage of the total pension liability	73.74%	82.17%	78.00%	78.43%	83.25%

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

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

EXHIBIT G-3

AMARILLO INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION -
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
TEACHERS RETIREMENT SYSTEM OF TEXAS
For the Year Ended June 30, 2019

	Fiscal Year Ended June 30,				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 5,962,060	\$ 5,826,210	\$ 5,673,220	\$ 5,556,939	\$ 5,098,196
Contributions in relation to the contractually required contributions	<u>(5,962,060)</u>	<u>(5,826,210)</u>	<u>(5,673,220)</u>	<u>(5,556,939)</u>	<u>(5,098,196)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	<u>\$195,937,232</u>	<u>\$194,702,778</u>	<u>\$191,469,031</u>	<u>\$187,505,819</u>	<u>\$183,520,154</u>
Contributions as a percentage of covered payroll	3.04%	2.99%	2.96%	2.96%	2.78%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of District's respective fiscal years as opposed to the time periods covered as of the measurement dates of August 31, 2018, 2017, 2016, 2015 and 2014 for the District's Fiscal Year 2019, 2018, 2017, 2016 and 2015.

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

**AMARILLO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET OPEB LIABILITY
TEACHERS RETIREMENT SYSTEM OF TEXAS
For the Year Ended June 30, 2019**

	<u>Measurement Year Ended August 31,</u>	
	<u>2018</u>	<u>2017</u>
District's proportion of the net liability (asset) for other postemployment benefits	0.2383413%	0.2301216%
District's proportionate share of net postemployment benefit liability (asset)	\$ 119,005,971	\$ 100,071,270
State's proportionate share of the net postemployment benefit liability (asset) associated with the District	<u>164,154,391</u>	<u>147,183,000</u>
Total	<u>\$ 283,160,362</u>	<u>\$ 247,254,270</u>
District's covered payroll	\$ 195,269,530	\$ 191,335,167
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	60.94%	52.30%
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 and 2018 are based on the August 31, 2018 and 2017 measurement dates.

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.

**AMARILLO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS TO THE OPEB PLAN
TEACHERS RETIREMENT SYSTEM OF TEXAS
For the Year Ended June 30, 2019**

	<u>Fiscal Year Ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 1,654,309	\$ 1,572,730
Contribution in relation to the contractually required contribution	<u>(1,654,309)</u>	<u>(1,572,730)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 195,851,235	\$ 194,647,917
Contributions as a percentage of covered payroll	0.84%	0.81%

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

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.

**AMARILLO INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2019**

A. NOTES TO SCHEDULES FOR THE TRS PENSION

Changes of Benefit terms.

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

Changes of Assumptions.

Assumptions, methods, and plan changes which are specific to the Pension Trust Fund were updated from the prior year's report. The Net Pension Liability increased significantly since the prior measurement date due to changes in the following actuarial assumptions:

1. The total pension liability as of August 31, 2018 was developed using a roll-forward method from August 31, 2017 valuation.
2. 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.
3. Economic assumptions including rates of salary increase for individual participants were updated based on the same experience study.
4. The discount rate changed from 8.0 percent as of August 31, 2017 to 6.907 percent as of August 31, 2018.
5. The long term assumed rate of return changed from 8.0 percent to 7.25 percent.
6. The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the net pension liability.

B. NOTES TO SCHEDULES FOR THE TRS OPEB PLAN

Changes in Benefit Terms.

The 85th Legislature, Regular Session passed the following statutory changes which became effective on September 1, 2017:

1. Created a high-deductible health plan that provides a zero cost for generic prescriptions for certain preventive drugs and provides a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare.
2. Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants.

**AMARILLO INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2019**

B. NOTES TO SCHEDULES FOR THE TRS OPEB PLAN (CONTINUED)

Changes in Benefit Terms. (Continued)

3. Allowed the System to provide other, appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
4. Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the next enrollment period.
5. Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during Plan Years 2018 through 2021, requiring members to contribute \$200 per month toward their health insurance premiums.

Changes in Assumptions.

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

1. 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.
2. 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.
3. 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.
4. The discount rate changed from 3.42 percent as of August 31, 2017 to 3.69 percent as of August 31, 2018. This change lowered the total OPEB liability \$2.3 billion.

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

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

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

OTHER SCHEDULES

**AMARILLO INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
June 30, 2019**

Data Control Codes		205 Head Start	206 ESEA Title III, B Education for Homeless	211 ESEA Title I, A Improving Basic Programs
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
	Assets:			
1110	Cash and cash equivalents	\$ (2,655)	\$(20,511)	\$ 1,277,689
1120	Investments	-	-	-
	Receivables:			
1225	Property taxes (net)	-	-	-
1240	Due from other governments	2,655	40,995	2,079,781
1250	Accrued interest	-	-	-
1260	Due from other funds	-	-	-
1290	Other receivables	-	-	359
1300	Inventory, at cost	-	-	-
1410	Prepayments	-	-	1,165
1000	Total assets	<u>\$ -</u>	<u>\$ 20,484</u>	<u>\$ 3,358,994</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
	Liabilities:			
2110	Accounts payable	\$ -	\$ -	\$ 32,949
2160	Accrued wages payable	-	19,807	1,096,432
2170	Due to other funds	-	-	2,192,215
2180	Due to other governments	-	677	37,398
2300	Unearned revenue	-	-	-
2000	Total liabilities	<u>-</u>	<u>20,484</u>	<u>3,358,994</u>
	Deferred Inflows of Resources:			
2601	Unavailable revenue - property taxes	-	-	-
2600	Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
	Fund Balances:			
	Nonspendable fund balance			
3410	Investment in inventory	-	-	-
	Restricted fund balance			
3450	Food service	-	-	-
3480	Retirement of long-term debt	-	-	-
3490	Campus activities	-	-	-
3000	Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total liabilities, deferred inflows of resources, and fund balances	<u>\$ -</u>	<u>\$ 20,484</u>	<u>\$ 3,358,994</u>

Special Revenue Funds				
212 ESEA Title I, C Education of Migrants	224 IDEA Part B Formula	225 IDEA Part B Preschool	240 Nat'l School Breakfast and Lunch Program	244 Vocational Education Basic Grant
\$ (21,245)	\$ (626,369)	\$ (18,224)	\$ 4,377,384	\$ (7,783)
-	-	-	-	-
-	-	-	-	-
34,746	1,539,472	41,895	278,114	18,624
-	-	-	-	-
-	-	-	32,102	-
-	-	-	124,468	-
-	-	-	-	3,690
<u>\$ 13,501</u>	<u>\$ 913,103</u>	<u>\$ 23,671</u>	<u>\$ 4,812,068</u>	<u>\$ 14,531</u>
\$ -	\$ 3,137	\$ -	\$ 160,540	\$ 1,577
12,845	875,336	21,541	101,669	12,478
-	-	-	399,839	-
656	34,630	2,130	2,977	476
-	-	-	227,663	-
<u>13,501</u>	<u>913,103</u>	<u>23,671</u>	<u>892,688</u>	<u>14,531</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	124,468	-
-	-	-	3,794,912	-
-	-	-	-	-
-	-	-	-	-
<u>13,501</u>	<u>913,103</u>	<u>23,671</u>	<u>3,919,380</u>	<u>-</u>
<u>\$ 13,501</u>	<u>\$ 913,103</u>	<u>\$ 23,671</u>	<u>\$ 4,812,068</u>	<u>\$ 14,531</u>

**AMARILLO INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
June 30, 2019**

Data Control Codes		<u>255</u> ESEA Title II, A Teacher & Principal Trng & Recruiting	<u>263</u> Title III, A English Language Acquisition & Enhancement
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
	Assets:		
1110	Cash and cash equivalents	\$ (210,472)	\$ (49,209)
1120	Investments	-	-
	Receivables:		
1225	Property taxes (net)	-	-
1240	Due from other governments	379,030	199,753
1250	Accrued interest	-	-
1260	Due from other funds	-	-
1290	Other receivables	-	-
1300	Inventory, at cost	-	-
1410	Prepayments	-	-
1000	Total assets	<u>\$ 168,558</u>	<u>\$ 150,544</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
	Liabilities:		
2110	Accounts payable	\$ 16,635	\$ -
2160	Accrued wages payable	146,411	147,882
2170	Due to other funds	-	(160)
2180	Due to other governments	5,512	2,822
2300	Unearned revenue	-	-
2000	Total liabilities	<u>168,558</u>	<u>150,544</u>
	Deferred Inflows of Resources:		
2601	Deferred inflows	-	-
2600	Total deferred inflows of resources	<u>-</u>	<u>-</u>
	Fund Balances:		
	Nonspendable fund balance		
3410	Investment in inventory	-	-
	Restricted fund balance		
3450	Food service	-	-
3480	Retirement of long-term debt	-	-
3490	Campus activities	-	-
3000	Total fund balances	<u>-</u>	<u>-</u>
4000	Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 168,558</u>	<u>\$ 150,544</u>

Special Revenue Funds			
272 Medicaid Administrative Claims	289 Other Federal Special Revenue Funds	315 IDEA Part B Discretionary SSA	340 IDEA Part C Deaf SSA
\$ (156,284)	\$ (149,820)	\$ (14,622)	\$ (750)
-	-	-	-
-	-	-	-
156,284	333,326	32,187	750
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ -</u>	<u>\$ 183,506</u>	<u>\$ 17,565</u>	<u>\$ -</u>
\$ -	\$ 9,128	\$ 226	\$ -
-	145,562	16,746	-
-	21,603	-	-
-	3,222	593	-
-	3,991	-	-
<u>-</u>	<u>183,506</u>	<u>17,565</u>	<u>-</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ -</u>	<u>\$ 183,506</u>	<u>\$ 17,565</u>	<u>\$ -</u>

**AMARILLO INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
June 30, 2019**

Data Control Codes		397	410	429 Other State Funded Special Rev. Funds
		Advanced Placement Incentives	Instructional Materials Allotment	
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
	Assets:			
1110	Cash and cash equivalents	\$ 21,752	\$ 1,637,786	\$ (73,449)
1120	Investments	-	-	-
	Receivables:			
1225	Property taxes (net)	-	-	-
1240	Due from other governments	-	-	91,232
1250	Accrued interest	-	-	-
1260	Due from other funds	-	-	-
1290	Other receivables	-	-	-
1300	Inventory, at cost	-	-	-
1410	Prepayments	-	-	-
1000	Total assets	<u>\$ 21,752</u>	<u>\$ 1,637,786</u>	<u>\$ 17,783</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
	Liabilities:			
2110	Accounts payable	\$ -	\$ 1,034,176	\$ 13,514
2160	Accrued wages payable	-	-	1,047
2170	Due to other funds	-	-	-
2180	Due to other governments	-	-	-
2300	Unearned revenue	21,752	-	3,222
2000	Total liabilities	<u>21,752</u>	<u>1,034,176</u>	<u>17,783</u>
	Deferred Inflows of Resources:			
2601	Deferred inflows	-	-	-
2600	Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
	Fund Balances:			
	Nonspendable fund balance			
3410	Investment in inventory	-	-	-
	Restricted fund balance			
3450	Food service	-	-	-
3480	Retirement of long-term debt	-	-	-
3490	Campus activities	-	603,610	-
3000	Total fund balances	<u>-</u>	<u>603,610</u>	<u>-</u>
4000	Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 21,752</u>	<u>\$ 1,637,786</u>	<u>\$ 17,783</u>

Special Revenue Funds

435 Regional Day School for Deaf SSA	461 Campus Activity Funds	499 Locally Funded Special Rev. Funds	599 Debt Service Fund	Total (See C-1)
\$ 129,818	\$ 2,016,557	\$ 172,651	\$ 9,115,973	\$ 17,398,217
-	-	-	-	-
-	-	-	253,427	253,427
114,571	-	2,600	-	5,346,015
-	-	-	-	-
-	-	-	2	2
-	-	148,331	165,093	345,885
-	-	-	-	124,468
-	-	-	-	4,855
<u>\$ 244,389</u>	<u>\$ 2,016,557</u>	<u>\$ 323,582</u>	<u>\$ 9,534,495</u>	<u>\$ 23,472,869</u>
\$ -	\$ 1,900	\$ 4,650	\$ -	\$ 1,278,432
201,778	-	74,978	-	2,874,512
46	104,356	459	-	2,718,358
2,240	-	1,421	-	94,754
40,325	-	242,074	268,565	807,592
<u>244,389</u>	<u>106,256</u>	<u>323,582</u>	<u>268,565</u>	<u>7,773,648</u>
-	-	-	253,427	253,427
-	-	-	253,427	253,427
-	-	-	-	124,468
-	-	-	-	3,794,912
-	-	-	9,012,503	9,012,503
-	1,910,301	-	-	2,513,911
-	<u>1,910,301</u>	-	<u>9,012,503</u>	<u>15,445,794</u>
<u>\$ 244,389</u>	<u>\$ 2,016,557</u>	<u>\$ 323,582</u>	<u>\$ 9,534,495</u>	<u>\$ 23,472,869</u>

AMARILLO INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2019

Data Control Codes		205	206	211
		Head Start	ESEA Title III, B Education for Homeless	ESEA Title I, A Improving Basic Programs
REVENUES				
5700	Local and intermediate sources	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-
5900	Federal program revenues	2,655	158,048	8,505,621
5020	Total revenues	2,655	158,048	8,505,621
EXPENDITURES				
Current:				
0011	Instruction	2,655	169	5,158,458
0012	Instructional resources and media service	-	-	133,003
0013	Curriculum and instructional staff development	-	-	2,301,418
0021	Instructional leadership	-	-	37,508
0023	School leadership	-	-	39,989
0031	Guidance, counseling, and evaluation services	-	-	110,932
0032	Social work services	-	156,529	259,580
0033	Health services	-	-	-
0034	Student transportation	-	1,350	8,384
0035	Food services	-	-	-
0036	Cocurricular/extracurricular activities	-	-	535
0041	General administration	-	-	-
0051	Plant maintenance and operations	-	-	-
0052	Security and monitoring services	-	-	-
0061	Community services	-	-	455,814
0071	Debt service - principal on long-term debt	-	-	-
0072	Debt service - interest on long-term debt	-	-	-
0073	Debt service - bond servicing fees	-	-	-
0081	Facilities acquisition and construction	-	-	-
0095	Payments to juvenile justice alternative education programs	-	-	-
6030	Total expenditures	2,655	158,048	8,505,621
1200	NET CHANGE IN FUND BALANCE	-	-	-
0100	FUND BALANCES - BEGINNING OF YEAR	-	-	-
3000	FUND BALANCES - END OF YEAR	\$ -	\$ -	\$ -

Special Revenue Funds				
212 ESEA Title I, C Education of Migrants	224 IDEA Part B Formula	225 IDEA Part B Preschool	240 Nat'l School Breakfast and Lunch Program	244 Vocational Education Basic Grant
\$ -	\$ -	\$ -	\$ 2,771,516	\$ -
-	-	-	93,561	-
218,921	5,745,235	228,389	16,272,112	381,998
218,921	5,745,235	228,389	19,137,189	381,998
56,321	5,159,813	168,389	-	261,351
-	-	-	-	-
102	45,133	-	-	110,717
48,562	15,755	-	-	9,930
-	-	-	-	-
10,071	522,144	59,454	-	-
53,624	-	-	-	-
-	2,390	-	-	-
-	-	-	-	-
-	-	-	18,108,735	-
18,340	-	-	-	-
-	-	-	-	-
-	-	-	549,769	-
-	-	-	-	-
31,901	-	546	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
218,921	5,745,235	228,389	18,658,504	381,998
-	-	-	478,685	-
-	-	-	3,440,695	-
\$ -	\$ -	\$ -	\$ 3,919,380	\$ -

AMARILLO INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2019

Data Control Codes		<u>255</u> ESEA, Title II, A Teacher & Principal Training & Recruiting	<u>263</u> Title III, A English Language Acquisition & Enhancement
REVENUES			
5700	Local and intermediate sources	\$ -	\$ -
5800	State program revenues	-	-
5900	Federal program revenues	<u>1,148,328</u>	<u>542,104</u>
5020	Total revenues	<u>1,148,328</u>	<u>542,104</u>
EXPENDITURES			
	Current:		
0011	Instruction	680,298	468,516
0012	Instructional resources and media service	-	-
0013	Curriculum and instructional staff development	425,572	73,588
0021	Instructional leadership	2,147	-
0023	School leadership	28,399	-
0031	Guidance, counseling, and evaluation services	112	-
0032	Social work services	-	-
0033	Health services	-	-
0034	Student transportation	-	-
0035	Food services	-	-
0036	Cocurricular/extracurricular activities	-	-
0041	General administration	-	-
0051	Plant maintenance and operations	-	-
0052	Security and monitoring services	-	-
0061	Community services	11,800	-
0071	Debt service - principal on long-term debt	-	-
0072	Debt service - interest on long-term debt	-	-
0073	Debt service - bond servicing fees	-	-
0081	Facilities acquisition and construction	-	-
0095	Payments to juvenile justice alternative education programs	-	-
6030	Total expenditures	<u>1,148,328</u>	<u>542,104</u>
1200	NET CHANGE IN FUND BALANCE	-	-
0100	FUND BALANCES - BEGINNING OF YEAR	-	-
3000	FUND BALANCES - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>

EXHIBIT H-2
(Page 2 of 3)

Special Revenue Funds			
272	289	315	340
Medicaid Administrative Claims	Other Federal Special Rev. Funds	IDEA Part B Discretionary SSA	IDEA Part C Deaf SSA
\$ -	\$ -	\$ -	\$ -
156,284	983,558	112,475	750
156,284	983,558	112,475	750
-	791,633	104,832	750
-	-	-	-
-	16,633	4,422	-
-	80,459	2,903	-
-	30,767	-	-
156,284	480	318	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	899	-	-
-	-	-	-
-	57,803	-	-
-	4,884	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
156,284	983,558	112,475	750
-	-	-	-
-	-	-	-
\$ -	\$ -	\$ -	\$ -

AMARILLO INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2019

Data Control Codes		397	410	429
		Advanced Placement Incentives	Instructional Materials Allotment	Other State Funded Special Rev. Funds
REVENUES				
5700	Local and intermediate sources	\$ -	\$ -	\$ -
5800	State program revenues	-	2,785,133	280,889
5900	Federal program revenues	-	-	29,492
5020	Total revenues	-	2,785,133	310,381
EXPENDITURES				
Current:				
0011	Instruction	-	3,180,009	165,814
0012	Instructional resources and media service	-	15,128	25
0013	Curriculum and instructional staff development	-	108,750	61,784
0021	Instructional leadership	-	-	-
0023	School leadership	-	-	-
0031	Guidance, counseling, and evaluation services	-	-	-
0032	Social work services	-	-	-
0033	Health services	-	-	-
0034	Student transportation	-	-	-
0035	Food services	-	-	-
0036	Cocurricular/extracurricular activities	-	-	9,297
0041	General administration	-	-	-
0051	Plant maintenance and operations	-	-	-
0052	Security and monitoring services	-	-	-
0061	Community services	-	-	73,461
0071	Debt service - principal on long-term debt	-	-	-
0072	Debt service - interest on long-term debt	-	-	-
0073	Debt service - bond servicing fees	-	-	-
0081	Facilities acquisition and construction	-	-	-
0095	Payments to juvenile justice alternative education programs	-	-	-
6030	Total expenditures	-	3,303,887	310,381
1200	NET CHANGE IN FUND BALANCE	-	(518,754)	-
0100	FUND BALANCES - BEGINNING OF YEAR	-	1,122,364	-
3000	FUND BALANCES - END OF YEAR	\$ -	\$ 603,610	\$ -

Special Revenue Funds				
435 Regional Day School for Deaf SSA	461 Campus Activity Funds	499 Locally Funded Special Rev. Funds	599 Debt Service Fund	Total (See C-3)
\$ 939,308	\$ 2,807,666	\$ 882,628	\$ 14,148,490	\$ 21,549,608
332,166	-	8,863	2,431,765	5,932,377
-	-	-	-	34,485,970
<u>1,271,474</u>	<u>2,807,666</u>	<u>891,491</u>	<u>16,580,255</u>	<u>61,967,955</u>
1,164,912	2,089,807	279,098	-	19,732,825
-	95,189	573	-	243,918
1,879	104,352	12,844	-	3,267,194
86,193	439	2,678	-	286,574
-	174,461	140	-	273,756
7,920	-	2,296	-	870,011
-	107	148,351	-	618,191
-	48	344,456	-	346,894
-	-	-	-	9,734
-	544	-	-	18,109,279
466	277,738	30,704	-	337,080
-	-	4,073	-	4,972
-	213	-	-	549,982
-	3,886	-	-	61,689
10,104	625	41,496	-	630,631
-	-	1,782	7,170,000	7,171,782
-	-	-	10,857,335	10,857,335
-	-	-	3,750	3,750
-	7,730	23,000	-	30,730
-	-	-	-	-
<u>1,271,474</u>	<u>2,755,139</u>	<u>891,491</u>	<u>18,031,085</u>	<u>63,406,327</u>
-	52,527	-	(1,450,830)	(1,438,372)
-	1,857,774	-	10,463,333	16,884,166
<u>\$ -</u>	<u>\$ 1,910,301</u>	<u>\$ -</u>	<u>\$ 9,012,503</u>	<u>\$ 15,445,794</u>

**AMARILLO INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2019**

	751	771	772	773	
	Transportation	Workers' Compensation Plan	Dental Insurance Plan	Medical Insurance Plan	Total (See D-1)
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 751,631	\$ 7,053,631	\$ 1,328,022	\$ 30,539,713	\$ 39,672,997
Investments	-	-	-	5,996,340	5,996,340
Accrued interest	-	-	-	56,137	56,137
Other receivables	-	1,833	-	624,120	625,953
Total current assets	<u>751,631</u>	<u>7,055,464</u>	<u>1,328,022</u>	<u>37,216,310</u>	<u>46,351,427</u>
Noncurrent Assets					
Furniture and equipment	2,161,598	-	-	-	2,161,598
Depreciation on furniture and equipment	(1,719,899)	-	-	-	(1,719,899)
Total noncurrent assets	<u>441,699</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>441,699</u>
Total assets	<u>1,193,330</u>	<u>7,055,464</u>	<u>1,328,022</u>	<u>37,216,310</u>	<u>46,793,126</u>
LIABILITIES					
Current Liabilities					
Accounts payable	25,219	5,940	63	1,147,675	1,178,897
Accrued wages payable	-	-	-	30	30
Due to other funds	-	80,140	-	1,171	81,311
Due to other governments	-	-	18	49	67
Accrued expenditures or expenses	-	1,154,365	99,000	2,278,312	3,531,677
Total current liabilities	<u>25,219</u>	<u>1,240,445</u>	<u>99,081</u>	<u>3,427,237</u>	<u>4,791,982</u>
Total liabilities	<u>25,219</u>	<u>1,240,445</u>	<u>99,081</u>	<u>3,427,237</u>	<u>4,791,982</u>
NET POSITION					
Net investment in capital assets	441,699	-	-	-	441,699
Unrestricted net position	<u>726,412</u>	<u>5,815,019</u>	<u>1,228,941</u>	<u>33,789,073</u>	<u>41,559,445</u>
Total net position	<u>\$ 1,168,111</u>	<u>\$ 5,815,019</u>	<u>\$ 1,228,941</u>	<u>\$ 33,789,073</u>	<u>\$ 42,001,144</u>

**AMARILLO INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
Year Ended June 30, 2019**

	751 <u>Transportation</u>	771 Workers' Compensation Plan	772 Dental Insurance Plan	773 Medical Insurance Plan	Total (See D-2)
REVENUES					
Charges for services	\$ 701,087	\$ 1,158,278	\$ 1,319,946	\$ 36,560,249	\$ 39,739,560
Total revenues	<u>701,087</u>	<u>1,158,278</u>	<u>1,319,946</u>	<u>36,560,249</u>	<u>39,739,560</u>
EXPENSES					
Payroll costs	-	-	21,341	29,220	50,561
Professional and contracted services	151,743	180,228	1,231,766	26,011,391	27,575,128
Supplies and materials	105,095	-	-	-	105,095
Other operating costs	442,185	81,778	-	4,323,973	4,847,936
Total expenses	<u>699,023</u>	<u>262,006</u>	<u>1,253,107</u>	<u>30,364,584</u>	<u>32,578,720</u>
Operating income	<u>2,064</u>	<u>896,272</u>	<u>66,839</u>	<u>6,195,665</u>	<u>7,160,840</u>
NONOPERATING REVENUES					
Interest and investment income	-	155,546	30,135	859,562	1,045,243
Income before operating transfers	<u>2,064</u>	<u>1,051,818</u>	<u>96,974</u>	<u>7,055,227</u>	<u>8,206,083</u>
CHANGE IN NET POSITION	2,064	1,051,818	96,974	7,055,227	8,206,083
NET POSITION - BEGINNING OF YEAR	<u>1,166,047</u>	<u>4,763,201</u>	<u>1,131,967</u>	<u>26,733,846</u>	<u>33,795,061</u>
NET POSITION - END OF YEAR	<u>\$ 1,168,111</u>	<u>\$ 5,815,019</u>	<u>\$ 1,228,941</u>	<u>\$ 33,789,073</u>	<u>\$ 42,001,144</u>

**AMARILLO INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
Year Ended June 30, 2019**

	751 Transportation	771 Workers' Compensation Plan	772 Dental Insurance Plan	773 Medical Insurance Plan	Total (See D-3)
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers/user charges	\$ -	\$ -	\$ 1,320,009	\$ 8,667,207	\$ 9,987,216
Payments to suppliers	(681,157)	(155,706)		(5,358,133)	(6,194,996)
Claims paid	-	(458,546)	(1,231,765)	(25,188,393)	(26,878,704)
Payments to employees	-	-	(21,368)	(29,141)	(50,509)
Internal activity - payments from other funds	820,426	1,348,612	-	27,699,865	29,868,903
Net cash provided by operating activities	139,269	734,360	66,876	5,791,405	6,731,910
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of investments	-	-	-	(3,072,900)	(3,072,900)
Interest on investments	-	155,546	30,135	859,562	1,045,243
Net cash provided (used) by investing activities	-	155,546	30,135	(2,213,338)	(2,027,657)
Net increase (decrease) in cash and cash equivalents	139,269	889,906	97,011	3,578,067	4,704,253
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	612,362	6,163,725	1,231,011	26,961,646	34,968,744
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 751,631</u>	<u>\$ 7,053,631</u>	<u>\$ 1,328,022</u>	<u>\$ 30,539,713</u>	<u>\$ 39,672,997</u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	\$ 2,064	\$ 896,272	\$ 66,839	\$ 6,195,665	\$ 7,160,840
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	115,442	-	-	-	115,442
Changes in assets and liabilities:					
(Increase) decrease in accrued interest receivable	-	-	-	(40,849)	(40,849)
(Increase) decrease in due from other funds	3,897	110,194	-	29,993	144,084
(Increase) decrease in other receivables	-	(1,833)	-	(183,492)	(185,325)
Increase (decrease) in accounts payable	17,866	5,940	63	(211,422)	(187,553)
Increase (decrease) in accrued wages payable	-	-	(27)	30	3
Increase (decrease) in due to other funds	-	80,140	-	1,171	81,311
Increase (decrease) in due to other governments	-	-	1	49	50
Increase (decrease) in accrued expenses	-	(356,353)	-	260	(356,093)
Net cash provided by operating activities	<u>\$ 139,269</u>	<u>\$ 734,360</u>	<u>\$ 66,876</u>	<u>\$ 5,791,405</u>	<u>\$ 6,731,910</u>

**AMARILLO INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
June 30, 2019**

	711 Office Park	712 Extended School Day	Total (See D-1)
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 2,428,850	\$ 3,211,331	\$ 5,640,181
Other receivables	6,743	-	6,743
Other assets	20,743	-	20,743
Total current assets	<u>2,456,336</u>	<u>3,211,331</u>	<u>5,667,667</u>
Noncurrent Assets			
Land	224,455	-	224,455
Buildings and improvements	3,317,004	-	3,317,004
Other depreciable capital assets	22,500	-	22,500
Construction in progress	115,908	-	115,908
Accumulated depreciation	<u>(2,516,351)</u>	<u>-</u>	<u>(2,516,351)</u>
Total noncurrent assets	<u>1,163,516</u>	<u>-</u>	<u>1,163,516</u>
Total assets	<u>3,619,852</u>	<u>3,211,331</u>	<u>6,831,183</u>
LIABILITIES			
Current Liabilities			
Accounts payable	26,220	276	26,496
Accrued wages payable	-	73,335	73,335
Due to other funds	-	6,705	6,705
Due to other governments	-	681	681
Unearned revenue	<u>-</u>	<u>29,685</u>	<u>29,685</u>
Total current liabilities	<u>26,220</u>	<u>110,682</u>	<u>136,902</u>
Total liabilities	<u>26,220</u>	<u>110,682</u>	<u>136,902</u>
NET POSITION			
Net investment in capital assets	1,163,516	-	1,163,516
Unrestricted net position	<u>2,430,116</u>	<u>3,100,649</u>	<u>5,530,765</u>
Total net position	<u>\$ 3,593,632</u>	<u>\$ 3,100,649</u>	<u>\$ 6,694,281</u>

**AMARILLO INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
NONMAJOR ENTERPRISE FUNDS
Year Ended June 30, 2019**

	<u>711 Office Park</u>	<u>712 Extended School Day</u>	<u>Total (See D-2)</u>
REVENUES			
Local and intermediate sources	\$ 478,395	\$ 1,291,859	\$ 1,770,254
Total revenues	<u>478,395</u>	<u>1,291,859</u>	<u>1,770,254</u>
EXPENSES			
Payroll costs	-	908,538	908,538
Professional and contracted services	386,816	69	386,885
Supplies and materials	275	8,934	9,209
Other operating costs	39,073	40,591	79,664
Depreciation	<u>73,378</u>	<u>-</u>	<u>73,378</u>
Total expenses	<u>499,542</u>	<u>958,132</u>	<u>1,457,674</u>
Operating income	(21,147)	333,727	312,580
NONOPERATING REVENUES			
Interest income	<u>57,335</u>	<u>-</u>	<u>57,335</u>
Total nonoperating revenues	<u>57,335</u>	<u>-</u>	<u>57,335</u>
CHANGE IN NET POSITION	36,188	333,727	369,915
NET POSITION - BEGINNING OF YEAR	<u>3,557,444</u>	<u>2,766,922</u>	<u>6,324,366</u>
NET POSITION - END OF YEAR	<u><u>\$ 3,593,632</u></u>	<u><u>\$ 3,100,649</u></u>	<u><u>\$ 6,694,281</u></u>

**AMARILLO INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
Year Ended June 30, 2019**

	711 Office Park	712 Extended Day School	Total (See D-3)
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers/user charges	\$ 485,684	\$ 1,291,444	\$ 1,777,128
Payments to suppliers	(435,783)	(52,504)	(488,287)
Payments to employees	-	(895,311)	(895,311)
Net cash provided by operating activities	<u>49,901</u>	<u>343,629</u>	<u>393,530</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(162,997)	-	(162,997)
Net cash used by capital and related financing activities	<u>(162,997)</u>	<u>-</u>	<u>(162,997)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales and maturities of investments	-	-	-
Purchases of investments	-	-	-
Interest on investments	57,335	-	57,335
Net cash provided (used) by investing activities	<u>57,335</u>	<u>-</u>	<u>57,335</u>
Net increase (decrease) in cash and cash equivalents	(55,761)	343,629	287,868
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>2,484,611</u>	<u>2,867,702</u>	<u>5,352,313</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 2,428,850</u></u>	<u><u>\$ 3,211,331</u></u>	<u><u>\$ 5,640,181</u></u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	\$ (21,147)	\$ 333,727	\$ 312,580
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	73,378	-	73,378
Changes in assets and liabilities:			
(Increase) decrease in accrued interest receivable	-	-	-
(Increase) decrease in other receivables	7,289	-	7,289
(Increase) decrease in due from other funds	-	-	-
(Increase) decrease in other current assets	2,938	-	2,938
Increase (decrease) in accounts payable	(12,531)	276	(12,255)
Increase (decrease) in accrued wages payable	-	13,227	13,227
Increase (decrease) in due to other funds	(26)	(3,194)	(3,220)
Increase (decrease) in due to other governments	-	8	8
Increase (decrease) in unearned revenue	-	(415)	(415)
Net cash provided by operating activities	<u><u>\$ 49,901</u></u>	<u><u>\$ 343,629</u></u>	<u><u>\$ 393,530</u></u>

**AMARILLO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
Year Ended June 30, 2019**

Last Ten Years	1	2	3	10
	Tax rate		Net assessed/appraised value for school tax purposes	Balance July 1, 2018
	<u>Maintenance</u>	<u>Debt service</u>		
2010 and prior	Various	Various	Various	\$ 760,975
2011	1.080	.090	7,260,884,701	161,147
2012	1.080	.090	7,397,553,333	142,151
2013	1.080	.090	7,547,772,479	156,890
2014	1.080	.109	7,757,488,310	187,491
2015	1.080	.109	7,972,500,673	239,594
2016	1.080	.109	7,926,792,178	290,960
2017	1.080	.109	8,230,816,232	492,597
2018	1.080	.109	8,625,620,774	1,891,757
2019 (School year under audit)	1.080	.159	8,803,344,794	-
1000 Totals				<u>\$ 4,323,562</u>

EXHIBIT J-1

20 Current year's total levy	31 Maintenance collections	32 Debt service collections	40 Entire year's adjustments	50 Balance June 30, 2019
\$ -	\$ 24,198	\$ 2,535	\$ (40,973)	\$ 693,269
-	5,030	419	(492)	155,206
-	8,601	717	(295)	132,538
-	11,054	921	(369)	144,546
-	23,050	2,327	1,595	163,709
-	36,933	3,728	503	199,436
-	70,276	7,093	3,588	217,179
-	141,429	14,274	(43,604)	293,290
-	1,093,562	110,369	(174,524)	513,302
<u>109,073,442</u>	<u>93,047,401</u>	<u>13,698,632</u>	<u>(313,890)</u>	<u>2,013,519</u>
<u>\$ 109,073,442</u>	<u>\$ 94,461,534</u>	<u>\$ 13,841,015</u>	<u>\$ (568,461)</u>	<u>\$ 4,525,994</u>
Amount receivable relating to the abolished County Education District				<u>3,365</u>
Total delinquent taxes receivable				<u>\$ 4,529,359</u>

EXHIBIT J-4

AMARILLO INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
NATIONAL SCHOOL BREAKFAST & LUNCH PROGRAM FUND
Year Ended June 30, 2019

Data Control Codes		Budgeted Amounts		Actual Amounts	Variance with Final Budget
		Original	Final	(GAAP Basis)	Positive (Negative)
REVENUES:					
5700	Local and intermediate sources	\$ 3,109,578	\$ 3,109,578	\$ 2,771,516	\$ (338,062)
5800	State program revenues	95,515	95,515	93,561	(1,954)
5900	Federal program revenues	16,359,703	16,428,203	16,272,112	(156,091)
5020	Total revenues	19,564,796	19,633,296	19,137,189	(496,107)
EXPENDITURES:					
Current:					
0011	Instruction	-	-	-	-
0012	Instructional resources and media services	-	-	-	-
0013	Curriculum and instructional staff development	-	-	-	-
0021	Instructional leadership	-	-	-	-
0023	School leadership	-	-	-	-
0031	Guidance, counseling, and evaluation services	-	-	-	-
0032	Social work services	-	-	-	-
0033	Health services	-	-	-	-
0034	Student transportation	-	-	-	-
0035	Food services	18,642,591	18,711,091	18,108,735	602,356
0036	Cocurricular/extracurricular activities	-	-	-	-
0041	General administration	-	-	-	-
0051	Plant maintenance and operations	466,700	611,700	549,769	61,931
0052	Security and monitoring services	-	-	-	-
0053	Data processing services	-	-	-	-
0061	Community services	-	-	-	-
0071	Debt service	-	-	-	-
0081	Facilities acquisition and construction	-	160,000	-	160,000
0093	Payments to fiscal agent/member districts of shared services arrangements	-	-	-	-
0095	Payments to juvenile justice alternative education programs	-	-	-	-
6030	Total expenditures	19,109,291	19,482,791	18,658,504	824,287
1200	Net change in fund balance	455,505	150,505	478,685	328,180
0100	Budgetary fund balance, July 1	3,440,695	3,440,695	3,440,695	-
3000	Budgetary fund balance, June 30	\$ 3,896,200	\$ 3,591,200	\$ 3,919,380	\$ 328,180

EXHIBIT J-5

**AMARILLO INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
Year Ended June 30, 2019**

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance with Final Budget Positive (Negative)
		Original	Final		
	REVENUES:				
5700	Local and intermediate sources	\$ 9,424,564	\$ 14,246,919	\$ 14,148,490	\$ (98,429)
5800	State program revenues	2,767,418	2,432,640	2,431,765	(875)
5900	Federal program revenues	-	-	-	-
5020	Total revenues	<u>12,191,982</u>	<u>16,679,559</u>	<u>16,580,255</u>	<u>(99,304)</u>
	EXPENDITURES:				
	Current:				
0011	Instruction	-	-	-	-
0012	Instructional resources and media services	-	-	-	-
0013	Curriculum and instructional staff development	-	-	-	-
0021	Instructional leadership	-	-	-	-
0023	School leadership	-	-	-	-
0031	Guidance, counseling, and evaluation services	-	-	-	-
0032	Social work services	-	-	-	-
0033	Health services	-	-	-	-
0034	Student transportation	-	-	-	-
0035	Food services	-	-	-	-
0036	Cocurricular/extracurricular activities	-	-	-	-
0041	General administration	-	-	-	-
0051	Plant maintenance and operations	-	-	-	-
0052	Security and monitoring services	-	-	-	-
0053	Data processing services	-	-	-	-
0061	Community services	-	-	-	-
0071	Debt service - principal on long-term debt	5,095,000	7,170,000	7,170,000	-
0072	Debt service - interest on long-term debt	7,343,519	10,857,336	10,857,335	1
0073	Debt service - bond servicing fees	10,000	10,000	3,750	6,250
0081	Facilities acquisition and construction	-	-	-	-
0093	Payments to fiscal agent/member districts of shared services arrangements	-	-	-	-
0095	Payments to juvenile justice alternative education programs	-	-	-	-
6030	Total expenditures	<u>12,448,519</u>	<u>18,037,336</u>	<u>18,031,085</u>	<u>6,251</u>
1100	Excess (deficiency) of revenues over (under) expenditures	(256,537)	(1,357,777)	(1,450,830)	(93,053)
	OTHER FINANCING SOURCES:				
7901	Refunding bonds issued	-	-	-	-
7916	Premium or discount on issuance of bonds	-	-	-	-
7917	Prepaid interest	-	-	-	-
8940	Payment to bond refunding escrow agent	-	-	-	-
7080	Total other financing sources (uses)	-	-	-	-
1200	Net change in fund balance	(256,537)	(1,357,777)	(1,450,830)	(93,053)
0100	Budgetary fund balance, July 1	<u>10,463,333</u>	<u>10,463,333</u>	<u>10,463,333</u>	-
3000	Budgetary fund balance, June 30	<u>\$10,206,796</u>	<u>\$ 9,105,556</u>	<u>\$ 9,012,503</u>	<u>\$ (93,053)</u>

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FEDERAL AWARDS SECTION

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**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***

The Board of Trustees
Amarillo Independent School District
Amarillo, 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 Amarillo Independent School District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 14, 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 District's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of

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laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Connor McMellon Mitchell, c Shexnum PLLC

Amarillo, Texas
November 14, 2019

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**Independent Auditor's Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by the Uniform Guidance**

The Board of Trustees
Amarillo Independent School District
Amarillo, Texas

Report on Compliance for Each Major Federal Program

We have audited Amarillo 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 June 30, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal 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 June 30, 2019.

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Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2019-001. Our opinion of each major federal program is not modified with respect to these matters.

The District's response to the noncompliance findings identified in our audit is described in the accompanying District's Corrective Action Plan, schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weakness or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2019-001, that we consider to be a significant deficiency.

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.

Connor McMillon Mitchell & Shumway PLLC

Amarillo, Texas
November 14, 2019

**AMARILLO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019**

Section I—Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Significant deficiencies identified? yes X none reported
- Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiencies identified? X yes none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported
in accordance with 2 CFR 200.516(a)? X yes no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
	USDA Child Nutrition Cluster
10.553	National School Breakfast Program
10.555	National School Lunch Program - Combined
10.555	National School Lunch Program - Cash in Lieu of Commodities Program
84.367A	Improving Teacher Quality State Grants
84.424A	Student Support and Academic Enrichment Program

Dollar threshold used to distinguish between type A and type B programs: \$1,059,401

Auditee qualified as low-risk auditee? X yes no

**AMARILLO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019**

Section II—Financial Statement Findings

None.

Section III—Major Federal Award Findings and Questioned Costs

Finding 2019-001

Program:	National School Lunch Program – Combined 10.555
Program Requirement:	Eligibility
Condition:	One application out of a sample of sixty selected for testing was processed as receiving meals at a reduced rate. However, based on review of the application, the student was eligible for free meals.
Criteria:	AISD Child Nutrition processes applications for free, paid, and reduced-price meals, and determines each application's eligibility based on income eligibility guidelines set by the Texas Department of Agriculture. Applications can be submitted in paper or electronically to the District.
Cause:	Applications can be submitted in paper or electronically to AISD. The paper application was handwritten and was processed incorrectly.
Effect:	The applicants received an incorrect determination on their application when compared to the Income Eligibility Guidelines for Determining Free and Reduced Price Benefits published by the Texas Department of Agriculture.
Repeat Finding	No
Recommendation:	The District should maintain proper review and approval of the processing of paper applications.
Views of Responsible Officials:	The District agreed with the recommendation and will continue to maintain proper review and approval of the processing of paper applications.

**SCHEDULE OF CORRECTIVE ACTION
FOR AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019**

Finding 2019-001

Condition: One application out of a sample of sixty selected for testing was processed as receiving meals at a reduced rate, however, based on review of the application, the student was eligible for free meals.

**Corrective
Action Plan:** The District agreed with the recommendation and will continue to maintain proper review and approval of the processing of paper applications. See the District's Corrective Action Plan on page 127.

**AMARILLO INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2019**

None.

Amarillo Independent School District
Schedule of Expenditures of Federal Awards
Year ended June 30, 2019

(1)	(2)	(3)	(4)
Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education</u>			
Passed Through Texas Education Agency:			
Title I, Part A-Improving Basic Programs*	84.010A	18610101188901	\$ 2,298
Title I, Part A-Improving Basic Programs*	84.010A	19610101188901	8,780,095
Total CFDA No. 84.010A			8,782,393
Title I, Part C, Migrant	84.011A	19615001188901	226,045
Total CFDA No. 84.011A			226,045
IDEA-B, Discretionary Deaf*	84.027A	196600111889016673	116,135
IDEA-B Discretionary	84.027A	176600021889016674	60,000
IDEA- B Formula*	84.027A	186600011889016600	330,235
IDEA- B Formula*	84.027A	196600011889016600	5,601,950
Total CFDA No. 84.027A			6,108,320
Title I, Part C, Carl D Perkins Career and Technical Education Act Grant	84.048A	1842006188901	2,148
Title I, Part C, Carl D Perkins Career and Technical Education Act Grant	84.048A	1942006188901	392,281
Total CFDA No. 84.048A			394,429
IDEA B, Preschool*	84.173A	186610011889016610	76,050
IDEA B, Preschool*	84.173A	196610011889016610	97,819
Total CFDA No. 84.173A			173,869
IDEA- C ECI*	84.181A	193911011889013911	750
Total CFDA No. 84.181A			750
Title III, Part A - ELA	84.365A	19671001188901	552,946
Total CFDA No. 84.365A			552,946
Title II, Part A Teacher & Principal Training & Recruiting	84.367A	18694501188901	4,956
Title II, Part A Supporting Effective Instruction	84.367A	19694501188901	1,180,738
Total CFDA No. 84.367A			1,185,694
Title IV, Part A SubPart 1	84.424A	18680101188901	10,532
Title IV, Part A SubPart 1	84.424A	19680101188901	584,466
Total CFDA No. 84.424A			594,998
ESEA, Title VI, Part A, Summer School LEP	84.369A	069551802	45,886
Total CFDA No. 84.369A			45,886
2018-2019 Texas Education for Homeless Children & Youth	84.196A	194600057110005	157,818
Total CFDA No. 84.196A			157,818
2018-2020 Texas Hurricane Homeless Youth	84.938B	19513701188901	151
Total CFDA No. 84.938B			151
Total Passed Through Texas Education Agency			18,223,299
Passed Through Education Service Center, Region X:			
McKinney-Vento/TEXSHEP (Texas Support for Homeless Education)	84.196A	18-004	5,373
Total Passed Through Education Service Center, Region 10			5,373
Total U.S. Department of Education			18,228,672
			Continued

Amarillo Independent School District
Schedule of Expenditures of Federal Awards
Year ended June 30, 2019

(1) Federal Grantor/Pass-Through Grantor/Program Title	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
<u>ACTION</u>			
Passed Through OneStar National Service Commission:			
Amarillo ISD AmeriCorps	94.006	13AFHTX0010008	119
Amarillo ISD AmeriCorps	94.006	16AFHTX0010013	308,266
Total CFDA No. 94.006			308,385
National Service Criminal History Surge Augmentation Grant	94.009	19TAHTX003	4,636
Total CFDA No. 94.009			4,636
Total Passed Through OneStar National Service Commission			313,021
Total Action			313,021
<u>U.S. Department of Agriculture</u>			
Direct:			
Cash In Lieu of Commodities Program*	10.555	-	1,250,601
Total Direct			1,250,601
Passed Through Texas Education Agency:			
National School Breakfast Program*	10.553	-	4,609,892
National School Lunch Program-Combined*	10.555	-	10,411,619
Total Passed Through Texas Education Agency			15,021,511
Total U.S. Department of Agriculture			16,272,112
<u>U.S. Department of Health & Human Services</u>			
Direct:			
Medicaid Admin Cost Reimbursement	93.778	-	156,284
Total CFDA 93.778			156,284
Total Direct			156,284
Passed Through Education Service Center, Region XVI:			
Head Start	93.600	06CH10104-03-01	2,655
Total Passed Through ESC, Region XVI			2,655
Total U.S. Department of Health & Human Services			158,939
			Continued

Amarillo Independent School District
Schedule of Expenditures of Federal Awards
Year ended June 30, 2019

(1)	(2)	(3)	(4)
Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Defense</u>			
Direct:			
ROTC salaries & other (Note A)	12.000	-	219,917
Total U.S. Department of Defense			<u>219,917</u>
<u>U.S. Department of Justice</u>			
Direct:			
STOP School Violence Prevention & Mental Health Training Program	16.839	2018-YS-BX-0156	57,803
Total U.S. Department of Justice			<u>57,803</u>
<u>U.S. Department of Labor</u>			
Passed Through Texas Workforce Commission			
WIOA Disl Worker Formula Grants	17.278	0119ATP000	52,200
Total CFDA 17.278			<u>52,200</u>
Temporary Asst Needy Families	93.558	0119ATP000	10,712
Total CFDA 93.558			<u>10,712</u>
Total Passed Through Texas Workforce Commission			<u>62,912</u>
Total U.S. Department of Labor			<u>62,912</u>
Total Expenditures of Federal Awards			<u><u>\$35,313,376</u></u>
Medicaid Reimbursement accounted for in the general fund as revenue from federal sources but not considered "federal financial assistance" for inclusion in the Schedule of Expenditures of Federal Awards			<u>7,238,356</u>
Revenue from federal sources per Exhibit C-3			<u><u>\$ 42,551,732</u></u>

Note A:

These programs are accounted for in the general fund. Expenditures for these programs are not specifically attributable to this revenue source and are shown on this schedule in an amount equal to revenue for balancing purposes only.

*Clustered programs as required by Compliance Supplement

**AMARILLO INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2019**

NOTE 1 - GENERAL

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of all federal awards programs of Amarillo Independent School District (the District) for the year ended June 30, 2019. The District's reporting entity is defined in Note 1 - Summary of Significant Accounting Policies to the District's basic financial statements. Federal financial assistance received directly from federal agencies as well as assistance passed through other government agencies is included on the Schedule. The District did not elect to use the 10% de minimis indirect cost rate. The District did not provide pass-through funds to subrecipients for the year ended June 30, 2019.

NOTE 2 - BASIS OF ACCOUNTING

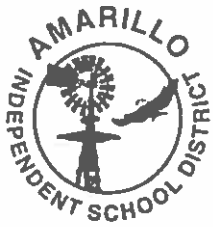
The accompanying Schedule is presented using the modified accrual basis of accounting, which is described in Note 1 - Summary of Significant Accounting Policies to the District's basic financial statements.

NOTE 3 - RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying Schedule agree with the amounts reported in the related federal financial reports considering timing differences of cash receipts.

NOTE 4 - COMMITMENTS AND CONTINGENCIES

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of the District's administration, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grant.



Pati Buchenau
Chief Financial Officer

November 14, 2019

Federal Fiscal Monitoring Division
Texas Education Agency
1701 North Congress Avenue
Austin, TX 78701-1494

Re: Amarillo I.S.D. Finding 2019-001

In response to Finding 2019-001 issued by our auditors, Connor McMillon Mitchell & Shennum, PLLC, I am presenting the following Corrective Action Plan.

Program: 10.555 – National School Lunch Program

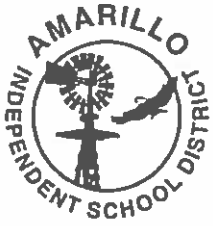
Contact
Person: Matt Buck, Chartwells Resident District Manager

Condition: One application out of a sample of sixty selected for testing was processed as receiving meals at a reduced rate. However, based on review of the application, the student was eligible for free meals.

Corrective

Action Plan: The application that contained the error resulted from a mistake made during the process of listing household members. The Meal Application Supervisor did not find this error. To correct this, and help ensure that this issue does not arise in the future; AISD is implementing the following procedural changes:

- 1). Meal Applications were reformatted in August 2019. The new applications have more detailed instructions regarding how to list enrolled students and non-student household members.
- 2). Amarillo ISD has, and continues, to promote online applications. We provide computers, iPads, and staff to assist parents in the process and alleviate any human error.
- 3). Any physical application that has a household size over 5 members, or has multiple individuals with the same name, will be reviewed by a second staff member as these applications could be prone to errors.



Amarillo Independent School District

7200 West Interstate 40 • Amarillo, TX 79106 • (806)326-1121 • Fax • (806)354-4292

Pati Buchenau
Chief Financial Officer

Amarillo Independent School District
Summary schedule of prior audit finding
Year ended June 30, 2019

N/A – There were no findings to report in FY 2018.

Financial Advisory Services
Provided By:

