**OFFICIAL STATEMENT**
**Dated: June 17, 2019**

**Underlying Rating: S&P:..... "A+"**
**(See "OTHER INFORMATION – RATINGS" herein)**

**NEW ISSUE - Book-Entry Only**

*In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Notes is not a specific preference item for purposes of the federal alternative minimum taxes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Notes. See "TAX MATTERS.*

The District has designated the Notes as "Qualified Tax-Exempt Obligations" for Financial Institutions.

# $1,545,000
# VALLEY VIEW INDEPENDENT SCHOOL DISTRICT
# (Cooke County, Texas)
# MAINTENANCE TAX REFUNDING NOTES
# SERIES 2019

**Interest to accrue from Date of Delivery** **Due: February 15, as shown on the inside cover page**

Valley View Independent School District (the "District") is issuing its $1,545,000 Maintenance Tax Refunding Notes, Series 2019 (the "Notes"). The Notes are issued pursuant to the Constitution and general laws of the State, including particularly Chapter 45.108, Texas Education Code, as amended, and resolution to be adopted by the Board of Trustees of the District authorizing the issuance of the Notes (the "Resolution"). The Notes are direct obligations of the District, payable from a continuing direct annual ad valorem tax levied for maintenance purposes, within the limits prescribed by law, on all taxable property located within the District, as provided in the Resolution. (see "THE NOTES – Authority for Issuance").

Interest on the Notes will accrue from the date of their delivery and will be payable on February 15 and August 15 of each year, commencing August 15, 2019, until maturity or prior redemption. The Notes will be issued in principal denominations of $5,000 or any integral multiple thereof within a maturity. Interest accruing on the Notes will be calculated on the basis of a 360-day year of twelve 30-day months. (see "THE NOTES – Description of the Notes").

The District intends to use the Book-Entry Only System of The Depository Trust Company, New York, New York ("DTC"), but use of such system could be discontinued. The principal of the Notes at maturity or on a prior redemption date and interest on the Notes will be payable to Cede & Co., as nominee for DTC, by UMB Bank, N.A., Austin, Texas, as the initial paying agent/registrar (the "Paying Agent/Registrar") for the Notes. No physical delivery of the Notes will be made to the beneficial owners thereof. Such Book-Entry Only System will affect the method and timing of payment and the method of transfer of the Notes (see "BOOK-ENTRY ONLY SYSTEM").

Proceeds from the sale of the Notes will be used (i) to currently refund the District's outstanding Maintenance Tax Notes, Series 2018, as indicated in Schedule I, attached hereto (the "Refunded Obligations") and (ii) to pay the costs of issuing the Notes and refunding the Refunded Obligations. (see "THE NOTES – Purpose" and "THE NOTES – Sources and Uses of Funds").

The Notes maturing on and after February 15, 2031, are subject to redemption at the option of the District prior to maturity, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2028 or any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. (see "THE NOTES – Optional Redemption"). Certain of the Notes may be subject to mandatory sinking fund redemption in the event the Underwriter elects to aggregate two or more maturities as term Notes. (see "THE NOTES - "Mandatory Redemption").

**See Principal Amounts, Maturities, Interest Rates, and Prices on the Inside Cover Page**

The Notes are offered for delivery when, as, and if issued and received by the underwriter listed below (the "Underwriter") and subject to the approving opinions of the Attorney General of Texas and the opinion of Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Bond Counsel (see "APPENDIX C – Form of Bond Counsel Opinion"). Certain legal matters will be passed upon for the Underwriter by Naman Howell Smith & Lee, PLLC, Austin, Texas, as Counsel to the Underwriter.

It is expected that the Notes will be available for delivery through DTC on or about July 10, 2019.

OPPENHEIMER & CO.

**PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES AND YIELDS**

**$1,545,000 Maintenance Tax Refunding Notes, Series 2019**

**CUSIP No.[(c)] Prefix 920219**

**$685,000 SERIAL NOTES**

| Maturity Date (2/15)[(a)] | Principal Amount | Initial Interest Rate | Initial Yield[(b)] | Price[(b)] | CUSIP No. Suffix[(c)] |
|---|---|---|---|---|---|
| 2020 | 105,000 | 2.000% | 1.650% | 100.206 | SS2 |
| 2021 | 90,000 | 3.000% | 1.700% | 102.038 | ST0 |
| 2022 | 90,000 | 4.000% | 1.750% | 105.687 | SU7 |
| 2023 | 95,000 | 4.000% | 1.800% | 107.628 | SV5 |
| 2024 | 100,000 | 4.000% | 1.850% | 109.432 | SW3 |
| 2025 | 100,000 | 4.000% | 1.900% | 111.099 | SX1 |
| 2026 | 105,000 | 4.000% | 2.000% | 112.302 | SY9 |

**$860,000 TERM NOTES**

$225,000 4.000% Term Note Due February 15, 2028, Yield 2.150%, CUSIP Suffix No. TA0[(a)(b)(c)]
$370,000 3.000% Term Note Due February 15, 2031, Yield 2.500%, CUSIP Suffix No. TD4 [(a)(b)(c)]
$265,000 3.000% Term Note Due February 15, 2033, Yield 2.600%, CUSIP Suffix No. TF9 [(a)(b)(c)]

(a) The Notes maturing on and after February 15, 2031, are subject to optional redemption, in whole or in part, on February 15, 2028, or any date thereafter, at a price equal to the par value thereof, plus accrued interest from the most recent interest payment date to the date of redemption. (See "THE NOTES – Optional Redemption"). Additionally, the Notes maturing on February 15 in the years 2028, 2031 and 2033 (the "Term Notes") are subject to mandatory sinking fund redemption prior to maturity. (see "THE NOTES - "Mandatory Redemption").

(b) The initial yields and prices are established by, and are the sole responsibility of the Underwriter and may subsequently be changed.

(c) CUSIP numbers have been assigned to this issue by the CUSIP Global Services managed by S&P Global Market Intelligence on behalf of the American Bankers Association and are included solely for the convenience of the purchasers of the Notes. Neither the District, the Financial Advisor, nor the Underwriter shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

## USE OF INFORMATION IN THIS OFFICIAL STATEMENT

*This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any jurisdiction 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 or solicitation.*

*Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of the 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 since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the District's undertaking to provide certain information on a continuing basis.*

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

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

*Neither the District, the Financial Advisor nor the Underwriter make any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company or its Book-Entry Only System.*

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

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

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 otherwise specified, such web sites and the information or links contained therein are not incorporated into, and are not a part of, this official statement for the purposes of, and as that term is defined in, United States Securities and Exchange Commission Rule 15c2-12 (the "Rule").

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APPENDIX A -FINANCIAL INFORMATION REGARDING THE DISTRICT
APPENDIX B -ANNUAL FINANCIAL REPORT
APPENDIX C - FORM OF BOND COUNSEL'S OPINIONS


The cover page hereof, this page, the appendices included herein and any addenda, supplement, or amendment hereto, are part of the Official Statement.

## OFFICIAL STATEMENT SUMMARY

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

| | |
|---|---|
| **The District** ..... | The Valley View Independent School District (the "District") is a political subdivision located in Cooke County, Texas. The District is governed by a seven-member Board of Trustees (the "Board"), who serve staggered three-year terms with elections being held in May of each year. 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. Consultants and advisors supply support services. See "INTRODUCTION – Description of the District." The District is approximately 81.56 square miles in area. |
| **Authority For Issuance** ..... | The Notes are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Chapter 45.108 Texas Education Code, and resolution to be adopted by the Board of Trustees of the District on June 17, 2019 (the "Resolution") (see "THE NOTES – Authority for Issuance"). |
| **The Notes** ..... | The District's Maintenance Tax Refunding Notes, Series 2019 (the "Notes") shall mature on the dates and in the amounts set forth on the inside cover page of this Official Statement (see "THE NOTES – Description of the Notes"). |
| **Payment of Interest**..... | Interest on the Notes will accrue from the date of their delivery and will be payable semiannually on February 15 and August 15 of each year, commencing August 15, 2019, until maturity or prior redemption. (see "THE NOTES – Description of the Notes"). |
| **Paying Agent/Registrar**..... | The initial Paying Agent/Registrar is UMB Bank, N.A., Austin, Texas (see "THE NOTES – Paying Agent/Registrar"). Initially, the District intends to use the Book-Entry Only System of The Depository Trust Company, New York, New York ("DTC")(see "THE NOTES – Book-Entry Only System"). |
| **Security For The Notes** ..... | The Notes constitute direct obligations of the District, payable from a direct annual ad valorem tax levied for maintenance tax purposes, within the limits prescribed by law, on all taxable property located within the District. (See "THE NOTES – Security and Source of Payment"). |
| **Optional Redemption**..... | The Notes maturing on and after February 15, 20__, are subject to redemption at the option of the District prior to maturity, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on February 15, 20__ or any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. (see "THE NOTES – Optional Redemption"). |
| **Mandatory Redemption** | The Notes maturing on February 15 in the years 2028, 2031 and 2033 are subject to mandatory sinking fund redemption prior to maturity. (See "THE NOTES – Mandatory Redemption" herein.) |

| | |
|---|---|
| **Tax Matters** ..... | In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel interest on the Notes is not a specific preference item for purposes of the federal alternative minimum taxes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Notes. (See "TAX MATTERS."). |
| | The District will designate the Notes as qualified tax-exempt obligations. |
| **Use of Proceeds** ..... | Proceeds from the sale of the Notes will be used to (i) currently refund the District's outstanding Maintenance Tax Notes, Series 2018, as indicated in Schedule I, attached hereto (the "Refunded Obligations") and (ii) pay for the costs associated with the issuance of the Notes and the refunding of the Refunded Obligations (See "THE NOTES – Purpose" and "THE NOTES – Sources and Uses of Funds."). |
| **Book-Entry Only System** ..... | The definitive Notes will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry Only System described herein. The Notes will be issued in principal denominations of $5,000 or any integral multiple thereof within a maturity. No physical delivery of the Notes will be made to the beneficial owners thereof. Principal of and interest on the Notes will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Notes. (See "THE NOTES – Book-Entry Only System"). |
| **Ratings** ..... | S&P Global Ratings ("S&P") has assigned its municipal bond rating of "A+" to the Notes. An explanation of the significance of such ratings may be obtained from S&P (See "OTHER INFORMATION – Ratings"). |
| **Payment Record**..... | The District has never defaulted on the payment of its bonded indebtedness. |

## VALLEY VIEW INDEPENDEN SCHOOL DISTRICT

## SELECTED FINANCIAL INFORMATION

| Fiscal Year Ended 6/30 | Estimated Population[1] | Taxable Assessed Valuation[2] | Taxable Assessed Valuation Per Capita | Limited Tax Supported Debt Outstanding[3] | Ratio of Limited Tax Supported Debt to Assessed Valuation | Limited Tax Supported Debt Per Capita |
|---|---|---|---|---|---|---|
| 2015 | 3,801 | $205,360,837 | $54,028 | $2,390,000 | 1.16% | $629 |
| 2016 | 3,812 | 197,463,447 | 51,800 | 2,325,000 | 1.18% | 610 |
| 2017 | 3,949 | 234,238,395 | 59,316 | 2,235,000 | 0.95% | 566 |
| 2018 | 4,075 | 229,304,468 | 56,271 | 3,777,000 | 1.65% | 927 |
| 2019 | 4,218 | 261,020,648 | 61,883 | 3,590,000[4] | 1.37% | 843 |

[1] Source: Municipal Advisory Council of Texas
[2] As reported by Cooke County Appraisal District. Such values are subject to change during ensuing year.
[3] Source: District's audited financial statements.
[4] Includes the Notes and excludes the Refunded Obligations.

## GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

**For Fiscal Year Ended June 30,**

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| Beginning Balance | $ 2,006,095 | $ 1,350,837 | $ 4,880,159 | $ 2,408,127 | $ 2,150,053 |
| Total Revenue | 7,702,557 | 8,088,905 | 6,733,552 | 6,936,153 | 6,725,673 |
| Total Expenditures | 8,080,620 | 7,476,234 | 10,262,874 | 7,047,842 | 6,294,230 |
| Excess/(Deficiency) of Revenues | (378,063) | 612,671 | (3,529,322) | (111,689) | 431,443 |
| Net Transfers/Adjustments | 1,646,049 | 42,587 | - | 2,583,721 | (173,369) |
| Ending Balance | $ 3,274,081 | $ 2,006,095 | $ 1,350,837 | $ 4,880,159 | $ 2,408,127 |

Source: The District's audited financial statements.

For additional information regarding the District, please contact:


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## DISTRICT OFFICIALS, STAFF, AND CONSULTANTS

**Elected Officials**

| Board of Trustees | Length of Service | Term Expires | Occupation |
|---|---|---|---|
| Ray Sappington, President | 14 Years | May, 2020 | Retired |
| Corinne French, Vice President | 7 Years | May, 2022 | UNT Program Coordinator |
| Kristen Tarrant, Secretary | 3 Years | May, 2022 | Flight Attendant |
| David Pembroke, Member | 14 Years | May, 2020 | Auditor |
| Debra Norwood, Member | 1 Year | May, 2022 | College Administrator |
| Dabney Swaidner | 1 Year | May, 2021 | Ranch Owner/Operator |
| Jason Bewley, Member | 1 Year | May, 2021 | Firefighter |

**Selected Administrative Staff**

| Name | Position | Length of Service Within District | Total Industry Experience |
|---|---|---|---|
| William Stokes | Superintendent | 10 Years | 42 Years |
| Lori Huber | Business Manager | 6 Years | 6 Years |
| Monica Parkhill | Director of Student Services | 13 Years | 26 Years |
| Mike Wilson | Director of Support Services | 24 Years | 27 Years |
| Susan Smith | Elementary Principal | 32 Years | 32 Years |

**Consultants and Advisors**

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

Bond Counsel ..... Orrick, Herrington & Sutcliff LLP, Houston, Texas

Financial Advisor ..... Government Capital Securities Corporation
Southlake, Texas

**OFFICIAL STATEMENT**

**RELATING TO**
**VALLEY VIEW INDEPENDENT SCHOOL DISTRICT**

**$1,545,000 MAINTENANCE TAX REFUNDING NOTES, SERIES 2019**

## INTRODUCTION

This Official Statement, which includes APPENDICES A, B and C hereto, provides certain information regarding the issuance of the $1,545,000 Valley View Independent School District Maintenance Tax Refunding Notes, Series 2019 (the "Notes"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the resolution (the "Resolution") adopted by the Board of Trustees (the "Board") of the Valley View Independent School District (the "District") on June 17, 2019, which authorized the issuance of the Notes, except as otherwise indicated herein.

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 (see "OTHER INFORMATION – Forward Looking Statements").

Included in this Official Statement are descriptions of the Notes, the Resolution, 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 Valley View Independent School District, 200 Newton Street, Valley View, Texas 76272, and, during the offering period, from the District's Financial Advisor, Government Capital Securities Corporation, 559 Silicon Drive, Suite 102, Southlake, Texas 76092, 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. Copies of the Official Statement will be available through the Electronic Municipal Market Access System ("EMMA"). See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the District's undertaking to provide certain information on a continuing basis.

### Description of the District

The District is a political subdivision of the State of Texas located in Cooke County, Texas. The District is governed by the Board who serve staggered three-year terms with elections being held in May of each year. Policymaking 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 District is approximately 10 square miles in area.

## THE NOTES

### Description of the Notes

The Notes shall be dated July 1, 2019. Interest will accrue on the Notes from the date of delivery thereof, will be payable semiannually on February 15 and August 15 of each year, commencing on August 15, 2019, until maturity or prior redemption and will be calculated on the basis of a 360-day year of twelve 30-day months. The Notes will be issued in principal denominations of $5,000 or any integral multiple thereof within a maturity. The paying agent and transfer agent (the "Paying Agent/Registrar") for the Notes is initially UMB Bank, N.A., Austin, Texas.

Initially, the Notes will be registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry Only System described below. No physical delivery of the Notes will be made to the beneficial owners. Principal of, premium, if any, and accrued interest on the Notes and the Maturity Amount of the CABs will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Notes. See "THE NOTES - Book-Entry Only System" for a more complete description of such system.

## Optional Redemption

The Notes maturing on and after February 15, 2031 are subject to redemption prior to maturity, at the option of the District, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2028, or any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. If less than all of the Notes are to be redeemed, the District shall determine the principal amount and maturities to be redeemed and shall direct the Paying Agent/Registrar to select by lot or other customary method that results in a random selection, of each respective series of Notes or portions thereof within a maturity, to be redeemed.

## Mandatory Redemption

The Notes maturing on August 15 in the years 2028, 2031 and 2033 (the "Term Notes") are subject to mandatory sinking fund redemption prior to maturity in part by lot at a redemption price equal to 100% of the principal amount redeemed plus accrued interest to the redemption date in the years and in the principal amounts specified in the sinking fund redemption schedules set forth below:

| Term Note Maturity Date | Mandatory Redemption Dates | Principal Amounts |
|---|---|---|
| **February 15, 2028** | February 15, 2027 | $110,000 |
| | February 15, 2028 (maturity) | 115,000 |
| **February 15, 2031** | February 15, 2029 | $120,000 |
| | February 15, 2030 | 125,000 |
| | February 15, 2031(maturity) | 125,000 |
| **February 15, 2033** | February 15, 2032 | $130,000 |
| | February 15, 2033 (maturity) | 135,000 |

The particular Term Notes to be mandatorily redeemed shall be selected by lot or other customary random selection method. The principal amount of any Term Notes to be mandatorily redeemed on such Mandatory Redemption Date shall be reduced by the principal amount of such Term Notes which, by the 45th day prior to such Mandatory Redemption Date, either has been purchased in the open market and delivered or tendered for cancellation by or on behalf of the District to the Paying Agent/Registrar or optionally redeemed and which, in either case, has not previously been made the basis for a reduction under this sentence.

## Notice of Redemption

At least 30 days prior to the date fixed for any such redemption, the District shall cause a written notice of such redemption to be deposited in the United States mail, postage prepaid, addressed to each registered owner at the address shown on the Registration Books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice.

ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. UPON THE GIVING OF THE NOTICE OF REDEMPTION AND THE DEPOSIT OF THE FUNDS NECESSARY TO REDEEM SUCH NOTES, THE NOTES CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND INTEREST ON SUCH NOTES OR PORTION THEREOF SHALL CEASE TO ACCRUE, IRRESPECTIVE OF WHETHER SUCH NOTES ARE SURRENDERED FOR PAYMENT.

The Paying Agent/Registrar and the District, so long as a Book-Entry Only System is used for the Notes, will send any notice of redemption, notice of proposed amendment to the Resolution or other notices with respect to the Notes only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Notes called for redemption or any other action premised on any such notice. Redemption of portions of the Notes by the District will reduce the outstanding principal amount of such Notes held by DTC.

In such event, DTC may implement, through its Book-Entry Only System, a redemption of such Notes held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Notes from the beneficial owners.

Any such selection of Notes to be redeemed will not be governed by the Resolution and will not be conducted by the District or the Paying Agent/Registrar. Neither the District nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants, or the persons for whom DTC participants act as nominees, with respect to the payments on the Notes or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Notes for redemption (see "THE NOTES – Book-Entry Only System").

## Authority For Issuance

The Notes are being issued pursuant to authority conferred by the Constitution and general laws of the State of Texas, including particularly Chapter 45.108, Texas Education Code, as amended and the Resolution to be adopted by the District on June 17, 2019. Capitalized terms used herein have the same meanings assigned to such terms in the Resolution, except as otherwise indicated.

## Purpose

Proceeds from the sale of the Notes will be used to (i) currently refund the District's outstanding Maintenance Tax Notes, Series 2018, as indicated in Schedule I, attached hereto (the "Refunded Obligations") and (ii) pay for the costs associated with the issuance of the Notes and the refunding of the Refunded Obligations. (See "THE NOTES – Purpose" and "THE NOTES – Sources and Uses of Funds.").

## Sources and Uses of Funds

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

| | |
|---|---|
| **Sources of Funds:** | |
| Par Amount of the Notes | $1,545,000 |
| Plus: Original Issue Premium | 102,714.55 |
| Total Sources of Funds | $1,647,714.55 |
| **Uses of Funds** | |
| Deposit with the Paying Agent for Refunded Obligations | $1,593,273.29 |
| Underwriter's Discount and Issuance Costs[(a)] | 54,417.50 |
| Deposit to Interest and Sinking Fund | 3,023.76 |
| Total Uses of Funds | $1,647,714.50 |

(a) Includes, among other things, counsel fees and other costs of issuing the Notes.

## Security and Source of Payment

The Notes constitute direct obligations of the District, payable from a direct annual ad valorem tax levied for maintenance tax purposes, within the limits prescribed by law, on all taxable property located within the District.

## Legality

The Notes are offered when, as, and if issued, and subject to the approval of legality by the Attorney General of the State of Texas and the opinion of the District's Bond Counsel, Orrick, Herrington & Sutcliffe LLP, Houston, Texas. ("Bond Counsel") (see "OTHER INFORMATION – Legal Matters" and "APPENDIX C – FORM OF BOND COUNSEL OPINION").

## Amendments to the Resolution

In the Resolution, the District has reserved the right to amend the Resolution without the consent of any holder in any manner not detrimental to the interests of the holders, including the curing of any ambiguity, inconsistency, or formal defect or omission herein. In addition, the District has reserved the right, with the consent of holders who own in the aggregate 51% of the principal amount of the Notes then Outstanding, to amend, add to, or rescind any of the provisions of the Resolution; provided that, without the consent of all holders of Outstanding Notes, no such amendment, addition, or rescission shall (i) extend the time or times of payment of the principal of and interest on the Notes, reduce the principal amount thereof or the rate of interest thereon, or in any other way modify the terms of payment of the principal of or interest on the Notes, (ii) give any preference to any Note over any other Note, or (iii) reduce the aggregate principal amount of Notes required to be held by holders for consent to any such amendment, addition, or rescission.

## Defeasance

The Resolution provides that the District may defease the Notes and discharge its obligation to the holders of any or all of the Notes to pay the principal of and interest thereon in any manner now or hereafter permitted by law, including by depositing with the Registrar or with the Comptroller of the State of Texas either: (a) cash in an amount equal to the principal amount of and interest thereon to the date of maturity; or (b) pursuant to an escrow or trust agreement, cash and/or (i) direct noncallable obligations of United States of America, including obligations that are unconditionally guaranteed by the United States of America; or (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the Board approves the proceedings authorizing the issuance of refunding Notes, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent; and the principal of and interest on which will, when due or redeemable at the option of the holder, without further investment or reinvestment of either the principal amount thereof or the interest earnings thereon, provide money in an amount which, together with other moneys, if any, held in such escrow at the same time and available for such purpose, shall be sufficient to provide for the timely payment of the principal of and interest thereon to the date of maturity or earlier redemption; provided, however, that if any of the Notes are to be redeemed prior to their respective dates of maturity, provision shall be made for the giving of notice of redemption as provided in the Resolution. Any surplus amount not required to accomplish such defeasance shall be returned to the District.

Upon such deposit as described above, such Notes shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Notes have been made as described above, all rights of the District to initiate proceedings to call the Notes for redemption or take any other action amending the terms of the Notes are extinguished; provided, however, that the right to call the Notes for redemption is not extinguished if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Notes for redemption; (ii) gives notice of the reservation of that right to the owners of the Notes immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorize.

## Book-Entry Only System

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

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

DTC will act as securities depository for the Notes. The Notes will be issued as fully registered Notes 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 security certificate will be issued for the Notes, in the aggregate principal amount of such issue, and will be deposited with DTC.

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

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

Redemption proceeds and principal and interest payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on the 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. Payment of redemption proceeds, principal, and interest payments on the Notes to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

*Use of Certain Terms in Other Sections of this Official Statement*

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

**The information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.**

## Paying Agent/Registrar

UMB Bank, N.A., Austin, Texas has been named to serve as initial Paying Agent/Registrar for the Notes. In the Resolution, the District retains the right to replace 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; a trust company organized under applicable law; or other entity duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Notes. Upon any change in the Paying Agent/Registrar for the Notes, the District agrees to promptly

cause a written notice thereof to be sent to each registered owner of the Notes by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

In the event the Book-Entry Only System should be discontinued, interest on the Notes will be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest will be paid (i) by check sent United States mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal and redemption payments of the Notes will be paid to the registered owner at the stated maturity or earlier redemption upon presentation to the designated payment/transfer office of the Paying Agent/Registrar. If the date for the payment of the principal or interest on the Notes is a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment will be the next succeeding day which is not such a day, and payment on such date will have the same force and effect as if made on the date payment was due. So long as Cede & Co. is the registered owner of the Notes, principal, interest, and redemption payments on the Notes will be made as described in "Book-Entry Only System" above.

### Transfer, Exchange, and Registration

In the event the Book-Entry Only System should be discontinued, the Notes may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar and such transfer or exchange 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, exchange and transfer. Notes may be assigned by the execution of an assignment form on the respective Notes or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Notes will be delivered by the Paying Agent/Registrar, in lieu of the Notes being transferred or exchanged, at the principal office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Notes issued in an exchange or transfer of Notes will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Notes to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Notes registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Notes surrendered for exchange or transfer. See "THE NOTES - Book-Entry Only System" for a description of the system to be utilized initially in regard to ownership and transferability of the Notes.

Neither the District nor the Paying Agent/Registrar shall be required to transfer or exchange Notes (i) during a period beginning at the close of business on any Record Date and ending with the next interest payment date or (ii) with respect to any Note or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Note.

### Record Date for Interest Payment

The record date ("Record Date") for the interest payable on the Notes on any interest payment date means the close of business on the last business day of the month next preceding such interest payment date.

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 received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("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 registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

### Owners' Remedies

The Resolution does not provide for the appointment of a trustee to represent the interests of the Note holders upon any failure of the District to perform in accordance with the terms of the Resolution or upon any other condition and, in the event of any such failure to perform, the registered owners would be responsible for the initiation and cost of any legal action to enforce performance of the Resolution. Furthermore, the Resolution does not establish specific events of default with respect to the Notes and, under State law, there is no right to the acceleration of maturity of the Notes upon the failure of the District to observe any covenant under the Resolution. A registered owner of Notes could seek a judgment against the District if a default occurred in the payment of principal of or interest on any such Notes; however, such judgment could not be satisfied by execution against any property of the District and a suit for monetary damages could be vulnerable to the defense of sovereign immunity. A registered owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the District to levy, assess, and collect an annual ad valorem tax sufficient to pay principal of and interest on the Notes as it becomes due or perform other material terms and covenants contained in the Resolution. In general, Texas courts have held that a writ of mandamus may be issued to require a public official to perform legally imposed ministerial duties necessary for the performance

of a valid contract, and Texas law provides that, following their approval by the Attorney General and issuance, the Notes are valid and binding obligations for all purposes according to their terms. However, the enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis. The District is also 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 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 Note holders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Resolution and the Notes are qualified with respect to the customary rights of debtors relative to their creditors, including rights afforded to creditors under the Bankruptcy Code.

### Refunded Obligations

The Refunded Obligations (as indicated in Schedule I) and the interest due thereon are to be paid on their scheduled interest payment and maturity dates or dates of redemption from funds to be deposited with the paying agent for the Refunded Obligations.

The Resolution provides that from the proceeds of the sale of the Notes to the Underwriter, the District will deposit with the paying agent for the Refunded Obligations an amount, together with other available which, when added to the investment earnings thereon, will be sufficient to accomplish the discharge and final payment of the Refunded Obligations.

In the Resolution, the District will give instructions to provide the required notice to the owners of the Refunded Obligations that the Refunded Obligations will be redeemed on the redemption date described herein, on which date money will be made available to redeem the Refunded Obligations.

## 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, et.al v. The Texas Taxpayer and Student Fairness Coalition, et al., No. 14-0776 (Tex. May 13, 2016) ("Morath"). The plaintiffs and intervenors in the case had alleged that the Finance System, as modified by the Legislature in part in response to prior decisions of the Court, violated article VII, section 1 and article VIII, section 1-e of the Texas Constitution. In its opinion, the Court held that "[d]espite the imperfections of the current school funding regime, it meets minimum constitutional requirements." The Court also noted that:

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

### Possible Effects of Changes in Law on District Notes

The Court's decision in Morath upheld the constitutionality of the Finance System but noted that the Financing 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 Notes, but would instead require the Legislature to cure the system's unconstitutionality in a way that is consistent with the Contract Clauses of the U.S. and Texas

Constitutions" (collectively, the "Contract Clauses"), which prohibit the enactment of laws that impair prior obligations of contracts.

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

## CURRENT PUBLIC SCHOOL FINANCE SYSTEM

### Overview

The following description constitutes only a summary of the 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 Vernon's Texas Codes Annotated, Education Code, Chapters 41 through 46, as amended. See "2019 LEGISLATION" below for a discussion of changes made to the Finance System by the 86th Texas Legislature, which adjourned May 27, 2019.

Funding for school districts in the State is provided primarily from State and local sources. State funding for all school districts is provided through a set of funding formulas comprising the "Foundation School Program," as well as two facilities funding programs. Generally, the Finance System is designed to promote wealth equalization among school districts by balancing State and local sources of funds available to school districts. In particular, because districts with relatively high levels of property wealth per student can raise more local funding, such districts receive less State aid, and in some cases, are required to disburse local funds to equalize their overall funding relative to other school districts. Conversely, because districts with relatively low levels of property wealth per student have limited access to local funding, the Finance System is designed to provide more State funding to such districts. Thus, as a school district's property wealth per student increases, State funding to the school district is reduced. As a school district's property wealth per student declines, the Finance System is designed to increase that district's State funding. The Finance System provides a similar equalization system for facilities funding wherein districts with the same tax rate for debt service raise the same amount of combined State and local funding. Facilities funding for debt incurred in prior years is expected to continue in future years; however, State funding for new school facilities has not been consistently appropriated by the Texas Legislature, as further described below.

Local funding is derived from collections of ad valorem taxes levied on property located within each district's boundaries. School districts are authorized to levy two types of property taxes: a limited maintenance and operations ("M&O") tax to pay current expenses and an unlimited interest and sinking fund ("I&S") tax to pay debt service on bonds. Generally, under current law, M&O tax rates are subject to a statutory maximum rate of $1.17 per $100 of taxable value for most school districts (although a few districts can exceed the $1.17 limit as a result of authorization approved in the 1960s). Current law also requires school districts to demonstrate their ability to pay debt service on outstanding indebtedness through the levy of an ad valorem tax at a rate of not to exceed $0.50 per $100 of taxable property at the time Notes are issued. Once bonds are issued, however, districts may levy a tax to pay debt service on such bonds unlimited as to rate or amount (see "TAX RATE LIMITATIONS" herein). As noted above, because property values vary widely among school districts, the amount of local funding generated by the same tax rate is also subject to wide variation among school districts.

### Local Funding for School Districts

The primary source of local funding for school districts is collections from ad valorem taxes levied against taxable property located in each school district. Prior to the reform legislation that became effective during the 2006-2007 fiscal year (the "Reform Legislation"), the maximum M&O tax rate for most school districts was generally limited to $1.50 per $100 of taxable value. At the time the Reform Legislation was enacted, the majority of school districts were levying an M&O tax rate of $1.50 per $100 of taxable value. The Reform Legislation required each school district to "compress" its tax rate by an amount equal to the "State Compression Percentage." For fiscal years 2007–08 through 2018–19, the State Compression Percentage has been 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. The State Compression Percentage is set by legislative appropriation for each State fiscal biennium or, in the absence of legislative appropriation, by the Commissioner. School districts are permitted, however, to generate additional local funds by raising their M&O tax rate by up to $0.04 above the compressed tax rate without voter approval (for most districts, up to $1.04 per $100 of taxable value). In addition, if the voters approve a tax rate increase through a local referendum, districts may, in general, increase their M&O tax rate up to a maximum M&O tax rate of $1.17 per $100 of taxable value and receive State equalization funds for such taxing effort (see "AD VALOREM TAX PROCEDURES – Public Hearing and Voter-Approved Tax Rate" herein). Elections authorizing the levy of M&O taxes held in certain school districts under older laws, however, may subject M&O tax rates in such districts to other limitations (See "TAX RATE LIMITATIONS" herein).

## State Funding for School Districts

State funding for school districts is provided through the Foundation School Program, which provides each school district with a minimum level of funding (a "Basic Allotment") for each student in average daily attendance ("ADA"). The Basic Allotment is calculated for each school district using various weights and adjustments based on the number of students in average daily attendance and also varies depending on each district's compressed tax rate. This Basic Allotment formula determines most of the allotments making up a district's basic level of funding, referred to as "Tier One" of the Foundation School Program. The basic level of funding is then "enriched" with additional funds known as "Tier Two" of the Foundation School Program. Tier Two provides a guaranteed level of funding for each cent of local tax effort that exceeds the compressed tax rate (for most districts, M&O tax rates above $1.00 per $100 of taxable value). The Finance System also provides an Existing Debt Allotment ("EDA") to subsidize debt service on eligible outstanding school district Notes and an Instructional Facilities Allotment ("IFA") to subsidize debt service on newly issued bonds. IFA primarily addresses the debt service needs of property-poor school districts. A New Instructional Facilities Allotment ("NIFA") also is available to help pay operational expenses associated with the opening of a new instructional facility. In 2017, the 85th Texas Legislature did appropriate funds in the amount of $1,378,500,000 for the 2018-19 State fiscal biennium for an increase in the Basic Allotment, EDA, IFA, and NIFA support, as further described below.

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 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. Tier One and Tier Two allotments and existing EDA and IFA allotments are generally required to be funded each year by the Texas Legislature. Since future-year IFA awards were not funded by the Texas Legislature for the 2018–19 fiscal biennium and debt service assistance on school district bonds that are not yet eligible for EDA is not available, debt service on new bonds issued by districts to construct, acquire and improve facilities must be funded solely from local I&S taxes.

Tier One allotments are intended to provide all districts a basic level of education necessary to meet applicable legal standards. Tier Two allotments are intended to guarantee each school district that is not subject to the wealth transfer provisions described below an opportunity to supplement that basic program at a level of its own choice; however, Tier Two allotments may not be used for the payment of debt service or capital outlay.

As described above, the cost of the basic program is based on an allotment per student known as the "Basic Allotment". For the 2018-19 State fiscal biennium, the Basic Allotment is $5,140 for each student in average daily attendance. The Basic Allotment is then adjusted for all districts by several different weights to account for inherent differences between school districts. These weights consist of (i) a cost adjustment factor intended to address varying economic conditions that affect teacher hiring known as the "cost of education index", (ii) district-size adjustments for small and mid-size districts and (iii) an adjustment for the sparsity of the district's student population. The cost of education index and district-size adjustments applied to the Basic Allotment, create what is referred to as the "Adjusted Allotment". The Adjusted Allotment is used to compute a "regular program allotment," as well as various other allotments associated with educating students with other specified educational needs.

Tier Two supplements the basic funding of Tier One and provides two levels of enrichment with different guaranteed yields (i.e., guaranteed levels of funding by the State) depending on the district's local tax effort. The first six cents of tax effort that exceeds the compressed tax rate (for most districts, M&O tax rates ranging from $1.01 to $1.06 per $100 of taxable value) will, for most districts, generate a guaranteed yield of $99.41 and $106.28 per cent per weighted student in average daily attendance ("WADA") for the fiscal years 2017-2018 and 2018-2019, respectively. The second level of Tier Two is generated by tax effort that exceeds the district's compressed tax rate plus six cents (for most districts eligible for this level of funding, M&O tax rates ranging from $1.06 to $1.17 per $100 of taxable value) and has a guaranteed yield per cent per WADA of $31.95 for the 2018-2019 State fiscal biennium. Property-wealthy school districts that have an M&O tax rate that exceeds the district's compressed tax rate plus six cents are subject to recapture above this tax rate level at the equivalent wealth per student of $319,500 (see "Wealth Transfer Provisions" below).

Previously, a district with a compressed tax rate below $1.00 per $100 of taxable value (known as a "fractionally funded district") received a Basic Allotment which was reduced proportionately to the degree that the district's compressed tax rate fell short of $1.00. Beginning in the 2017-2018 fiscal year, the compressed tax rate of a fractionally funded district now includes the portion of such district's current M&O tax rate in excess of the first six cents above the district's compressed tax rate until the district's compressed tax rate is equal to the state maximum compressed tax rate of $1.00. Thus, for fractionally funded districts, each eligible one cent of M&O tax levy above the district's compressed tax rate plus six cents will have a guaranteed yield based on Tier One funding instead of the Tier Two yield, thereby reducing the penalty against the Basic Allotment.

In addition to the operations funding components of the Foundation School Program discussed above, the Foundation School Program provides a facilities funding component consisting of the Instructional Facilities Allotment (IFA) program and the Existing Debt Allotment (EDA) program. These programs assist school districts in funding facilities by, generally, equalizing a district's I&S tax effort. The IFA guarantees each awarded school district a specified amount per student (the "IFA Guaranteed Yield") in State and local funds for each cent of tax effort to pay the principal of and interest on eligible bonds issued to construct, acquire, renovate or improve instructional facilities. The guaranteed yield per cent of local tax effort per student in ADA has been $36.65 since this program first began in 1997. To receive an IFA award, a school district must apply to the

Commissioner in accordance with rules adopted by the Commissioner before issuing the bonds to be paid with IFA state assistance. The total amount of debt service assistance over a biennium for which a district may be awarded is limited to the lesser of (1) the actual debt service payments made by the 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 district receives an IFA award for bonds, it is entitled to continue receiving State assistance for such bonds without reapplying to the Commissioner. The guaranteed level of State and local funds per student per cent of local tax effort applicable to the bonds may not be reduced below the level provided for the year in which the bonds were issued. The 85th State Legislature did not appropriate any funds for new IFA awards for the 2018-2019 State fiscal biennium; however, awards previously granted in years the State Legislature did appropriate funds for new IFA awards will continue to be funded.

State financial assistance is provided for certain existing eligible debt issued by school districts through the EDA program. The EDA guaranteed yield (the "EDA Yield") is the same as the IFA Guaranteed Yield ($35 per cent of local tax effort per student in ADA). The 85th State Legislature changed the EDA Yield to the lesser of (i) $40 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 districts would have been entitled to if the EDA Yield were $35. The yield for the 2018-2019 fiscal year is $37. The portion of a district's local debt service rate that qualifies for EDA assistance is limited to the first 29 cents of debt service tax (or a greater amount for any year provided by appropriation by the Texas Legislature). In general, a district's bonds are eligible for EDA assistance if (i) the district made payments on the bonds during the final fiscal year of the preceding State fiscal biennium or (ii) the 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 biennia. A district may not receive EDA funding for the principal and interest on a series of otherwise eligible bonds for which the district receives IFA funding.

A district may also qualify for a NIFA allotment, which provides assistance to districts for operational expenses associated with opening new instructional facilities. The 85th Texas Legislature appropriated funds in the amount of $23,750,000 for each of the 2017-18 and 2018-19 fiscal years for NIFA allotments.

### 2006 Legislation

Since the enactment of the Reform Legislation in 2006, most school districts in the State have operated with a "target" funding level per student ("Target Revenue") that is based upon the "hold harmless" principles embodied in the Reform Legislation. This system of Target Revenue was superimposed on the Foundation School Program and made existing funding formulas substantially less important for most school districts. The Reform Legislation was intended to lower M&O tax rates in order to give school districts "meaningful discretion" in setting their M&O tax rates, while holding school districts harmless by providing them with the same level of overall funding they received prior to the enactment of the Reform Legislation. Under the Target Revenue system, each school district is generally entitled to receive the same amount of revenue per student as it did in either the 2005–2006 or 2006–07 fiscal year (under existing laws prior to the enactment of the Reform Legislation), as long as the district adopted an M&O tax rate that was at least equal to its compressed rate. The reduction in local M&O taxes resulting from the mandatory compression of M&O tax rates under the Reform Legislation, by itself, would have significantly reduced the amount of local revenue available to fund the Finance System. To make up for this shortfall, the Reform Legislation authorized Additional State Aid for Tax Reduction ("ASATR") for each school district in an amount equal to the difference between the amount that each district would receive under the Foundation School Program and the amount of each district's Target Revenue funding level. However, in subsequent legislative sessions, the Texas Legislature has gradually reduced the reliance on ASATR by increasing the funding formulas. This phase-out of ASATR began with actions adopted by the 83rd Texas Legislature. Beginning with the 2017-18 school year, the statutes authorizing ASATR are repealed.

### 2017 Legislation

The 85th Texas Legislature, including the regular session which concluded on May 29, 2017, and the special session which concluded on August 15, 2017, did not enact substantive changes to the Finance System. However, certain bills during the regular session and House Bill 21, which was passed during the special session and signed by the Governor on August 16, 2017, revised certain aspects of the formulas used to determine school district entitlements under the Finance System. In addition to amounts previously discussed, the 85th Texas Legislature additionally appropriated funds to (i) establish a Financial Hardship Transition Program, which provides grants ("Hardship Grants") to those districts which were heavily reliant on ASATR funding, and (ii) provide an Adjustment for Rapid Decline in Taxable Value of Property ("DPV Decline Adjustment") for districts which experienced a decline in their tax base of more than four percent for tax years 2015 and 2016. A district may receive either a Hardship Grant or a DPV Decline Adjustment, but cannot receive both. In a case where a district would have been eligible to receive funding under both programs, the district will receive the greater of the two amounts.

### 2019 Legislation

The 86th Texas Legislature convened on January 8, 2019 and adjourned on May 27, 2019. Among other bills, the Legislature adopted House Bill 3 ("HB3"), providing for changes to financing public schools. HB3 was signed by the Governor and became law on June 11, 2019.

HB3 includes an increase in the State's share of public school funding from approximately 38% to 45% for the next biennium (September 1, 2019 through August 21, 2021). The bill provides an increase of $11.5 billion in State funding for public education, including salary increases for classroom teachers and other educators, school district property tax relief, and a reduction in recapture. HB3 generally provides for an increase in the Basic Allotment from the current level of $5,140 to approximately $6,160 per student. Under HB3, Tier 1 maintenance tax rates are compressed to at least 93 percent, with additional compression beginning in fiscal year 2021 in districts where property value growth exceeds 2.5 percent. Finally, as a result of the school finance reform in HB3, recapture payments from local school districts to the State are projected to decrease by $3.5 billion for the 2020-2021 State fiscal biennium. While HB3 contemplates substantial changes to the components that comprise the State's framework for funding public education, many of the core elements and principles remain, including state and local sources that provide the principal sources of funding public education. HB3 is a complex bill that is subject to interpretation, implementation and administration by the Commissioner of Education and other state agencies, and in certain circumstances the Commissioner of Education is given authority to effect changes in order to correct unintended consequences. Accordingly, the meaning and impact of certain provisions of HB3 remain subject to interpretation and adjudication by the Commissioner of Education and other state agencies. The District is currently reviewing the impact of HB3 on the District's tax rate, operations, and budget, and any summary of the District's historical financial information contained herein may not be indicative of future results. HB 3 is not incorporated by reference into this Official Statement. Readers wanting additional information on HB3 are directed to Tex. H.B.3, 86th Leg. R.S. (2019) for additional information regarding the bill

The Legislature meets in regular session in odd-numbered years, for 140 days. When the Legislature is not in session, the Governor may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The District can make no representations or predictions regarding legislation that may pass during future sessions of the Legislature.

## Wealth Transfer Provisions

Some districts have sufficient property wealth per student in WADA ("wealth per student") to generate their statutory level of funding through collections of local property taxes alone. Districts whose wealth per student generates local property tax collections in excess of their statutory level of funding are referred to as "Chapter 41" districts because they are subject to the wealth equalization provisions contained in Chapter 41 of the Texas Education Code. Chapter 41 districts may receive State funds for certain competitive grants and a few programs that remain outside the Foundation School Program, as well as receiving ASATR until their overall funding meets or exceeds their Target Revenue level of funding. Otherwise, Chapter 41 districts are not eligible to receive State funding. Furthermore, Chapter 41 districts must exercise certain options in order to reduce their wealth level to equalized wealth levels of funding, as determined by formulas set forth in the Reform Legislation. For most Chapter 41 districts, this equalization process entails paying the portion of the district's local taxes collected in excess of the equalized wealth levels of funding to the State (for redistribution to other school districts) or directly to other school districts with a wealth per student that does not generate local funds sufficient to meet the statutory level of funding, a process known as "recapture".

The equalized wealth levels that subject Chapter 41 districts to wealth equalization measures for the 2018-2019 State fiscal biennium are set at (i) $514,000 per student in WADA with respect to that portion of a district's M&O tax effort that does not exceed its compressed tax rate (for most districts, the first $1.00 per $100 of taxable value) and (ii) $319,500 per WADA with respect to that portion of a district's M&O tax effort that is beyond its compressed rate plus $.06 (for most districts, M&O taxes levied above $1.06 per $100 in taxable value). So long as the State's equalization program under Chapter 42 of the Texas Education Code is funded to provide tax revenue equivalent to that raised by the Austin Independent School District on the first six pennies of tax effort that exceed the compressed tax rate, then M&O taxes levied above $1.00 but at or below $1.06 per $100 of taxable value ("Golden Pennies") are not subject to the wealth equalization provisions of Chapter 41. Because funding at the Austin Independent School District level is currently being provided to school districts under Chapter 42 of the Texas Education Code, no recapture is currently associated with the Golden Pennies. Chapter 41 districts with a wealth per student above the lower equalized wealth level but below the higher equalized wealth level must equalize their wealth only with respect to the portion of their M&O tax rate, if any, in excess of $1.06 per $100 of taxable value.

Under Chapter 41, a district has five options to reduce its wealth per student so that it does not exceed the equalized wealth levels: (1) a district may consolidate by agreement with one or more districts to form a consolidated district; all property and debt of the consolidating districts vest in the consolidated district; (2) a district may detach property from its territory for annexation by a property-poor district; (3) a district may purchase attendance credits from the State; (4) a district may contract to educate nonresident students from a property-poor district by sending money directly to one or more property-poor districts; or (5) a district may consolidate by agreement with one or more districts to form a consolidated taxing district solely to levy and distribute either M&O taxes or both M&O taxes and I&S taxes. A Chapter 41 district may also exercise any combination of these remedies. Options (3), (4) and (5) require prior approval by the Chapter 41 district's voters.

A district may not adopt a tax rate until its effective wealth per student is at or below the equalized wealth level. If a district fails to exercise a permitted option, the Commissioner must reduce the district's property wealth per student to the equalized wealth level by detaching certain types of property from the district and annexing the property to a property-poor district or, if necessary,

consolidate the district with a property-poor district. Provisions governing detachment and annexation of taxable property by the Commissioner do not provide for assumption of any of the transferring district's existing debt. The Commissioner has not been required to detach property in the absence of a district failing to select another wealth-equalization option.

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

The District's wealth per student for the current school year is less than the equalized wealth value. Accordingly, the District has not been required to exercise one of the permitted wealth equalization options. As a district with wealth per student less than the equalized wealth value, the District has not in the past but may benefit in the future by agreeing to accept taxable property or funding assistance from or agree to consolidate with a property-rich district to enable such district to reduce its wealth per student to the permitted level. To date, the District has not entered into any such agreement. (See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Wealth Transfer Provisions".

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

## AD VALOREM TAX PROCEDURES

### Property Tax Code and County-Wide Appraisal District

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

### Property Subject to Taxation by the District

Except for certain exemptions provided by State law, all real and certain tangible personal property with a tax situs in the District is subject to taxation by the District. Principal categories of exempt property (including certain exemptions which are subject to local option by the Board of Trustees of the District) include property owned by the State or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain improvements to real property and certain tangible personal property located in designated reinvestment zones on which the District has agreed to abate ad valorem taxes; certain household goods, family supplies and personal effects; farm products owned by the producers; certain real property and tangible personal property owned by a non-profit community business organization or a charitable organization; and designated historic sites. Other principal categories of exempt property include tangible personal property not held or used for production of income; solar and wind powered energy devices; most individually owned automobiles; $10,000 exemption to residential homesteads of disabled persons or persons ages 65 or over; an exemption from $5,000 to a maximum of $12,000 for real or personal property of disabled veterans or the surviving spouses (so long as the surviving spouse remains unmarried) or children (under 18 years of age) of a deceased veteran who died while on active duty in the armed forces, with veterans who are 100% disabled (being a disabled veteran who receives from the United States Department of Veterans Affairs or its successor 100% disability compensation due to a service-connected disability and a rating of 100% disabled or of individual unemployability) or such veterans surviving spouse (so long as the surviving spouse remains unmarried) entitled to an exemption from taxation of the total appraised value of the veteran's residential homestead; an exemption for a partially disabled veteran or certain surviving spouses of partially disabled veterans of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization; an exemption for the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse; $25,000 in market value for all residential homesteads; and certain classes of intangible property. In addition, except for increases attributable to certain improvements, the District is prohibited by State law from increasing the total ad valorem tax of the residence homestead of persons 65 years of age or older above the amount of tax imposed in the year such residence qualified for an exemption based on age of the owner. The freeze on ad valorem taxes on the homesteads of persons 65 years of age or older is also transferable to a different residence homestead. Also, a surviving spouse of a taxpayer who qualifies for the freeze on ad valorem taxes is entitled to the same exemption so long as (i) the taxpayer died in a year in which he qualified for the exemption, (ii) the surviving spouse was at least 55 years of age when the taxpayer died and (iii) the property was the residence homestead of

the surviving spouse when the taxpayer died and the property remains the residence homestead of the surviving spouse. The freeze on taxes paid on residence homesteads of persons 65 years of age and older was extended to include the resident homesteads of "disabled" persons, including the right to transfer the freeze to a different residence homestead. A "disabled" person is one who is "under a disability for purposes of payment of disability insurance benefits under the Federal Old Age, Survivors and Disability Insurance." Pursuant to a constitutional amendment approved by the voters on May 12, 2007, legislation was enacted to reduce the school property tax limitation imposed by the freeze on taxes paid on residence homesteads of persons 65 years of age or over or of disabled persons to correspond to reductions in local school district tax rates from the 2005 tax year to the 2006 tax year and from the 2006 tax year to the 2007 tax year (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – General"). The school property tax limitation provided by the constitutional amendment and enabling legislation apply to the 2007 and subsequent tax years. Owners of agricultural and open space land, under certain circumstances, may request valuation of such land on the basis of productive capacity rather than market value.

Article VIII, Section 1-j of the Texas Constitution provides for an exemption from ad valorem taxation for "freeport property," which is defined as goods detained in the state for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Taxing units that took action prior to April 1, 1990 may continue to tax freeport property and decisions to continue to tax freeport property may be reversed in the future. However, decisions to exempt freeport property are not subject to reversal.

Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of "goods-in-transit." "Goods-in-transit" is defined by Section 11.253 of the Tax Code, which is effective for tax years 2008 and thereafter, as personal property acquired or imported into Texas and transported to another location in the State or outside of the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory. Section 11.253 of the Tax Code permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax "goods-in-transit" during the following tax year. A taxpayer may only receive either the freeport exemption or the "goods-in-transit" exemption for items of personal property. See "Appendix A – Financial Information Regarding the District" for a schedule of exemptions allowed by the District.

A city or county may create a tax increment financing district ("TIF") within the city or county with defined boundaries and establish a base value of taxable property in the TIF at the time of its creation. Overlapping taxing units, including school districts, may agree with the city or county to contribute all or part of future ad valorem taxes levied and collected against the "incremental value" (taxable value in excess of the base value) of taxable real property in the TIF to pay or finance the costs of certain public improvements in the TIF, and such taxes levied and collected for and on behalf of the TIF are not available for general use by such contributing taxing units. Prior to September 1, 2001, school districts were allowed to enter into tax abatement agreements to encourage economic development. Under such agreements, a property owner agrees to construct certain improvements on its property. The school district in turn agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. Effective September 1, 2001, school districts may not enter into tax abatement agreements under the general statute that permits cities and counties to initiate tax abatement agreements. In addition, credit will not be given by the Commissioner of Education in determining a district's property value wealth per student for (1) the appraised value, in excess of the "frozen" value, of property that is located in a TIF created after May 31, 1999 (except in certain limited circumstances where the municipality creating the tax increment financing zone gave notice prior to May 31, 1999 to all other taxing units that levy ad valorem taxes in the TIF of its intention to create the TIF and the TIF was created and had its final project and financing plan approved by the municipality prior to August 31, 1999), or (2) for the loss of value of abated property under any abatement agreement entered into after May 31, 1993. Notwithstanding the foregoing, in 2001 the Legislature enacted legislation known as the Texas Economic Development Act, which provides incentives for school districts to grant limitations on appraised property values and provide ad valorem tax credits to certain corporations and limited liability companies to encourage economic development within the district. Generally, during the last eight years of the ten-year term of a tax limitation agreement, the school district may only levy and collect ad valorem taxes for maintenance and operation purposes on the agreed-to limited appraised property value. The taxpayer is entitled to a tax credit from the school district for the amount of taxes imposed during the first two years of the tax limitation agreement on the appraised value of the property above the agreed-to limited value. Additional State funding is provided to a school district for each year of such tax limitation in the amount of the tax credit provided to the taxpayer. During the first two years of a tax limitation agreement, the school district may not adopt a tax rate that exceeds the district's voter-approved tax rate (see "AD VALOREM TAX PROCEDURES – Public Hearing and Voter-Approved Tax Rate").

### Valuation of Property for Taxation

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

State law requires the appraised value of a residence homestead to be based solely on the property's value as a residence homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a residence homestead for a tax year to an amount not to exceed the lesser of (1) the property's market value in the most recent tax year in which the market value was determined by the Appraisal District or (2) the sum of (a) 10% of the property's appraised value for the preceding tax year, (b) the appraised value of the property for the preceding tax year; and (c) the market value of all new improvements to the property.

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

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

### Residential Homestead Exemption

Under Section 1-b, Article VIII of the Texas Constitution and State law, the governing body of a political subdivision, at its option, may grant an exemption of not less than $3,000 of market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision. Once authorized, such exemption may be repealed or decreased or increased in amount (i) by the governing body of the political subdivision or (ii) by a favorable vote of a majority of the qualified voters at an election called by the governing body of the political subdivision, which election must be called upon receipt of a petition signed by at least 20% of the number of qualified voters who voted in the preceding election of the political subdivision. In the case of a decrease, the amount of the exemption may not be reduced to less than $3,000 of the market value.

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

A partially disabled veteran or the surviving spouse of a partially disabled veteran, if such spouse has not remarried since the death of the disabled veteran and the property was the residence homestead of the surviving spouse when the disabled veteran died and remains the residence homestead of the surviving spouse, is entitled to an exemption equal to the percentage of the veteran's disability, if the residence was donated to the disabled veteran by a charitable organization at no cost to the disabled veteran, or at some cost to the disabled veteran in the form of a cash payment, a mortgage, or both in an aggregate amount that is not more than 50% of the good faith estimate of the market value of the residence homestead made by the charitable organization as of the date the donation is made. Such exemption is transferable to a different property of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received. Also, the surviving spouse of a member of the armed forces who is killed in action is entitled to a property tax exemption for all or part of the market value of such surviving spouse's residences homestead, if the surviving spouse has not remarried since the service member's death and said property was the service member's residence homestead at the time of death. Such exemption is transferable to a different property of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

The surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to a property tax exemption for all or part of the market value of such surviving spouse's residence homestead, if the surviving spouse has not remarried since the first responder's death and said property was the first responder's residence homestead at the time of death. Such exemption is transferable 42 to a different property of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

In addition to any other exemptions provided by the Property Tax Code, the governing body of a political subdivision, at its option, may grant an exemption of up to 20% of the market value of residence homesteads, with a minimum exemption of $5,000. Effective until December 31, 2019, the governing body of a political subdivision that adopted such exemption for the 2014 tax year (fiscal year 2015) is prohibited from repealing or reducing the amount of such exemption.

In the case of residence homestead exemptions granted under Section 1-b, Article VIII, ad valorem taxes may continue to be levied against the value of homesteads exempted where ad valorem taxes have previously been pledged for the payment of debt if cessation of the levy would impair the obligation of the contract by which the debt was created.

### District and Taxpayer Remedies

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

### Public Hearing and Voter-Approved Tax Rate

In setting its annual tax rate, the governing body of a school district generally cannot adopt a tax rate exceeding the district's "voter-approval tax rate" without approval by a majority of the voters voting at an election approving the higher rate. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures and (2) a rate for debt service.

HB3 established the following voter-approval tax rates for the 2019 and subsequent tax years:

For the 2019 tax year, the voter-approval tax rate for a school district is the sum of the following (1) the rate per $100 of taxable value that is equal to the product of the state compression percentage for the 2019 tax year and $1.00, (2) the greater of (a) the district 's maintenance and operations tax rate for the 2018 tax year, less the sum of (i) $1.00 and (ii) any amount by which the district is required to reduce the district 's enrichment tax rate under Section 48.202(f), Education Code, in the 2019 tax year or (b) the rate of $0.04 per $100 of taxable value; and (C) the district 's current debt rate.

Beginning with the 2020 tax year, the voter-approval tax rate for a school district is the sum of (1) the rate per $100 of taxable value that is equal to the district 's maximum compressed tax rate, as determined under Section 48.2551, Education Code, for the current year, (2) the greater of (a) the district 's enrichment tax rate for the preceding tax year, less any amount by which the district is required to reduce the district's enrichment tax rate under Section 48.202(f), Education Code, in the current tax year; or (b) the rate of $0.05 per $100 of taxable value, and (3) the district's current debt rate.

HB3 provides for a state compression percentage equal to 93 percent or a lower percentage set by legislative appropriation for a school year. HB3 further provides that a district 's maximum compressed rate is the lesser of (i) the product of the state compression percentage, as determined under Section 48.255, Education Code, for the current tax year, multiplied by $1.00, and (2) the rate that limits the district's maintenance and operations tax collections to an amount that does not exceed collections in the prior year plus 2.5% of such collections. A district 's enrichment tax rate consists of (1) any cents of additional maintenance and operations tax effort, not to exceed eight cents over the maximum tier one maintenance and operations tax rate, and (2) any cents of additional maintenance and operations tax effort that exceeds the sum of the maximum tier one maintenance and operations tax rate and the maximum number of cents permitted under clause (1).

As noted under the sub-caption "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - 2019 Legislation," HB3 is a complex bill that is subject to interpretation, implementation and administration by the Commissioner of Education and other state agencies, and in certain circumstances the Commissioner of Education is given authority to effect changes in order to correct unintended consequences. The foregoing summary of certain provisions of HB 3 relating to the voter-approval tax rate remain subject to interpretation by the Commissioner of Education and implementation by the Texas Education Agency.

By each September 1 or as soon thereafter as practicable, the Board of Trustees adopts a tax rate per $100 taxable value for the current year. 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 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 district if the 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) 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 district delivers substantially all of its tax bills. Furthermore, Section 26.05 of the Property Tax Code provides that the governing body of a taxing unit is required to adopt the annual tax rate for the unit before the later of September 30 or the 60th day after the date the certified appraisal roll is received by the taxing unit, except that the governing body must adopt a tax rate that exceeds the voter-approval tax rate not later than the 71st day before the next uniform election date prescribed by Section 41.001, Election Code, that occurs in November of that year. A failure to adopt a tax rate by the required date will result in the tax rate for the taxing unit 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 taxing unit for the preceding tax year. Beginning September 1, 2009, a district may adopt its budget after adopting a tax rate for the tax year in which the fiscal year covered by the budget begins if the district elects to adopt its tax rate before receiving the certified appraisal roll. A 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.

### 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. Before the later of September 30 or the 60th day after the date that the certified appraisal role is received by the District, the rate of taxation must be set by the Board of Trustees of the District based upon the valuation of property within the District as of the preceding January 1 and the amount required to be raised for debt service and maintenance and operations purposes. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty from six percent (6%) to twelve percent (12%) of the amount of the tax, depending on the time of payment, and accrues interest at the rate of one percent (1%) per month. If the tax is not paid by the following July 1, an additional penalty of up to twenty percent (20%) may, under certain circumstances, be imposed by the District. The 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 under certain circumstances.

### District's Rights in the Event of Tax Delinquencies

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

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

### Collection of Taxes - Penalty and Interest Charges

The Board of Trustees has approved a resolution initiating 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. Charges for penalties and interest on the unpaid balance of delinquent taxes are as follows:

| Month | Cumulative Penalty | Cumulative Interest[(b)] | Total |
|---|---|---|---|
| February | 6% | 1% | 7% |
| March | 7 | 2 | 9 |
| April | 8 | 3 | 11 |
| May | 9 | 4 | 13 |
| June | 10 | 5 | 15 |
| July | 32[(a)] | 6 | 38 |

[(a)] Includes additional penalty of 20% assessed after July 1 in order to defray attorney collection expenses.
[(b)] Taxes delinquent after July 1 incur an additional interest penalty of 20% of the sum of the delinquent taxes plus the penalties and interest to defray attorney collection fees.

Property within the District is assessed as of January 1 of each year (except business inventories which may be assessed as of September 1 and mineral values which are assessed on the basis of a twelve-month average) and taxes become due October 1 of the same year and become delinquent on February 1 of the following year.

## EMPLOYEES' BENEFIT PLANS

The District's employees participate in a retirement plan (the "Plan") with the State of Texas. The plan is administered by the Teacher Retirement System of Texas ("TRS"). State contributions are made to cover costs of the TRS retirement plan up to certain statutory limits. The District is obligated for a portion of TRS costs relating to employee salaries that exceed the statutory limit. (See "APPENDIX B – ANNUAL FINANCIAL REPORT."). In addition to the TRS retirement plan, the District provides health care coverage for its employees.

Formal collective bargaining agreements relating directly to wages and other conditions of employment are prohibited by Texas law, as are strikes by teachers. There are various local, state, and national organized employee groups who engage in efforts to

better the 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.

## TAX RATE LIMITATIONS

A school district is authorized to levy maintenance and operation ("M&O") taxes subject to approval of a proposition submitted to district voters. The maximum M&O tax rate that may be levied by a district cannot exceed the voted maximum rate or the maximum rate described in the succeeding paragraphs. The maximum voted M&O tax rate for the District is $1.50 per $100 of assessed valuation as approved by the voters at an election held on March 5, 1970, pursuant to Article 2784e-1, Texas Revised Civil Statutes Annotated, as amended ("Article 2784e-1").

Article 2784e-1 limits the District's annual M&O tax rate based upon a comparison between the District's outstanding bonded indebtedness and the District's taxable assessed value per $100 of assessed valuation. Article 2784e-1 provides for a reduction of $0.10 for each one percent (1%) or major fraction thereof increase in bonded indebtedness beyond seven percent (7%) of assessed valuation of property in the District. This limitation is capped when the District's bonded indebtedness is ten percent (10%) (or greater) of the District's assessed valuation which would result in an annual M&O tax rate not to exceed $1.20. Lastly, the Texas Attorney General in reviewing the District's transcript of proceedings will allow the District to reduce the amount of its outstanding bonded indebtedness by the amount of funds (on a percentage basis) that the District receives in State assistance for the repayment of this bonded indebtedness (for example, if the District anticipates that it will pay 75% of its bonded indebtedness from State assistance, for the purposes of Article 2784e-1, the Texas Attorney General will assume that only 25% of the District's bonded indebtedness is outstanding and payable from local ad valorem taxes).

The maximum tax rate per $100 of assessed valuation that may be adopted by the District may not exceed the lesser of (A) $1.50, or such lower rate as described in the preceding paragraph, and (B) the sum of (1) the rate of $0.17, and (2) the product of the "State Compression Percentage" multiplied by $1.50. The State Compression Percentage has been set, and will remain, at 66.67% for 2018-2019 State fiscal biennium. The State Compression Percentage is set by legislative appropriation for each State fiscal biennium or, in the absence of legislative appropriation, by the Commissioner. For a more detailed description of the State Compression Percentage, see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Funding for School Districts". Furthermore, a school district cannot annually increase its tax rate in excess of the district's "voter-approved tax rate" without submitting such tax rate to a referendum election and a majority of the voters voting at such election approving the adopted rate. See "AD VALOREM TAX PROCEDURES – Public Hearing and Voter-Approved Tax Rate."

A school district is also authorized to issue bonds and levy taxes for payment of bonds subject to voter approval of a proposition 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.

Section 45.0031, Texas Education Code, as amended ("Section 45.0031"), requires a district to demonstrate to the Texas Attorney General that it has the prospective ability to pay its maximum annual debt service on a proposed issue of bonds and all previously issued bonds, other than bonds approved by district voters at an election held on or before April 1, 1991 and issued before September 1, 1992 (or debt issued to refund such bonds, collectively, "exempt bonds"), from a tax levied at a rate of $0.50 per $100 of assessed valuation before bonds may be issued. In demonstrating the ability to pay debt service at a rate of $0.50, a district may take into account EDA and IFA allotments to the district, which effectively reduces the district's local share of debt service, and may also take into account Tier One funds allotted to the district. The District is required to deposit any State allotments provided solely for payment of debt service into the District's interest and sinking fund upon receipt of such amounts. In addition, the District must, prior to levying an interest and sinking fund tax rate that exceeds $0.50 per $100 of assessed valuation, credit to the interest and sinking fund other State assistance, including Tier One funds that may be used for either operating purposes or for payment of debt service, in an amount equal to the amount needed to demonstrate compliance with the threshold tax rate test and which is received or to be received in that year. Once the prospective ability to pay such tax has been shown and the bonds are issued, a district may levy an unlimited tax to pay debt service. Taxes levied to pay refunding bonds issued pursuant to Chapter 1207, Texas Government Code, are not subject to the $0.50 tax rate test; however, taxes levied to pay debt service on such bonds (other than bonds issued to refund exempt bonds) are included in maximum annual debt service for calculation of the $0.50 threshold tax rate test when applied to subsequent bond issues. The Bonds are subject to the $0.50 threshold tax rate test. Under current law, a district may demonstrate its ability to comply with the $0.50 threshold tax rate test by applying the $0.50 tax rate to an amount equal to 90% of projected future taxable value of property in the district, as certified by a registered professional appraiser, anticipated for the earlier of the tax year five years after the current tax year or the tax year in which the final payment for the bonds is due. However, if a district uses projected future taxable values to meet the $0.50 threshold tax rate test and subsequently imposes a tax at a rate greater than $0.50 per $100 of valuation to pay for bonds subject to the test, then for subsequent bond issues, the Texas Attorney General must find that the district has the projected ability to pay principal and interest on the proposed bonds and all previously issued bonds subject to the $0.50 threshold tax rate test from a tax rate of $0.45 per $100 of valuation. The District has not used State assistance other than EDA or IFA allotment funding or projected property values to satisfy this threshold test.

## INVESTMENTS

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

### Legal Investments

Under Texas law, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly 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 is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation 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) certificates of deposit (i) meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code) that are issued by or through an institution that either has its main office or a branch in Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) 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 (I) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the District as required by law or (II) a depository institution that has its main office or a branch office in the State of Texas that is selected by the District; (iii) the broker or the depository institution selected by the District arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the District; (iv) 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 (v) the District appoints the depository institution selected under (ii) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the District with respect to the certificates of deposit issued for the account of the District; (8) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described in clause (1) require the securities being purchased by the District or cash held by the District to 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 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; (9) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (10) commercial paper with a stated maturity of 270 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (11) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share; and (12) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in the this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or its equivalent. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below.

A political subdivision such as the District may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) 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 (6) above, clauses (10) through (12) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) 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 may also 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 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 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.

### Investment Policies

Under Texas 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 include a list of authorized investments for District funds, the maximum allowable stated maturity of any individual investment and 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 Texas Public Funds Investment Act. 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 Texas law, the District's 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 District's investment officers must submit an investment report to the Board of Trustees detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, and any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) Texas law. No person may invest District funds without express written authority from the Board of Trustees.

### Additional Provisions

Under Texas law, the District is additionally required to: (1) annually review its adopted policies and strategies, (2) require any investment officers with personal business relationships or family relationships with firms seeking to sell securities to the District to disclose the relationship and file a statement with the Texas Ethics Commission and the District, (3) require the registered principal of firms seeking to sell securities to the District to: (a) receive and review the District's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the District's investment policy, (5) 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 repurchase agreement, (6) 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, (7) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements and (8) provide specific investment training for the Treasurer, the chief financial officer (if not the Treasurer) and the investment officer.

## TAX MATTERS

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Notes is not a specific preference item for purposes of the federal alternative minimum taxes. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix C hereto.

To the extent the issue price of any maturity of the Notes is less than the amount to be paid at maturity of such Notes (excluding amounts stated to be interest and payable at least annually over the term of such Notes), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Notes which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Notes is the first price at which a substantial amount of such maturity of the Notes is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Notes accrues daily over the term to maturity of such Notes on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between

compounding dates). The accruing original issue discount is added to the adjusted basis of such Notes to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Notes. Beneficial Owners of the Notes should consult their own tax advisors with respect to the tax consequences of ownership of Notes with original issue discount, including the treatment of Beneficial Owners who do not purchase such Notes in the original offering to the public at the first price at which a substantial amount of such Notes is sold to the public.

Notes purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Notes") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of Notes, like the Premium Notes, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Certificate, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Notes should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Notes. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Notes will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Notes being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Notes. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Notes may adversely affect the value of, or the tax status of interest on, the Notes. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Notes is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Notes may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Notes to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Notes. Prospective purchasers of the Notes should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Notes for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Notes ends with the issuance of the Notes, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Notes in the event of an audit examination by the IRS. Under current procedures, parties other than the District and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt Notes is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Notes for audit, or the course or result of such audit, or an audit of Notes presenting similar tax issues may affect the market price for, or the marketability of, the Notes, and may cause the District or the Beneficial Owners to incur significant expense.

## CONTINUING DISCLOSURE OF INFORMATION

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

## Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually in an electronic format as prescribed by the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in Appendix A to this Official Statement under Tables numbered 1 through 5 and 7 through 12 and in APPENDIX A. The District will update and provide this information within six months after the end of each fiscal year.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if the District commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the District will provide unaudited financial statements by the required time and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX B or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District's current fiscal year end is June 30. Accordingly, it must provide updated information by the last day of December in each year following the end of its fiscal year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

## Material Event Notices

The District will also provide timely notices of certain events to the MSRB (not in excess of ten (10) days after the occurrence of the event). The District will provide notice of any of the following events with respect to the Notes: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes; (7) modifications to rights of holders of the Notes, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Notes, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, 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. (Neither the Notes nor the Resolution make any provision for debt service reserves, redemption provisions, liquidity enhancement, or credit enhancement). In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports".

For these purposes, any event described in clause (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

For the events listed in clause (15) and (16) above, the term "financial obligation" means a: (A) debt obligation; (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) a guarantee of either (A) or (B). The term "financial obligation" shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

All documents provided to the MSRB shall be accompanied by identifying information, as prescribed by the MSRB.

## Limitations and Amendments

The District has agreed to update information and to provide notices of material 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 the Notes at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from

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

This continuing disclosure agreement may be amended by the District 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 District, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell Notes in the primary offering of the Notes in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the registered owners of a majority in aggregate principal of the outstanding Notes consent to such amendment or (b) a person that is unaffiliated with the District (such as nationally recognized Bond Counsel) determines that such amendment will not materially impair the interest of the registered owners and beneficial owners of the Notes. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Notes in the primary offering of the Notes. If the District amends its agreement, it must include with the next financial information and opening 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 type of information and data provided. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Notes in the primary offering of the Notes.

### Compliance with Prior Undertakings

The District failed to timely file its audited financial statements and annual financial operating data for fiscal year ending 2016. The District filed its material event notice related to such late filing and filed its audited financial statements and/or annual financial operating data for fiscal year ending 2016 on January 13, 2017. The District has implemented procedures to assure compliance with filing requirements in the future. Other than as described above, over the last five years, the District has complied in all material respects with its continuing disclosure agreements pursuant to the Rule.

## OTHER INFORMATION

### Ratings

S&P Global Ratings, ("S&P") has assigned a municipal bond rating to the Notes of "A+". An explanation of the significance of such ratings may be obtained from S&P. The ratings reflect only the views of S&P, and the District makes no representation as to the appropriateness of such ratings.

The above ratings are not recommendations to buy, sell, or hold the Notes, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of either or both ratings may have an adverse effect on the market price of the Notes.

### No Litigation Certificate

The District is not a party to any litigation or other proceeding pending or to its 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 statements or operations of the District. At the time of the initial delivery of the Notes, the District will provide the Underwriter with a certificate to the effect that no litigation of any nature has been filed or is then pending challenging the issuance of the Notes or that affects the payment and security of the Notes or in any other manner questioning the issuance, sale, or delivery of said Notes.

### Legal Investments and Eligibility to Secure Public Funds in Texas

Under the Texas Public Security Procedures Act (Texas Government Code, Chapter 1201), the Notes (1) are negotiable instruments, (2) are investment securities to which Chapter 8 of the Texas Uniform Commercial Code applies, and (3) are legal and authorized investments for (A) an insurance company, (B) a fiduciary or trustee, or (C) a sinking fund of a municipality or other political subdivision or public agency of the State of Texas. The Notes are eligible to secure deposits of any public funds of the State, its agencies, and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the Notes may have to be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency before such Notes are eligible investments for sinking funds and other public funds. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Notes are legal investments for state banks, savings banks, trust companies with at least $1 million of capital and savings and loan associations.

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

## Registration and Qualification of Notes for Sale

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

## Legal Matters

The District will furnish a complete transcript of proceedings incident to the authorization and issuance of the Notes, including the unqualified approving legal opinions of the Attorney General of the State of Texas to the effect that the Notes are valid and legally binding obligations of the District, and based upon examination of such transcript of proceedings, the legal opinion of Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Bond Counsel, with respect to the Notes being issued in compliance with the provisions of applicable law and the interest on the Notes being excludable from gross income for purposes of federal income tax. The form of Bond Counsel's opinion is attached hereto as APPENDIX C – Form of Bond Counsel Opinion.

Bond Counsel was engaged by, and only represents, the District. Except as noted below, Bond Counsel did not take part in the preparation of the Official Statement, and the firms have 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 captions or subcaptions, "THE NOTES" (except under the subcaption ""Book-Entry Only System"), "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS", "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" (except under the subcaption "Possible Effects of Wealth Transfer Provisions on the District's Financial Condition"), "TAX RATE LIMITATIONS," "TAX MATTERS," "CONTINUING DISCLOSURE OF INFORMATION" (except under the subcaption "Compliance With Prior Undertakings"), "OTHER INFORMATION – Legal Investments and Eligibility To Secure Public Funds in Texas", "OTHER INFORMATION – Registration and Qualification of Notes For Sale", and "OTHER INFORMATION – Legal Matters" (except for the last two sentences of the second paragraph thereof) and such firm is of the opinion that the information relating to the Notes and legal matters contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Notes, such information conforms to the Resolution. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Notes is contingent upon the sale and delivery of the Notes. The legal opinion of Bond Counsel will accompany the Notes deposited with DTC or will be printed on the definitive Notes in the event of the discontinuance of the Book-Entry Only System. Certain legal matters will be passed upon for the Underwriter by their counsel, Naman Howell Smith & Lee, PLLC, Austin, Texas. The legal fee of such firm is contingent upon the sale and delivery of the Notes.

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

## Financial Advisor

In its role as Financial Advisor, Government Capital Securities Corporation has relied on the District for certain information concerning the District and the Notes. The fee of the Financial Advisor for services with respect to the Notes is contingent upon the issuance and sale of the Notes. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

The Financial Advisor to the District 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.

## 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.

## Use of Audited Financial Statements

Eckert & Company, LLP, the District's independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Eckert & Company, LLP also has not performed any procedures relating to this Official Statement.

## Underwriting

Oppenheimer & Co., Inc. (the "Underwriter) has agreed, subject to certain conditions, to purchase the Notes from the District for $1,628,467.05 (being the principal amount of the Notes, plus a premium of $102,714.55 less an Underwriter's discount of $19,247.50). The Underwriter will be obligated to purchase all of the Notes if any Notes are purchased. The Notes to be offered to the public may be offered and sold to certain dealers (including the Underwriter and other dealers depositing Notes into investment trusts) at process lower than the public offering prices of such Notes, and such public offering prices may be changed, from time to time, by the Underwriter.

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

## Miscellaneous

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

## Concluding Statement

The information set forth herein has been obtained from the District's records, audited financial statements, and other sources which are considered to be reliable. There is no guarantee that any of assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents, and the Resolution contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and the Resolution. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects. The Resolution authorizing the issuance of the Notes will also approve the form and content of this Official Statement and any addenda, supplement, or amendment thereto and authorize its further use in the re-offering of the Notes by the Underwriter. This Official Statement has been approved by the Board of Trustees of the District for distribution in accordance with the provisions of the United States Securities and Exchange Commission's rule codified at 17 C.F.R. Section 240.15c2-12, as amended.

ATTEST:

/s/Ray Sappington
President, Board of Trustees
Valley View Independent School District

/s/Kristen Tarrant
Secretary, Board of Trustees
Valley View Independent School District

**SCHEDULE I**

SCHEDULE OF REFUNDED OBLIGATIONS

| Series to be Refunded | Maturity Date | Interest Rate | Par Amount | Call Date | Call Price |
|---|---|---|---|---|---|
| Maintenance Tax Notes, | 2/15/2020 | 3.520% | $ 88,000 | 7/10/2019 | 100.000 |
| Series 2018 | 2/15/2021 | 3.520% | 92,000 | 7/10/2019 | 100.000 |
| | 2/15/2022 | 3.520% | 95,000 | 7/10/2019 | 100.000 |
| | 2/15/2023 | 3.520% | 98,000 | 7/10/2019 | 100.000 |
| | 2/15/2024 | 3.520% | 102,000 | 7/10/2019 | 100.000 |
| | 2/15/2025 | 3.520% | 105,000 | 7/10/2019 | 100.000 |
| | 2/15/2026 | 3.520% | 109,000 | 7/10/2019 | 100.000 |
| | 2/15/2027 | 3.520% | 113,000 | 7/10/2019 | 100.000 |
| | 2/15/2028 | 3.520% | 117,000 | 7/10/2019 | 100.000 |
| | 2/15/2029 | 3.520% | 121,000 | 7/10/2019 | 100.000 |
| | 2/15/2030 | 3.520% | 126,000 | 7/10/2019 | 100.000 |
| | 2/15/2031 | 3.520% | 130,000 | 7/10/2019 | 100.000 |
| | 2/15/2032 | 3.520% | 135,000 | 7/10/2019 | 100.000 |
| | 2/15/2033 | 3.520% | 140,000 | 7/10/2019 | 100.000 |
| | | | $1,571,000 | | |

**APPENDIX A**

**FINANCIAL INFORMATION REGARDING**

**THE DISTRICT**

### The Tax Code as it Applies to the District

The District grants a state mandated homestead exemption of $15,000 to all qualified residents. If the property owner qualifies for an over 65 or disabled person's exemption the school district grants a state mandated exemption of an additional $10,000. A person eligible for both the over 65 and disabled person's exemption may receive only one.

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

The District does not tax non-business personal property and the District collects its own taxes.

The District does tax "goods in transit" without exemption.

**TABLE 1 - VALUATION, EXEMPTIONS, AND LIMITED TAX SUPPORTED DEBT**

District Direct Limited Tax Debt

| | |
|---|---|
| 2018/19 Certified Taxable Assessed Valuation[(1)] (100% of Estimated Market Value) | $261,020,648 |
| Outstanding Limited Tax Debt | 3,616,000 |
| Plus: The Maintenance Tax Refunding Notes, Series 2019 | 1,545,000 |
| Less: Refunded Obligations | 1,571,000 |
| Total Direct Limited Tax Debt | $ 3,590,000 |
| As a % of 2018/19 Certified Taxable Assessed Valuation | 1.37% |

(1) Provided by Cooke County Appraisal District.

**TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY**

| | Tax Year 2018 | Tax Year 2017 | Tax Year 2016 | Tax Year 2015 | Tax Year 2014 |
|---|---|---|---|---|---|
| Real Property | $ 517,861,215 | $ 465,471,554 | $ 446,181,158 | $ 428,983,931 | $ 423,527,602 |
| Non Real Property | 86,591,395 | 73,007,130 | 85,933,729 | 58,923,971 | 67,106,575 |
| Gross Value | $ 604,452,610 | $ 538,478,684 | $ 532,114,887 | $ 487,907,902 | $ 490,634,177 |
| Less Exemptions | 343,431,962 | 309,174,216 | 297,876,492 | 290,444,455 | 285,273,340 |
| Net Taxable Value | $ 261,020,648 | $ 229,304,468 | $ 234,238,395 | $ 197,463,447 | $ 205,360,837 |

[*Remainder of page intentionally left blank*]

**TABLE 3 - VALUATION AND LIMITED TAX SUPPORTED DEBT HISTORY**

| Fiscal Year Ended 6/30 | Estimated Population[1] | Taxable Assessed Valuation[2] | Taxable Assessed Valuation Per Capita | Limited Tax Supported Debt Outstanding[3] | Ratio of Limited Tax Supported Debt to Assessed Valuation | Limited Tax Supported Debt Per Capita |
|---|---|---|---|---|---|---|
| 2015 | 3,801 | $205,360,837 | $54,028 | $2,390,000 | 1.16% | $629 |
| 2016 | 3,812 | 197,463,447 | 51,800 | 2,325,000 | 1.18% | 610 |
| 2017 | 3,949 | 234,238,395 | 59,316 | 2,235,000 | 0.95% | 566 |
| 2018 | 4,075 | 229,304,468 | 56,271 | 3,777,000 | 1.65% | 927 |
| 2019 | 4,218 | 261,020,648 | 61,883 | 3,590,000[4] | 1.37% | 843 |

[1] Source: Municipal Advisory Council of Texas
[2] As reported by Cooke County Appraisal District. Such values are subject to change during ensuing year.
[3] Source: District's audited financial statements.
[4] Includes the Notes and excludes the Refunded Obligations.

**TABLE 4 - TAX RATE, LEVY, AND COLLECTION HISTORY**

| Fiscal Year Ended 6/30 | Tax Year | Taxable Assessed Valuation[1] | Tax Rate | Tax Levy[2] | Percent Collected | |
|---|---|---|---|---|---|---|
| | | | | | Current | |
| 2015 | 2014 | $205,360,837 | $1.3950 | $3,143,397 | 98.37% | 99.62% |
| 2016 | 2015 | 197,463,447 | 1.4100 | 3,046,641 | 97.54% | 99.49% |
| 2017 | 2016 | 234,238,395 | 1.4100 | 3,581,602 | 96.89% | 98.25% |
| 2018 | 2017 | 229,304,468 | 1.4100 | 3,521,676 | 96.60% | 96.60% |
| 2019 | 2018 | 261,020,648 | 1.3800 | 3,936,236 | (In process of collection) | |

[1] Net of exemptions. Assessed valuations do not include adjustments in supplemental rolls made after the end of each fiscal year.
[2] Excludes penalties and interest

**TABLE 5 - TEN LARGEST TAXPAYERS**

| Taxpayers | Type of Property | 2018/19 Net Taxable Assessed Valuations | % of Total 2018/19 Assessed Valuation |
|---|---|---|---|
| 1. Pumpco Energy Services LP PP | Oil & Gas Pump Services | $43,043,870 | 16.49% |
| 2. Oncor Electric Delivery Co U | Electric | 7,993,910 | 3.06% |
| 3. BNSF Railway Co | Railroad | 7,160,620 | 2.74% |
| 4. Alan Ritchey Inc. | Trucking | 3,457,502 | 1.32% |
| 5. DDM Leasing Inc | Construction Company | 2,843,213 | 1.09% |
| 6. Enterprise FM Trust | Trust | 2,809,666 | 1.08% |
| 7. Timbercreek Real Estate Partners | Real Estate | 2,494,947 | 0.96% |
| 8. Econo-Fuel Inc. | Oil & Gas | 2,464,231 | 0.94% |
| 9. Roaike LLC | Horse Ranch | 2,428,170 | 0.93% |
| 10. Brazos Electric Power Co-op | Electric Utility | 2,191,967 | 0.84% |
| **Total** | | $76,888,096 | 29.45% |

## Table 6 - Estimated Overlapping Debt

Expenditures of the various taxing entities within the territory of the District are paid out of ad valorem taxes levied by such entities on properties within the District. Such entities are independent of the District and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax debt ("Tax Debt") was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional Tax Debt since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional Tax Debt, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the District.

| Taxing Jurisdiction | As Of | Total Debt | Estimated % Overlapping | Overlapping Debt |
|---|---|---|---|---|
| Cooke County | 03/31/19 | $ 3,600,000[(a)] | 8.14% | $ 293,040 |
| Gainesville Hospital District | 03/31/19 | 41,265,000[(a)] | 9.68% | 3,994,452 |
| N. Central TX Community College District | 03/31/19 | 12,210,000[(a)] | 8.15% | 995,115 |
| Estimated (Net) Overlapping Debt | | | | $ 5,282,607 |
| Valley View ISD[(b)] | | | | 3,590,000 |
| Total Direct & Estimated Overlapping Debt | | | | $ 8,872,607 |
| As a % of Certified 2018/19 Taxable Assessed Valuation | | | | 3.40% |

[(a)] Gross Debt
[(b)] Includes the Notes, excludes Refunded Obligations and only limited tax debt.

[*Remainder of page intentionally left blank*]

## DEBT INFORMATION

**TABLE 7 - LIMITED TAX SUPPORTED DEBT SERVICE REQUIREMENTS**

| Period Ending 6/30 | Outstanding Debt Service Requirements | Less: Refunded Bonds | Debt Service Requirements Maintenance Tax Refunding Notes, Series 2019 Principal | Interest | Total | Total Debt Service Requirements |
|---|---|---|---|---|---|---|
| 2020 | $ 318,224.20 | $ 143,299.20 | $ 105,000.00 | $ 31,324.31 | $ 136,324.31 | $ 311,249.31 |
| 2021 | 316,126.60 | 144,201.60 | 90,000.00 | 50,350.00 | 140,350.00 | 312,275.00 |
| 2022 | 318,388.20 | 143,963.20 | 90,000.00 | 47,650.00 | 137,650.00 | 312,075.00 |
| 2023 | 314,894.20 | 143,619.20 | 95,000.00 | 44,050.00 | 139,050.00 | 310,325.00 |
| 2024 | 317,294.60 | 144,169.60 | 100,000.00 | 40,250.00 | 140,250.00 | 313,375.00 |
| 2025 | 318,404.20 | 143,579.20 | 100,000.00 | 36,250.00 | 136,250.00 | 311,075.00 |
| 2026 | 319,683.20 | 143,883.20 | 105,000.00 | 32,250.00 | 137,250.00 | 313,050.00 |
| 2027 | 315,646.40 | 144,046.40 | 110,000.00 | 28,050.00 | 138,050.00 | 309,650.00 |
| 2028 | 315,868.80 | 144,068.80 | 115,000.00 | 23,650.00 | 138,650.00 | 310,450.00 |
| 2029 | 315,750.40 | 143,950.40 | 120,000.00 | 19,050.00 | 139,050.00 | 310,850.00 |
| 2030 | 316,291.20 | 144,691.20 | 125,000.00 | 15,450.00 | 140,450.00 | 312,050.00 |
| 2031 | 320,456.00 | 144,256.00 | 125,000.00 | 11,700.00 | 136,700.00 | 312,900.00 |
| 2032 | 320,080.00 | 144,680.00 | 130,000.00 | 7,950.00 | 137,950.00 | 313,350.00 |
| 2033 | 319,328.00 | 144,928.00 | 135,000.00 | 4,050.00 | 139,050.00 | 313,450.00 |
| 2034 | 173,200.00 | - | - | - | - | 173,200.00 |
| 2035 | 176,800.00 | - | - | - | - | 176,800.00 |
| **Totals** | **$ 4,796,436.00** | **$2,017,336.00** | **$1,545,000.00** | **$ 392,024.31** | **$1,937,024.31** | **$ 4,716,124.31** |

**TABLE 8 – AUTHORIZED BUT UNISSUED UNLIMITED TAX BONDS**

The District does not have any authorized but unissued unlimited tax bonds.

### Anticipated Issuance of Additional Tax Debt

The District does not anticipate issuing additional unlimited or limited tax bonds within the next 12 months.

[*Remainder of page intentionally left blank*]

**TABLE 9 - OTHER OBLIGATIONS**

As of March 31, 2019, the District has Unlimited Tax Refunding Bonds, Series 2011, Unlimited Tax School Building Bonds, Series 2014 and Unlimited Tax School Building Bonds, Series 2015, currently outstanding in the principal amount of $11,320,000.

| Fiscal Year Ended 6/30 | Outstanding Unlimited Tax Debt | | |
|---|---|---|---|
| | Principal | Interest | Total Debt Service |
| 2020 | $ 460,000 | $ 394,506 | $ 854,506 |
| 2021 | 475,000 | 383,981 | 858,981 |
| 2022 | 485,000 | 373,156 | 858,156 |
| 2023 | 495,000 | 360,491 | 855,491 |
| 2024 | 505,000 | 344,694 | 849,694 |
| 2025 | 530,000 | 327,050 | 857,050 |
| 2026 | 540,000 | 308,538 | 848,538 |
| 2027 | 565,000 | 289,137 | 854,137 |
| 2028 | 590,000 | 268,125 | 858,125 |
| 2029 | 450,000 | 248,775 | 698,775 |
| 2030 | 465,000 | 231,975 | 696,975 |
| 2031 | 480,000 | 214,231 | 694,231 |
| 2032 | 500,000 | 195,025 | 695,025 |
| 2033 | 520,000 | 174,625 | 694,625 |
| 2034 | 545,000 | 153,325 | 698,325 |
| 2035 | 560,000 | 131,225 | 691,225 |
| 2036 | 585,000 | 108,325 | 693,325 |
| 2037 | 605,000 | 85,050 | 690,050 |
| 2038 | 630,000 | 61,425 | 691,425 |
| 2039 | 655,000 | 37,259 | 692,259 |
| 2040 | 680,000 | 12,572 | 692,572 |
| | $11,320,000 | $4,703,490 | $16,023,490 |

As of March 31, 2019, the District has Public Property Finance Contract, Series 2010 (Qualified School Construction Bonds) currently outstanding in the principal amount of $521,798, which is paid from the District's Maintenance & Operations Tax Levy.

[*Remainder of page intentionally left blank*]

**TABLE 10 – SCHEDULE OF GENERAL FUND REVENUES AND EXPENDITURE HISTORY[(a)]**

**For Fiscal Year Ended June 30th**

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| **REVENUES:** | | | | | |
| Total Local and Intermediate Sources | $ 2,922,415 | $ 3,016,611 | $ 2,496,149 | $ 2,626,865 | $ 2,779,100 |
| State Program Revenues | 4,780,142 | 5,072,294 | 4,237,403 | 4,309,288 | 3,946,573 |
| Federal Program Revenues | - | - | - | - | - |
| Total Revenues | $ 7,702,557 | $ 8,088,905 | $ 6,733,552 | $ 6,936,153 | $ 6,725,673 |
| **EXPENDITURES:** | | | | | |
| Current: | | | | | |
| Instruction | $ 3,516,851 | $ 3,344,866 | $ 2,914,018 | $ 3,125,315 | $ 3,001,719 |
| Instructional Resources & Media Services | 41,058 | 45,867 | 42,559 | 37,246 | 70,589 |
| Curriculum & Instructional Staff Development | 8,291 | 6,477 | 2,890 | 5,150 | 14,583 |
| Instructional Leadership | 93,017 | 93,665 | 74,107 | 87,191 | 84,427 |
| School Leadership | 382,574 | 389,669 | 359,681 | 408,369 | 386,531 |
| Guidance, Counseling & Evaluation Services | 173,125 | 179,020 | 155,028 | 165,470 | 162,582 |
| Health Services | 36,890 | 30,218 | 28,396 | 28,368 | 28,098 |
| Student (Pupil) Transportation | 337,985 | 117,847 | 341,439 | 218,475 | 218,947 |
| Extracurricular Activities | 459,412 | 471,903 | 346,309 | 372,367 | 333,814 |
| General Administration | 328,091 | 314,534 | 244,976 | 305,225 | 274,537 |
| Facilities Maintenance and Operations | 994,141 | 957,882 | 663,758 | 697,645 | 703,716 |
| Security and Monitoring Services | 52,165 | 143,444 | - | - | 11,922 |
| Data Processing Services | 123,240 | 114,065 | 95,414 | 103,665 | 102,124 |
| Community Services | 25,648 | 1,345 | - | - | |
| Debt Service: | | | | | |
| Principal on Long Term Debt | 186,660 | 170,684 | 143,227 | 78,017 | 83,842 |
| Interest on Long Term Debt | 91,157 | 92,380 | 77,282 | 13,572 | 15,617 |
| Bond Issuance Cost and Fees | 37,000 | - | - | 83,354 | - |
| Capital Outlay: | | | | | |
| Facilities Acquisition and Construction | 854,428 | 641,246 | 4,467,879 | 1,049,782 | 543,167 |
| Intergovernmental: | | | | | |
| Payments to Fiscal Agent/Member Districts of SSA | 260,779 | 287,118 | 252,804 | 205,374 | 203,995 |
| Payments to Juvenile Justice Alternative Ed. Prg. | - | 6,240 | 6,175 | 5,005 | 2,795 |
| Other Intergovernmental Charges | 78,108 | 67,764 | 46,932 | 58,252 | 51,225 |
| Total Expenditures | $ 8,080,620 | $ 7,476,234 | $ 10,262,874 | $ 7,047,842 | $ 6,294,230 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (378,063) | 612,671 | (3,529,322) | (111,689) | 431,443 |
| **OTHER FINANCING SOURCES (USES)** | | | | | |
| Sale of Real or Personal Property | 9,049 | - | - | 17,900 | - |
| Non-Current Loans | 1,637,000 | 42,587 | - | 2,390,000 | - |
| Transfers In | - | - | - | - | - |
| Premium or Discount on Issuance of Bonds | - | - | - | 194,218 | |
| Transfers Out (Use) | - | - | - | (18,397) | (173,369) |
| Total Other Financing Sources and (Uses) | 1,646,049 | 42,587 | - | 2,583,721 | (173,369) |
| Net Change in Fund Balances | 1,267,986 | 655,258 | (3,529,322) | 2,472,032 | 258,074 |
| Fund Balance – July 1 (Beginning) | 2,006,095 | 1,350,837 | 4,880,159 | 2,408,127 | 2,150,053 |
| Fund Balance – June 30 (Ending) | **$ 3,274,081** | **$ 2,006,095** | **$ 1,350,837** | **$ 4,880,159** | **$ 2,408,127** |

[(a)] Source: The District's audited financial reports.

**TABLE 11 - GENERAL OPERATING FUND COMPARATIVE BALANCE SHEET**[(a)]

_

| | Fiscal Years Ended June 30th | | | | |
|---|---|---|---|---|---|
| | 2018 | 2017 | 2016 | 2015 | 2014 |
| ASSETS | | | | | |
| Cash & Cash Equivalents | $ 2,594,043 | $ 802,272 | $ 1,108,043 | $ 4,320,693 | $ 2,056,544 |
| Property Taxes - Delinquent | 203,169 | 155,819 | 121,313 | 102,950 | 109,521 |
| Allowance for Uncollectible Taxes (Credit) | (13,012) | (13,767) | (18,114) | (18,114) | (18,226) |
| Receivables from Other Governments | 1,171,952 | 1,634,710 | 1,207,636 | 717,081 | 458,471 |
| Other Receivables | - | 22,745 | - | 1,693 | 3,018 |
| Accrued Interest | - | - | 79 | 477 | 477 |
| Due from Other Funds | - | - | - | - | 905 |
| Prepayments | 100,451 | 94,069 | 65,419 | 46,500 | 45,225 |
| Total Assets | $ 4,056,603 | $ 2,695,848 | $ 2,484,376 | $ 5,171,280 | $ 2,655,935 |
| LIABILITIES | | | | | |
| Liabilities: | | | | | |
| Accounts Payable | $ 140,884 | $ 27,145 | $ 572,788 | $ 48,552 | $ 31,795 |
| Payroll Deductions and Withholdings Payable | 24 | 41,459 | - | (28) | - |
| Accrued Wages Payable | 419,820 | 439,365 | 424,239 | 145,061 | 111,154 |
| Accrued Expenditures | 13,564 | 30,882 | 33,313 | 12,700 | 13,564 |
| Unearned Revenues | - | 8,850 | - | - | - |
| Total Liabilities | $ 592,365 | $ 547,701 | $ 1,030,340 | $ 206,285 | $ 156,513 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable Revenue – Property Taxes | 190,157 | 142,052 | 103,199 | 84,836 | 91,295 |
| Total Deferred Inflows of Resources | $ 190,157 | $ 142,052 | $ 103,199 | $ 84,836 | $ 91,295 |
| FUND BALANCES | | | | | |
| Reserved For: | | | | | |
| Prepaid Items | 100,451 | 94,069 | 65,419 | 46,500 | 45,225 |
| Restricted Fund Balance | | | | | |
| Federal or State Funds Grant Restriction | - | - | - | - | - |
| Committed Fund Balance | | | | | |
| Construction | 857,235 | - | - | 3,400,000 | 958,579 |
| Debt Service | - | - | - | 188,282 | - |
| Unassigned Fund Balance | 2,316,395 | 1,912,026 | 1,285,418 | 1,245,377 | 1,404,323 |
| Total Fund Balances | $ 3,274,081 | $ 2,006,095 | $ 1,350,837 | $ 4,880,159 | $ 2,408,127 |
| Total Liabilities, Deferred Inflows & Fund Balances | $ 4,056,603 | $ 2,695,848 | $ 2,484,376 | $ 5,171,280 | $ 2,655,935 |

[(a)] Source: The District's audited financial reports.

[*Remainder of page intentionally left blank*]

**TABLE 12 - CURRENT INVESTMENTS**[1]

As of March 31, 2019, the District's investable funds amounted to $2,927,065. The following summary itemizes the District's investment portfolio by type of security.

| | Percent | Book Value | Market Value |
|---|---|---|---|
| Cash and Cash Equivalents | 99.71% | $2,918,653 | $2,918,653 |
| Money Market Account | 0.26% | 7,664 | 7,664 |
| Lone Star Investment Pool | 0.03% | 748 | 748 |
| **Total** | 100.00% | $2,927,065 | $2,927,065 |

[1]The investment pools in which the District invests were created for Texas governmental entities. Such investment pools operate as money-market equivalents.

**APPENDIX B**

**ANNUAL FINANCIAL REPORT**

# VALLEY VIEW
# INDEPENDENT SCHOOL DISTRICT

## ANNUAL FINANCIAL REPORT FOR THE

## YEAR ENDED JUNE 30, 2018

VALLEY VIEW INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018

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CERTIFICATE OF BOARD

| Valley View Independent School District | Cooke | 049-903 |
|---|---|---|
| Name of School District | County | Co. - Dist. Number |

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) __X__approved _____disapproved for the year ended June 30, 2018, at a meeting of the Board of Trustees of such school district on the __24th__ day of __September__, 2018.

| Original Signature on File | Original Signature on File |
|---|---|
| Signature of Board Secretary | Signature of Board President |

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

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

902 NORTH LOCUST
P.O. BOX 977
DENTON, TX 76202-0977

TEL. (940) 387-8563
FAX (940) 383-4746

Independent Auditors' Report

Board of Trustees
Valley View Independent School District
Valley View, Texas 76272

Members of the Board:

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

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standard* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinions*

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

### *Emphasis of Matter*

As discussed in Notes 10 and 22 to the financial statements, in 2018, the District adopted new accounting guidance prescribed by GASB #75 for its other post-employment benefit (OPEB) plan – a multiple-employer, cost-sharing, defined benefit OPEB plan that has a special funding situation. Because GASB #75 implements new measurement criteria and reporting provisions, significant information has been added to the Government Wide Statements. Exhibit A-1 discloses the District's Net OPEB Liability and some deferred resource outflows and deferred resource inflows related to the District's OPEB plan. Exhibit B-1 discloses the adjustment to the District's Beginning Net Positions. Our opinion is not modified with respect to the matter.

### *Other Matters*

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* on pages 5 through 11 and the Teacher Retirement System schedules on pages 55 through 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Valley View Independent School District's basic financial statements. The *combining and individual nonmajor fund financial statements and the required TEA schedules listed in the table of content* are presented for purposes of additional analysis and are not a required part of the basic financial statements. The *combining and individual nonmajor fund financial statements and the required TEA schedules* 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 information is 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 August 31, 2018 in our consideration of Valley View Independent School District's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Valley View Independent School District's internal control over financial reporting and compliance.

Hankins, Eastup, Deaton, Tonn & Seay

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

August 31, 2018

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

As management of Valley View Independent School District, we offer readers of the District's financial statement this narrative overview and analysis of the financial activities of the District for the year ended June 30, 2018. Please read this narrative in conjunction with the independent auditors' report on page 3, and the District's Basic Financial Statements that begin on page 14.

## FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of Valley View Independent School District exceeded its liabilities and deferred inflows at the close of the most recent fiscal period by $5,296,183 (net position). None of this amount is considered unrestricted.

- The District's total net position increased by $1,321,235 during the fiscal year from the result of current year operations. However, total net position also decreased by $5,142,188 due to new standards that required recording of the District's proportionate share of the Teacher Retirement System's net OPEB liability.

- As of the close of the current fiscal period, the District's governmental funds reported combined ending fund balances of $3,568,215. $2,316,395 of this total amount, or 64.9%, is unassigned and available for use within the District's commitments and policies.

- At the end of the current fiscal period, unassigned fund balance for the general fund was $2,316,395 or 32.05% of non-capital general fund expenditures.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 14 and 15). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 16) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the district.

The notes to the financial statements (starting on page 25) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. These are not required by TEA. The sections labeled TEA Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

## Reporting the District as a Whole

### The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 14. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets, deferred outflows, deferred inflows and liabilities at the end of the year while the Statement of Activities includes all revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting (the basis used by private sector companies).

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

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

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

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

- Business-type activities–The District does not have any programs in which it charges a fee to "customers" to help it cover all or most of the cost of services it provides. The District had no business-type activities during the current fiscal year.

## Reporting the District's Most Significant Funds

### Fund Financial Statements

The fund financial statements begin on page 16 and provide detailed information about the most significant funds–not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities).

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

### The District as Trustee

### Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities. The District's fiduciary activity is reported in a separate Statement of Fiduciary Net Position on page 24. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in this fund are used for their intended purposes.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

In accordance with GASB Statement #34, the following analysis presents both current and prior year data and discusses significant changes in the accounts. Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

By far the largest portion of the District's assets ($23,386,276 or 84.1 percent) reflects its investment in capital assets (e.g., land, buildings, furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net position of the District's governmental activities decreased from $9,117,136 to $5,296,183. However, net position decreased $5,142,188 due to new standards that required recording of the District's proportionate share of the Teacher Retirement System's net OPEB liability. Net position increased $1,321,235 during the fiscal year from the result of current year operations. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was a deficit at June 30, 2018. This increase in governmental net position was the result of several factors. First, while the District's revenues exceeded expenditures by $1,020,251 (as adjusted for the effects of capital outlay and debt service principal payments), the District recorded depreciation expense, which is a non-cash expense that reduces the value of District assets, in the amount of $828,255. In addition, changes to the net pension liability and net OPEB liability and related deferred outflows and deferred inflows from the District's participation in the Texas Teacher Retirement System resulted in a $959,213 increase in net position. Also, various adjustments totaling $170,026 were posted to revenues and expenses to account for prepaid costs, interest accruals and tax revenues earned during the period under the full accrual method of accounting.

**Table I**
**NET POSITION**

| | Governmental Activities June 30, 2017 | Governmental Activities June 30, 2018 | Change |
|---|---|---|---|
| Current and other assets | $ 3,162,349 | $ 4,416,305 | $ 1,253,956 |
| Capital assets | 23,292,782 | 23,386,276 | 93,494 |
| Total assets | 26,455,131 | 27,802,581 | 1,347,450 |
| Deferred outflows of resources | 758,475 | 684,109 | (74,366) |
| Total assets and deferred outflows of resources | 27,213,606 | 28,486,690 | 1,273,084 |
| Long-term liabilities | 16,424,239 | 20,081,143 | 3,656,904 |
| Other liabilities | 1,468,376 | 1,556,883 | 88,507 |
| Total liabilities | 17,892,615 | 21,638,026 | 3,745,411 |
| Deferred inflows of resources | 203,855 | 1,552,481 | 1,348,626 |
| Total liabilities and deferred inflows of resources | 18,096,470 | 23,190,507 | 5,094,037 |
| Net Position: | | | |
| Net investments in capital assets | 7,477,223 | 6,601,257 | (875,966) |
| Restricted | 335,098 | 254,004 | (81,094) |
| Unrestricted | 1,304,815 | (1,559,078) | (2,863,893) |
| Total Net Position | $ 9,117,136 | $ 5,296,183 | $ (3,820,953) |

**Table II**
**CHANGES IN NET POSITION**

| | Governmental Activities Year Ended June 30, 2017 | Governmental Activities Year Ended June 30, 2018 | Change |
|---|---|---|---|
| Revenues: | | | |
| Program Revenues: | | | |
| Charges for services | $ 193,733 | $ 233,842 | $ 40,109 |
| Operating grants and contributions | 935,986 | (145,395) | (1,081,381) |
| General Revenues: | | | |
| Maintenance and operations taxes | 3,612,467 | 3,575,933 | (36,534) |
| State aid | 4,710,823 | 4,391,645 | (319,178) |
| Investment earnings | 4,272 | 24,341 | 20,069 |
| Miscellaneous | 8,341 | 9,759 | 1,418 |
| Total Revenue | 9,465,622 | 8,090,125 | (1,375,497) |
| Expenses: | | | |
| Instruction, curriculum and media services | 4,090,779 | 3,103,123 | (987,656) |
| Instructional and school leadership | 568,122 | 388,368 | (179,754) |
| Student support services | 375,908 | 298,877 | (77,031) |
| Child nutrition | 393,203 | 332,878 | (60,325) |
| Cocurricular activities | 528,601 | 365,557 | (163,044) |
| General administration | 353,324 | 269,491 | (83,833) |
| Plant maintenance, security and data processing | 1,421,280 | 1,133,258 | (288,022) |
| Community services | 1,345 | 25,648 | 24,303 |
| Debt services | 481,797 | 512,803 | 31,006 |
| Intergovernmental charges | 361,122 | 338,887 | (22,235) |
| Total Expenses | 8,575,481 | 6,768,890 | (1,806,591) |
| Increase in Net Position | 890,141 | 1,321,235 | 431,094 |
| Net Position - beginning of period | 8,226,995 | 9,117,136 | 890,141 |
| Prior period adjustment | - | (5,142,188) | (5,142,188) |
| Net Position - end of period | $ 9,117,136 | $ 5,296,183 | $ (3,820,953) |

The cost of all governmental activities for the current fiscal year was $6,768,890. However, as shown in the Statement of Activities on page 15, the amount that our taxpayers ultimately financed for these activities through District taxes was only $3,575,933 because some of the costs were paid by those who directly benefited from the programs ($233,842) or by State equalization funding ($4,391,645).

## THE DISTRICT'S FUNDS

**Governmental funds.** The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of the District's net resources available for spending at the end of a fiscal year.

As the District completed the year, its governmental funds (as presented in the Balance Sheet on page 16) reported combined fund balance of $3,568,215, which is $1,175,087 higher than last year's total of $2,393,128. Sixty-five percent of the total amount ($2,316,395) is *committed or unassigned fund balance*, which is available for spending at the District's discretion. The remainder of fund balance is *nonspendable or restricted* to indicate that it is not available for new spending because it is already restricted for debt service payments ($254,004) or for food service ($40,130), already spent on prepaid items ($100,451) or restricted for construction ($857,235).

Over the course of the year, the Board of Trustees revised the District's budget when needed. These budget amendments fall into three categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in June 2017). The second category includes changes that the Board made during the year to reflect new information regarding revenue sources and expenditure needs. The third category involves amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs.

The District's General Fund balance of $3,274,081 reported on page 16 differs from the General Fund's budgetary fund balance of $2,006,095 reported in the budgetary comparison schedule on page 23. This is principally due to maintenance tax note proceeds not spent as of the end of the fiscal year.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the District had $31,169,083 invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net increase of $665,941 or 2.2 percent above last year.

This year's additions included the following:

| | |
|---|---|
| Initial construction costs on artificial turf/track | $711,958 |
| Initial construction costs on bleachers/concession stand | 111,242 |
| Two buses | 146,498 |
| Total | $969,698 |

More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

Debt Administration

At year-end, the District had $16,188,505 in bonds, maintenance tax notes and capital leases outstanding versus $15,188,290 last year–an increase of 6.6 percent. The only new debt incurred during the year was the issuance of $1,637,000 maintenance tax notes. The District's general obligation bond rating is AAA (as a result of guarantees of the Texas Permanent School Fund), according to national rating agencies.

More detailed information about the District's long-term liabilities is presented in Note 5 to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Valley View ISD has adopted a balanced budget for the 2018-19 school year. The budget provides for the addition of an additional assistant principal, a new half time high school counselor, an assistant band director, dual language instructors for PK and K, a 1/2 time Director of ESL/Dual Language, and funds for completion of improvements to the athletic facilities. Salary schedules have been adjusted upward and the District will continue to provide retention stipends for certified personnel and have implemented such stipends for support personnel as well.

Property values continue to reflect growth in new housing and commercial enterprise. The District has experienced about a 4.5% growth in student populations since the same time last year. Furthermore, there continues to be speculation of significant increases in new housing starts in the near future. The city has approved additions of 42 homes and 140 homes as well as other smaller scale home construction scattered around town. This growth will eventually create a classroom shortage and will impact transportation as well.

The District will experience several expenditures associated with the change in vocational agriculture instructors at the high school. A new truck will be purchased along with additional equipment such as welders, trailers, etc.

While the District's audited fund balance continues to be adequate to cover operations, a good portion of the annual fund balance is in the form of revenues due from the State in July and August of the following year. The District will continue efforts to increase actual cash on hand.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Valley View Independent School District, 106 Newton Street, Valley View, Texas 76272, (940) 726-3659.

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BASIC FINANCIAL STATEMENTS

# VALLEY VIEW INDEPENDENT SCHOOL DISTRICT
## STATEMENT OF NET POSITION
## JUNE 30, 2018

| Data Control Codes | | Primary Government Governmental Activities |
|---|---|---|
| **ASSETS** | | |
| 1110 | Cash and Cash Equivalents | $ 2,868,318 |
| 1220 | Property Taxes Receivable (Delinquent) | 244,873 |
| 1230 | Allowance for Uncollectible Taxes | (13,959) |
| 1240 | Due from Other Governments | 1,216,622 |
| 1410 | Prepayments | 100,451 |
| | Capital Assets: | |
| 1510 | Land | 440,173 |
| 1520 | Buildings, Net | 20,395,803 |
| 1530 | Furniture and Equipment, Net | 1,152,985 |
| 1550 | Leased Property Under Capital Leases, Net | 574,114 |
| 1580 | Construction in Progress | 823,201 |
| 1000 | Total Assets | 27,802,581 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | |
| 1701 | Deferred Charge for Refunding | 45,690 |
| 1703 | Deferred Resource Outflow Related to TRS OPEB | 36,649 |
| 1705 | Deferred Resource Outflow Related to TRS Pension | 601,770 |
| 1700 | Total Deferred Outflows of Resources | 684,109 |
| **LIABILITIES** | | |
| 2110 | Accounts Payable | 141,470 |
| 2140 | Interest Payable | 194,689 |
| 2150 | Payroll Deductions & Withholdings | 24 |
| 2160 | Accrued Wages Payable | 439,525 |
| 2200 | Accrued Expenses | 33,922 |
| 2300 | Unearned Revenue | 2,235 |
| | Noncurrent Liabilities | |
| 2501 | Due Within One Year | 745,018 |
| 2502 | Due in More Than One Year | 16,085,691 |
| 2540 | Net Pension Liability (District's Share) | 1,065,009 |
| 2545 | Net OPEB Liability (District's Share) | 2,930,443 |
| 2000 | Total Liabilities | 21,638,026 |
| **DEFERRED INFLOWS OF RESOURCES** | | |
| 2603 | Deferred Resource Inflow Related to TRS OPEB | 1,225,810 |
| 2605 | Deferred Resource Inflow Related to TRS Pension | 326,671 |
| 2600 | Total Deferred Inflows of Resources | 1,552,481 |
| **NET POSITION** | | |
| 3200 | Net Investment in Capital Assets | 6,601,257 |
| 3850 | Restricted for Debt Service | 254,004 |
| 3900 | Unrestricted | (1,559,078) |
| 3000 | Total Net Position | $ 5,296,183 |

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

VALLEY VIEW INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

| Data Control Codes | | 1 | Program Revenues 3 | 4 | Net (Expense) Revenue and Changes in Net Position 6 |
|---|---|---|---|---|---|
| | | Expenses | Charges for Services | Operating Grants and Contributions | Primary Gov. Governmental Activities |
| **Primary Government:** | | | | | |
| | GOVERNMENTAL ACTIVITIES: | | | | |
| 11 | Instruction | $ 3,056,313 | $ 2,240 | $ (254,121) | $ (3,308,194) |
| 12 | Instructional Resources and Media Services | 38,519 | - | (2,754) | (41,273) |
| 13 | Curriculum and Staff Development | 8,291 | - | - | (8,291) |
| 21 | Instructional Leadership | 72,902 | - | (12,454) | (85,356) |
| 23 | School Leadership | 315,466 | - | (46,127) | (361,593) |
| 31 | Guidance, Counseling and Evaluation Services | 141,633 | - | (21,442) | (163,075) |
| 33 | Health Services | 35,192 | - | (2,604) | (37,796) |
| 34 | Student (Pupil) Transportation | 122,052 | - | 79,152 | (42,900) |
| 35 | Food Services | 333,006 | 139,650 | 227,109 | 33,753 |
| 36 | Extracurricular Activities | 365,429 | 33,108 | (92,534) | (424,855) |
| 41 | General Administration | 269,491 | - | (33,331) | (302,822) |
| 51 | Facilities Maintenance and Operations | 932,110 | 9,185 | (43,285) | (966,210) |
| 52 | Security and Monitoring Services | 52,165 | - | - | (52,165) |
| 53 | Data Processing Services | 117,756 | - | (8,527) | (126,283) |
| 61 | Community Services | 25,648 | 49,659 | - | 24,011 |
| 72 | Debt Service - Interest on Long Term Debt | 475,803 | - | 65,523 | (410,280) |
| 73 | Debt Service - Bond Issuance Cost and Fees | 37,000 | - | - | (37,000) |
| 81 | Capital Outlay | 31,227 | - | - | (31,227) |
| 93 | Payments related to Shared Services Arrangements | 260,779 | - | - | (260,779) |
| 99 | Other Intergovernmental Charges | 78,108 | - | - | (78,108) |
| [TP] | TOTAL PRIMARY GOVERNMENT: | $ 6,768,890 | $ 233,842 | $ (145,395) | (6,680,443) |

| Data Control Codes | General Revenues: | |
|---|---|---|
| | Taxes: | |
| MT | Property Taxes, Levied for General Purposes | 2,842,228 |
| DT | Property Taxes, Levied for Debt Service | 733,705 |
| SF | State Aid - Formula Grants | 4,391,645 |
| IE | Investment Earnings | 24,341 |
| MI | Miscellaneous Local and Intermediate Revenue | 9,759 |
| TR | Total General Revenues | 8,001,678 |
| CN | Change in Net Position | 1,321,235 |
| NB | Net Position - Beginning | 9,117,136 |
| PA | Prior Period Adjustment "Required by GASB 75" | (5,142,188) |
| NE | Net Position--Ending | $ 5,296,183 |

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

VALLEY VIEW INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

| Data Control Codes | | 10 General Fund | 50 Debt Service Fund | Child Nutrition Fund |
|---|---|---|---|---|
| | ASSETS | | | |
| 1110 | Cash and Cash Equivalents | $ 2,594,043 | $ 243,610 | $ 59,231 |
| 1220 | Property Taxes - Delinquent | 203,169 | 41,704 | - |
| 1230 | Allowance for Uncollectible Taxes (Credit) | (13,012) | (947) | - |
| 1240 | Receivables from Other Governments | 1,171,952 | 10,394 | 3,475 |
| 1410 | Prepayments | 100,451 | - | - |
| 1000 | Total Assets | $ 4,056,603 | $ 294,761 | $ 62,706 |
| | LIABILITIES | | | |
| 2110 | Accounts Payable | $ 140,884 | $ - | $ 586 |
| 2150 | Payroll Deductions and Withholdings Payable | 24 | - | - |
| 2160 | Accrued Wages Payable | 419,820 | - | 19,705 |
| 2200 | Accrued Expenditures | 31,637 | - | 2,285 |
| 2300 | Unearned Revenues | - | - | - |
| 2000 | Total Liabilities | 592,365 | - | 22,576 |
| | DEFERRED INFLOWS OF RESOURCES | | | |
| 2601 | Unavailable Revenue - Property Taxes | 190,157 | 40,757 | - |
| 2600 | Total Deferred Inflows of Resources | 190,157 | 40,757 | - |
| | FUND BALANCES | | | |
| | Nonspendable Fund Balance: | | | |
| 3430 | Prepaid Items | 100,451 | - | - |
| | Restricted Fund Balance: | | | |
| 3450 | Federal or State Funds Grant Restriction | - | - | 40,130 |
| 3480 | Retirement of Long-Term Debt | - | 254,004 | - |
| | Committed Fund Balance: | | | |
| 3510 | Construction | 857,235 | - | - |
| 3600 | Unassigned Fund Balance | 2,316,395 | - | - |
| 3000 | Total Fund Balances | 3,274,081 | 254,004 | 40,130 |
| 4000 | Total Liabilities, Deferred Inflows & Fund Balances | $ 4,056,603 | $ 294,761 | $ 62,706 |

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

| Other Funds | Total Governmental Funds |
|---|---|
| $ (28,566) | $ 2,868,318 |
| - | 244,873 |
| - | (13,959) |
| 30,801 | 1,216,622 |
| - | 100,451 |
| $ 2,235 | $ 4,416,305 |
| | |
| $ - | $ 141,470 |
| - | 24 |
| - | 439,525 |
| - | 33,922 |
| 2,235 | 2,235 |
| 2,235 | 617,176 |
| | |
| - | 230,914 |
| - | 230,914 |
| | |
| - | 100,451 |
| | |
| - | 40,130 |
| - | 254,004 |
| | |
| - | 857,235 |
| - | 2,316,395 |
| - | 3,568,215 |
| | |
| $ 2,235 | $ 4,416,305 |

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

EXHIBIT C-2

| | | | |
|---|---|---|---|
| | **Total Fund Balances - Governmental Funds** | $ | 3,568,215 |
| 1 | Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements. | | 31,169,083 |
| 2 | Accumulated depreciation is not reported in the fund financial statements. | | (7,782,807) |
| 3 | Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of $1,065,009, a Deferred Resource Inflow related to TRS Pension in the amount of $326,671, and a Deferred Resource Outflow related to TRS Pension in the amount of $601,770. This amounted to a decrease in Net Position in the amount of $789,910. | | (789,910) |
| 4 | Included in the items related to debt is the recognition of the District's proportionate share of the net Other Post-Employment Benefit (OPEB) liability required by GASB 75 in the amount of $2,930,443, a Deferred Resource Inflow related to TRS OPEB in the amount of $1,225,810, and a Deferred Resource Outflow related to TRS OPEB in the amount of $36,649. This amounted to a net decrease in Net Position in the amount of $4,119,604. | | (4,119,604) |
| 5 | Bonds payable, capital leases payable and maintenance tax notes are not reported in the fund financial statements. | | (16,188,505) |
| 6 | Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due. | | (194,689) |
| 7 | Property tax revenue reported as unavailable revenue in the fund financial statements was recognized as revenue in the government-wide financial statements. | | 230,914 |
| 8 | Bond premiums and discounts are not recognized in the fund financial statements. | | (642,204) |
| 9 | Deferred loss on bond refunding is not recognized in the fund financial statements. | | 45,690 |
| 19 | **Net Position of Governmental Activities** | $ | 5,296,183 |

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

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

| Data Control Codes | | 10 General Fund | 50 Debt Service Fund | Child Nutrition Fund |
|---|---|---|---|---|
| | REVENUES: | | | |
| 5700 | Total Local and Intermediate Sources | $ 2,922,415 | $ 718,694 | $ 141,553 |
| 5800 | State Program Revenues | 4,780,142 | 60,143 | 15,587 |
| 5900 | Federal Program Revenues | - | - | 247,297 |
| 5020 | Total Revenues | 7,702,557 | 778,837 | 404,437 |
| | EXPENDITURES: | | | |
| | Current: | | | |
| 0011 | Instruction | 3,516,851 | - | - |
| 0012 | Instructional Resources and Media Services | 41,058 | - | - |
| 0013 | Curriculum and Instructional Staff Development | 8,291 | - | - |
| 0021 | Instructional Leadership | 93,017 | - | - |
| 0023 | School Leadership | 382,574 | - | - |
| 0031 | Guidance, Counseling and Evaluation Services | 173,125 | - | - |
| 0033 | Health Services | 36,890 | - | - |
| 0034 | Student (Pupil) Transportation | 337,985 | - | - |
| 0035 | Food Services | - | - | 410,862 |
| 0036 | Extracurricular Activities | 459,412 | - | - |
| 0041 | General Administration | 328,091 | - | - |
| 0051 | Facilities Maintenance and Operations | 994,141 | - | - |
| 0052 | Security and Monitoring Services | 52,165 | - | - |
| 0053 | Data Processing Services | 123,240 | - | - |
| 0061 | Community Services | 25,648 | - | - |
| | Debt Service: | | | |
| 0071 | Principal on Long Term Debt | 186,660 | 445,000 | 5,125 |
| 0072 | Interest on Long Term Debt | 91,157 | 414,931 | 255 |
| 0073 | Bond Issuance Cost and Fees | 37,000 | - | - |
| | Capital Outlay: | | | |
| 0081 | Facilities Acquisition and Construction | 854,428 | - | - |
| | Intergovernmental: | | | |
| 0093 | Payments to Fiscal Agent/Member Districts of SSA | 260,779 | - | - |
| 0099 | Other Intergovernmental Charges | 78,108 | - | - |
| 6030 | Total Expenditures | 8,080,620 | 859,931 | 416,242 |
| 1100 | Excess (Deficiency) of Revenues Over (Under) Expenditures | (378,063) | (81,094) | (11,805) |
| | OTHER FINANCING SOURCES (USES): | | | |
| 7912 | Sale of Real and Personal Property | 9,049 | - | - |
| 7914 | Non-Current Loans | 1,637,000 | - | - |
| 7915 | Transfers In | - | - | - |
| 8911 | Transfers Out (Use) | - | - | - |
| 7080 | Total Other Financing Sources (Uses) | 1,646,049 | - | - |
| 1200 | Net Change in Fund Balances | 1,267,986 | (81,094) | (11,805) |
| 0100 | Fund Balance - July 1 (Beginning) | 2,006,095 | 335,098 | 51,935 |
| 3000 | Fund Balance - June 30 (Ending) | $ 3,274,081 | $ 254,004 | $ 40,130 |

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

| Other Funds | Total Governmental Funds |
|---|---|
| $ - | $ 3,782,662 |
| 71,924 | 4,927,796 |
| 84,670 | 331,967 |
| 156,594 | 9,042,425 |
| | |
| 156,594 | 3,673,445 |
| - | 41,058 |
| - | 8,291 |
| - | 93,017 |
| - | 382,574 |
| - | 173,125 |
| - | 36,890 |
| - | 337,985 |
| - | 410,862 |
| - | 459,412 |
| - | 328,091 |
| - | 994,141 |
| - | 52,165 |
| - | 123,240 |
| - | 25,648 |
| - | 636,785 |
| - | 506,343 |
| - | 37,000 |
| - | 854,428 |
| - | 260,779 |
| - | 78,108 |
| 156,594 | 9,513,387 |
| - | (470,962) |
| - | 9,049 |
| - | 1,637,000 |
| 6,899 | 6,899 |
| (6,899) | (6,899) |
| - | 1,646,049 |
| - | 1,175,087 |
| - | 2,393,128 |
| $ - | $ 3,568,215 |

VALLEY VIEW INDEPENDENT SCHOOL DISTRICT EXHIBIT C-4

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018

| | | |
|---|---|---|
| **Total Net Change in Fund Balances - Governmental Funds** | $ | 1,175,087 |
| Current year capital asset additions are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The net effect of reclassifying the current year capital asset additions is to increase net position. | | 1,042,930 |
| Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position in the government-wide financial statements. | | (828,255) |
| The basis of fixed assets disposed of is not recorded in the fund financial statements, but is shown as a reduction in capital assets in the government-wide financial statements. | | (121,181) |
| Current year principal payments on bonds, maintenance tax notes and capital leases payable are expenditures in the fund financial statements, but are shown as reductions in long-term debt in the government-wide financial statements. | | 636,785 |
| Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due. | | (215) |
| Proceeds from maintenance tax notes are shown as an other resource in the fund financial statements, but are shown as an increase in long-term debt in the government-wide financial statements. | | (1,637,000) |
| Revenues from property taxes are shown as unavailable in the fund financial statements until they are considered available to finance current expenditures, but such revenues are recognized when assessed, net of an allowance for uncollectable amounts, in the government-wide financial statements. | | 63,116 |
| Current year amortization of deferred loss on bond refunding is not recorded in the fund financial statements, but is shown as a reduction of the deferred loss in the government-wide financial statements. | | (4,984) |
| Current year amortization of the premium/discount on bonds payable is not recorded in the fund financial statements, but is shown as a reduction in long-term debt in the government-wide financial statements. | | 35,739 |
| The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. TRS contributions made after the measurement date of 8/31/2017 caused the change in the ending net position to increase in the amount of $94,932. These contributions were replaced with the District's pension expense for the year of $158,303, which caused a decrease in the change in net position. The impact of all of these is to decrease the change in net position by $63,371. | | (63,371) |
| The implementation of GASB 75 required that certain expenditures be de-expended and recorded as deferred resource outflows. TRS OPEB contributions made after the measurement date of 8/31/2017 but during the current fiscal year caused the ending net position to increase in the amount of $36,189. These contributions were replaced with the District's OPEB expense for the year, which was a $986,395 benefit and also caused an increase in net position. The impact of both of these is to increase the change in net position by $1,022,584. | | 1,022,584 |
| **Change in Net Position of Governmental Activities** | $ | 1,321,235 |

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

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

| Data Control Codes | | Budgeted Amounts | | Actual Amounts (GAAP BASIS) | Variance With Final Budget Positive or (Negative) |
|---|---|---|---|---|---|
| | | Original | Final | | |
| | REVENUES: | | | | |
| 5700 | Total Local and Intermediate Sources | $ 2,820,747 | $ 2,917,146 | $ 2,922,415 | $ 5,269 |
| 5800 | State Program Revenues | 4,432,862 | 4,802,975 | 4,780,142 | (22,833) |
| 5020 | Total Revenues | 7,253,609 | 7,720,121 | 7,702,557 | (17,564) |
| | EXPENDITURES: | | | | |
| | Current: | | | | |
| 0011 | Instruction | 3,676,845 | 3,594,432 | 3,516,851 | 77,581 |
| 0012 | Instructional Resources and Media Services | 48,694 | 48,694 | 41,058 | 7,636 |
| 0013 | Curriculum and Instructional Staff Development | 14,650 | 14,650 | 8,291 | 6,359 |
| 0021 | Instructional Leadership | 99,784 | 99,784 | 93,017 | 6,767 |
| 0023 | School Leadership | 374,654 | 389,654 | 382,574 | 7,080 |
| 0031 | Guidance, Counseling and Evaluation Services | 183,783 | 183,783 | 173,125 | 10,658 |
| 0033 | Health Services | 38,152 | 38,152 | 36,890 | 1,262 |
| 0034 | Student (Pupil) Transportation | 330,999 | 445,999 | 337,985 | 108,014 |
| 0036 | Extracurricular Activities | 445,026 | 462,776 | 459,412 | 3,364 |
| 0041 | General Administration | 305,262 | 325,262 | 328,091 | (2,829) |
| 0051 | Facilities Maintenance and Operations | 895,550 | 990,550 | 994,141 | (3,591) |
| 0052 | Security and Monitoring Services | 60,000 | 60,000 | 52,165 | 7,835 |
| 0053 | Data Processing Services | 123,483 | 133,483 | 123,240 | 10,243 |
| 0061 | Community Services | 26,247 | 37,819 | 25,648 | 12,171 |
| | Debt Service: | | | | |
| 0071 | Principal on Long Term Debt | 186,550 | 186,550 | 186,660 | (110) |
| 0072 | Interest on Long Term Debt | 91,430 | 91,430 | 91,157 | 273 |
| 0073 | Bond Issuance Cost and Fees | - | - | 37,000 | (37,000) |
| | Capital Outlay: | | | | |
| 0081 | Facilities Acquisition and Construction | - | 1,873,103 | 854,428 | 1,018,675 |
| | Intergovernmental: | | | | |
| 0093 | Payments to Fiscal Agent/Member Districts of SSA | 255,000 | 258,500 | 260,779 | (2,279) |
| 0095 | Payments to Juvenile Justice Alternative Ed. Prg. | 12,500 | 500 | - | 500 |
| 0099 | Other Intergovernmental Charges | 85,000 | 85,000 | 78,108 | 6,892 |
| 6030 | Total Expenditures | 7,253,609 | 9,320,121 | 8,080,620 | 1,239,501 |
| 1100 | Excess (Deficiency) of Revenues Over (Under) Expenditures | - | (1,600,000) | (378,063) | 1,221,937 |
| | OTHER FINANCING SOURCES (USES): | | | | |
| 7912 | Sale of Real and Personal Property | - | - | 9,049 | 9,049 |
| 7914 | Non-Current Loans | - | 1,600,000 | 1,637,000 | 37,000 |
| 7080 | Total Other Financing Sources (Uses) | - | 1,600,000 | 1,646,049 | 46,049 |
| 1200 | Net Change in Fund Balances | - | - | 1,267,986 | 1,267,986 |
| 0100 | Fund Balance - July 1 (Beginning) | 2,006,095 | 2,006,095 | 2,006,095 | - |
| 3000 | Fund Balance - June 30 (Ending) | $ 2,006,095 | $ 2,006,095 | $ 3,274,081 | $ 1,267,986 |

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

VALLEY VIEW INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

| | Private Purpose Trust Fund | Agency Fund |
|---|---|---|
| ASSETS | | |
| Cash and Cash Equivalents | $ 4,053 | $ 89,173 |
| Total Assets | 4,053 | $ 89,173 |
| LIABILITIES | | |
| Due to Student Groups | - | $ 89,173 |
| Total Liabilities | - | $ 89,173 |
| NET POSITION | | |
| Unrestricted Net Position | 4,053 | |
| Total Net Position | $ 4,053 | |

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

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### A. REPORTING ENTITY

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

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

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

Based on the aforementioned criteria, Valley View Independent School District has no component units.

### B. BASIS OF PRESENTATION

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

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

Fund Financial Statements:

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

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

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

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

3. **Child Nutrition Fund** – This fund is established to account for the proceeds received from and costs associated with food service operations. Funds are legally restricted to expenditures for specified purposes.

4. **Capital Projects Fund** – This fund is established to account for proceeds, from the sale of bonds and other resources to be used for Board authorized acquisition, construction, or renovation, as well as, furnishings and equipping of major capital facilities. Upon completion of a project, any unused bond proceeds are transferred to the Debt Service Fund and are used to retire related bond principal.

Additionally, the District reports the following fund types:

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

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

3. **Private-purpose Trust Funds** - These funds are used to report trust arrangements under which principal and interest benefit individuals, private organizations or other governments not reported in other fiduciary fund types. The District accounts for a scholarship fund in this fund type.

## C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

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

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

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

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

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

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

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

When the District incurs an expenditure for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

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

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

## D. BUDGETARY CONTROL

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

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

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, the Debt Service Fund, and the Child Nutrition Fund. The special revenue funds adopt project-length budgets which do not correspond to the District's fiscal year. Each annual budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles. The budget is amended throughout the year by the Board of Trustees. Such amendments are reflected in the official minutes of the Board.

## E. ENCUMBRANCE ACCOUNTING

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

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

| | June 30, 2018 Fund Balance |
|---|---|
| Appropriated Budget Funds - Food Service Special Revenue Fund | $40,130 |
| Nonappropriated Budget Funds | - |
| All Special Revenue Funds | $40,130 |

## F. INVENTORIES

The consumption method is used to account for inventories of food products, school supplies and athletic equipment. Under this method, these items are carried in an inventory account of the respective fund at cost, using the first-in, first-out method of accounting and are subsequently charged to expenditures when consumed.

## G. INTERFUND ACTIVITY

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

## H. CAPITAL ASSETS

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

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

| | |
|---|---|
| Buildings | 25-50 Years |
| Site Improvements | 15-20 Years |
| Vehicles | 8 Years |
| Furniture and Equipment | 10-15 Years |

## I. COMPENSATED ABSENCES

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

## J. NET POSITION

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

## K. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as debt service expenditures in the year they are incurred.

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

## L. RISK MANAGEMENT

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

## M. 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.

### N. IMPLEMENTATION OF NEW STANDARD

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

GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions* ("GASB 75") establishes accounting and financial reporting standards for other post-employment benefits (OPEB) that are provided to the employees of state and local governmental employers through plans that are administered through trusts or similar arrangements that meet certain criteria. The Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditures. Implementation is reflected in the financial statements, notes to the financial statements and required supplementary information.

## NOTE 2. FUND BALANCE

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

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

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

- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Capital projects fund resources and maintenance tax note proceeds are to be used for future construction and renovation projects and are restricted through bond orders and constitutional law.

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

- Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Trustees or through the Board of Trustees delegating this responsibility to other individuals in the District. Under the District's adopted policy, only the Board of Trustees may assign amounts for specific purposes. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The District has not assigned any fund balance of the General Fund as of June 30, 2018.

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

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

During the current fiscal period, the Board of Trustees adopted a fund balance policy that expresses an intent to maintain a level of assigned and unassigned fund balance in the general fund equal to 25 percent of the fund's operating expenditures.

The details of the fund balances are included in the Governmental Funds Balance Sheet (page 14) and are described below:

### General Fund

The General Fund has unassigned fund balance of $2,316,395 at June 30, 2018. Deferred expenditures (prepaid items) of $100,451 are considered nonspendable fund balance. Unspent maintenance tax note proceeds of $857,235 are restricted for construction projects.

### Other Major Funds

The Debt Service Fund has restricted funds of $254,004 at June 30, 2018 consisting of property tax collections that are restricted for debt service payments on bonded debt. The Child Nutrition Fund has $40,130 funds restricted for the child nutrition program.

## NOTE 3. DEPOSITS AND INVESTMENTS

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

1. Cash Deposits:

   At June 30, 2018, the carrying amount of the District's deposits in checking accounts and interest-bearing savings accounts was $2,960,808 and the bank balance was $3,056,556. The District's cash deposits at June 30, 2018 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

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

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

a. Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2018, the District's cash balances totaled $3,056,556. This entire amount was either collateralized with securities held by the District's financial institution's agent in the District's name or covered by FDIC insurance. Thus, the District's deposits are not exposed to custodial credit risk.

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

c. Credit Risk: This is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligations. All investments in bank certificates of deposit are covered by the District's depository pledge. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The credit quality rating for Lone Star was AAAf (Standard & Poor's).

d. Interest Rate Risk: This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair values by limiting the maturity of its investment portfolio to less than six months from the time of purchase. The weighted average maturity for the Lone Star investments is less than 60 days.

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

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

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

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

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

| Name | Carrying Amount | Market Value |
|---|---|---|
| Lone Star Investment Pool | $736 | $736 |
| Total | $736 | $736 |

## Fair Value Measurements

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

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

The District's investment in the Lone Star Investment Pool (a statewide 2a7-like external investment pool) is not required to be measured at fair value but is measured at amortized cost.

## NOTE 4. CAPITAL ASSETS

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

| | Balance July 1 | Additions/ Completions | Retirement/ Adjustments | Balance June 30 |
|---|---|---|---|---|
| Governmental Activities: | | | | |
| Capital assets, not being depreciated | | | | |
| Land | $ 440,173 | $ - | $ - | $ 440,173 |
| Construction in Progress | - | 823,201 | - | 823,201 |
| Total capital assets not being depreciated | 440,173 | 823,201 | - | 1,263,374 |
| Capital assets, being depreciated | | | | |
| Building and Improvements | 26,174,458 | - | (237,039) | 25,937,419 |
| Furniture and Equipment | 2,631,345 | 219,729 | (139,950) | 2,711,124 |
| Property under Capital Lease | 1,257,166 | - | - | 1,257,166 |
| Total capital assets being depreciated | 30,062,969 | 219,729 | (376,989) | 29,905,709 |
| Less accumulated depreciation for: | | | | |
| Building and Improvements | (5,123,470) | (534,691) | 116,545 | (5,541,616) |
| Furniture and Equipment | (1,488,415) | (208,987) | 139,263 | (1,558,139) |
| Property under Capital Lease | (598,475) | (84,577) | - | (683,052) |
| Total accumulated depreciation | (7,210,360) | (828,255) | 255,808 | (7,782,807) |
| Total capital assets, being depreciated, net | 22,852,609 | (608,526) | (121,181) | 22,122,902 |
| Governmental activities capital assets, net | $ 23,292,782 | $ 214,675 | $ (121,181) | $ 23,386,276 |

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

| | |
|---|---|
| Governmental activities: | |
| Instruction | $518,027 |
| Instructional Resources & Media Services | 5,006 |
| Instructional leadership | 14,004 |
| School Leadership | 59,261 |
| Guidance, Counseling & Evaluation Services | 27,252 |
| Health Services | 5,435 |
| Student Transportation | 11,159 |
| Food Services | 33,579 |
| Cocurricular/Extracurricular Activities | 39,029 |
| General Administration | 32,713 |
| Plant Maintenance and Operations | 64,913 |
| Data Processing Services | 17,877 |
| Total depreciation expense-Governmental activities | $828,255 |

## NOTE 5. LONG-TERM DEBT

Long-term debt includes par bonds, maintenance tax notes and capital leases. All long-term debt represents transactions in the District's governmental activities.

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

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

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

| Description | Interest Rate Payable | Amounts Outstanding 7/1/17 | Additions | Refunded/ Retired | Amounts Outstanding 6/30/18 | Due Within One Year |
|---|---|---|---|---|---|---|
| Bonded Indebtedness: | | | | | | |
| 2011 Refunding | 3.00%-4.00% | $ 1,420,000 | $ - | $ 110,000 | $ 1,310,000 | $ 115,000 |
| 2014 School Building | 2.00%-4.00% | 7,090,000 | - | 220,000 | 6,870,000 | 225,000 |
| 2015 School Building | 2.00%-4.00% | 3,710,000 | - | 115,000 | 3,595,000 | 115,000 |
| Total Bonded Indebtedness | | 12,220,000 | - | 445,000 | 11,775,000 | 455,000 |
| Capital Leases: | | | | | | |
| Cafeteria Serving Line | 4.98% | 5,125 | - | 5,125 | - | - |
| Vehicle | 3.65% | 42,587 | - | 10,375 | 32,212 | 10,754 |
| QSCB Energy Retro-fit | 1.50% | 685,578 | - | 81,285 | 604,293 | 82,525 |
| Total Capital Leases | | 733,290 | - | 96,785 | 636,505 | 93,279 |
| Maintenance Tax Notes: | | | | | | |
| 2015 Maintenance Tax Notes | 2.00%-4.00% | 2,235,000 | - | 95,000 | 2,140,000 | 95,000 |
| 2018 Maintenance Tax Notes | 3.52% | - | 1,637,000 | - | 1,637,000 | 66,000 |
| Total Maintenance Tax Notes | | 2,235,000 | 1,637,000 | 95,000 | 3,777,000 | 161,000 |
| Premium on Debt Issuance | | 677,943 | - | 35,739 | 642,204 | 35,739 |
| Total Obligations of District | | $15,866,233 | $1,637,000 | $ 672,524 | $16,830,709 | $ 745,018 |

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

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

## NOTE 6. DEBT SERVICE REQUIREMENTS

Presented below is a summary of maintenance tax notes requirements to maturity:

| Year Ended June 30, | Principal | Interest | Total Requirements |
|---|---|---|---|
| 2019 | $ 161,000 | $ 123,951 | $ 284,951 |
| 2020 | 188,000 | 128,475 | 316,475 |
| 2021 | 192,000 | 122,877 | 314,877 |
| 2022 | 200,000 | 116,812 | 316,812 |
| 2023 | 203,000 | 110,319 | 313,319 |
| 2024-2028 | 1,136,000 | 440,235 | 1,576,235 |
| 2029-2033 | 1,367,000 | 210,606 | 1,577,606 |
| 2034-2035 | 330,000 | 13,400 | 343,400 |
| | $3,777,000 | $1,266,675 | $5,043,675 |

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

| Year Ended June 30, | Principal | Interest | Total Requirements |
|---|---|---|---|
| 2019 | $ 455,000 | $ 404,806 | $ 859,806 |
| 2020 | 460,000 | 394,506 | 854,506 |
| 2021 | 475,000 | 383,981 | 858,981 |
| 2022 | 485,000 | 373,156 | 858,156 |
| 2023 | 495,000 | 360,491 | 855,491 |
| 2024-2028 | 2,730,000 | 1,537,544 | 4,267,544 |
| 2029-2033 | 2,415,000 | 1,064,631 | 3,479,631 |
| 2034-2038 | 2,925,000 | 539,350 | 3,464,350 |
| 2039-2040 | 1,335,000 | 49,830 | 1,384,830 |
| | $11,775,000 | $5,108,295 | $16,883,295 |

Presented below is a summary of capital lease requirements to maturity:

| Year Ended June 30, | Principal | Interest | Total Requirements |
|---|---|---|---|
| 2019 | $ 92,901 | $10,242 | $103,143 |
| 2020 | 94,516 | 8,627 | 103,143 |
| 2021 | 96,166 | 6,977 | 103,143 |
| 2022 | 86,294 | 5,295 | 91,589 |
| 2023 | 87,588 | 4,001 | 91,589 |
| 2024-2025 | 179,040 | 4,138 | 183,178 |
| | $636,505 | $39,280 | $675,785 |

## NOTE 7. DEFEASED BONDS OUTSTANDING

In prior years, the District issued refunding bonds to defease certain outstanding bonds for the purpose of consolidation and to achieve debt service savings. The District has placed the proceeds from the refunding issues in irrevocable escrow accounts with a trust agent to ensure payment of debt service on the refunded bonds.

Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. Although defeased, the refunded debt from those earlier issues will not be actually retired until the call dates have come due or until maturity if they are not callable issues. On June 30, 2018, $1,205,000 of bonds outstanding are considered defeased.

## NOTE 8. PROPERTY TAXES

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District levies its taxes on October 1 on the assessed (appraised) value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll upon which the levy for the 2017-18 fiscal year was based was $249,764,255. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to both penalty and interest charges plus 15 % delinquent collection fees for attorney costs.

The tax rates assessed for the year ended June 30, 2018, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were $1.12 and $0.29 per $100 valuation, respectively, for a total of $1.41 per $100 valuation.

Current tax collections for the year ended June 30, 2018 were 96.60% of the year-end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of June 30, 2018, property taxes receivable, net of estimated uncollectible taxes, totaled $190,157 and $40,757 for the General and Debt Service Funds, respectively.

Property taxes are recorded as receivables and unavailable revenues at the time the taxes are assessed. Revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible in time to be a resource for payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with Generally Accepted Accounting Principles have been recognized as revenue.

## NOTE 9. DEFINED BENEFIT PENSION PLAN

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

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

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

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

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2017 and 2018.

**Contribution Rates**

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

| | | |
|---|---|---|
| Valley View ISD FY2018 Employer Contributions | $ | 111,316 |
| Valley View ISD FY2018 Member Contributions | $ | 315,447 |
| Valley View ISD 2018 NECE On-Behalf Contributions | $ | 228,800 |

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

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

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

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

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

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

***Actuarial Assumptions.*** The total pension liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

| | |
|---|---|
| Valuation Date | August 31, 2017 |
| Actuarial Cost Method | Individual Entry Age Normal |
| Asset Valuation Method | Market Value |
| Single Discount Rate | 8.00% |
| Long-term expected Investment Rate of Return | 8.00% |
| Inflation | 2.50% |
| Salary Increases Including Inflation | 3.50% to 9.50% |
| Payroll Growth Rate | 2.50% |
| Benefit Changes During the Year | None |
| Ad hoc Post Employment Benefit Changes | None |

The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2014 and adopted on September 24, 2015.

***Discount Rate.*** The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2017 are summarized below:

| Asset Class | Target Allocation | Real Return Geometric Basis | Long-Term Expected Portfolio Real Rate of Return* |
|---|---|---|---|
| **Global Equity** | | | |
| U.S. | 18% | 4.6% | 1.0% |
| Non-U.S. Developed | 13% | 5.1% | 0.8% |
| Emerging Markets | 9% | 5.9% | 0.7% |
| Directional Hedge Funds | 4% | 3.2% | 0.1% |
| Private Equity | 13% | 7.0% | 1.1% |
| **Stable Value** | | | |
| U.S. Treasuries | 11% | 0.7% | 0.1% |
| Absolute Return | 0% | 1.8% | 0.0% |
| Stable Value Hedge Funds | 4% | 3.0% | 0.1% |
| Cash | 1% | -0.2% | 0.0% |
| **Real Return** | | | |
| Global Inflation Linked Bonds | 3% | 0.9% | 0.0% |
| Real Assets | 16% | 5.1% | 1.1% |
| Energy and Natural Resources | 3% | 6.6% | 0.2% |
| Commodities | 0% | 1.2% | 0.0% |
| **Risk Parity** | | | |
| Risk Parity | 5% | 6.7% | 0.3% |
| Inflation Expectation | | | 2.2% |
| Alpha | 0% | | 1.0% |
| **Total** | 100% | | 8.7% |

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

***Discount Rate Sensitivity Analysis.*** The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the Net Pension Liability.

| | 1% Decrease in Discount Rate (7.0%) | Discount Rate (8.0%) | 1% Increase in Discount Rate (9.0%) |
|---|---|---|---|
| Valley View ISD's proportionate share of the net pension liability: | $1,795,394 | $1,065,009 | $456,844 |

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.*** At June 30, 2018, Valley View Independent School District reported a liability of $1,065,009 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Valley View Independent School District. The amount recognized by Valley View Independent School District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with Valley View Independent School District were as follows:

| | |
|---|---|
| District's Proportionate share of the collective net pension liability | $1,065,009 |
| State's proportionate share that is associated with the District | 2,236,785 |
| Total | $3,301,794 |

The net pension liability was measured as of August 31, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2016 thru August 31, 2017.

At August 31, 2017 the employer's proportion of the collective net pension liability was .0033307943%, an increase of 2.29% from its proportionate share of 0.0032562404% at August 31, 2016.

**Changes Since the Prior Actuarial Valuation** – There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period:

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

For the year ended June 30, 2018, Valley View Independent School District recognized pension expense of $228,800 and revenue of $228,800 for support provided by the State.

At June 30, 2018, Valley View Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual economic experience | $ 15,582 | $ 57,435 |
| Changes in actuarial assumptions | 48,513 | 27,772 |
| Difference between projected and actual investment earnings | 163,786 | 241,401 |
| Changes in proportion and difference between the employer's contributions and the proportionate share of contributions | 278,957 | 63 |
| Contributions paid to TRS subsequent to the measurement date | 94,932 | - |
| Total | $ 601,770 | $ 326,671 |

$94,932 reported as deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended June 30: | Pension Expense Amount |
|---|---|
| 2019 | $ 32,965 |
| 2020 | 100,948 |
| 2021 | 27,744 |
| 2022 | 6,210 |
| 2023 | 10,456 |
| Thereafter | 1,844 |

## NOTE 10. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

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

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

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

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

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

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

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

**TRS-Care Plan Premium Rates**
Effective Sept. 1, 2016 - Dec. 31, 2017

| | TRS-Care 1 Basic Plan | TRS-Care 2 Optional Plan | TRS-Care 3 Optional Plan |
|---|---|---|---|
| Retiree* | $ 0 | $ 70 | $ 100 |
| Retiree and Spouse | 20 | 175 | 255 |
| Retiree* and Children | 41 | 132 | 182 |
| Retiree and Family | 61 | 237 | 337 |
| Surviving Children only | 28 | 62 | 82 |

* *or surviving spouse*

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.0% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

| Contribution Rates | | |
|---|---|---|
| | 2017 | 2018 |
| **Active Employee** | **0.65%** | **0.65%** |
| **Non-Employer Contributing Entity (State)** | **1.00%** | **1.25%** |
| **Employers** | **0.55%** | **0.75%** |
| **Federal/private Funding remitted by Employers** | **1.00%** | **1.25%** |

| | |
|---|---|
| **Valley View ISD FY18 Employer Contributions** | **$29,162** |
| **Valley View ISD FY18 Member Contributions** | **$25,711** |
| **Valley View ISD 2018 NECE On-behalf Contributions** | **$37,932** |

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of $15.6 million in fiscal year 2017 and $182.6 million in fiscal year 2018. House Bill 21 was passed in special session and provided a supplemental appropriation in the amount of $212 million in fiscal year 2018.

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

***Actuarial Assumptions.*** The actuarial valuation of TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including mortality, and most of the economic assumptions are identical to those which were adopted by the Board in 2015 and are based on the 2014 actuarial experience study of TRS.

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

The total OPEB liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions. The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2017 TRS pension actuarial valuation:

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

***Additional Actuarial Methods and Assumptions:***

| | |
|---|---|
| Valuation Date | August 31, 2017 |
| Actuarial Cost Method | Individual Entry Age Normal |
| Inflation | 2.50% |
| Discount Rate | 3.42% |
| Aging Factors | Based on specific plan experience |
| Expenses | Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claim costs |
| Payroll Growth Rate | 2.50% |
| Projected Salary Increases | 3.50% to 9.50% |
| Healthcare Trend Rates | 4.50% to 12.00% |
| Election Rates | Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65 |
| Ad hoc post-employment benefit changes | None |

***Discount Rate.*** A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of .44 percent in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of currentplan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. *The source of the municipal bond rate was Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of August 31, 2017.*

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

| | 1% Decrease in Discount Rate (2.42%) | Current Single Discount Rate (3.42%) | 1% Increase in Discount Rate (4.42%) |
|---|---|---|---|
| District's proportionate share of the Net OPEB Liability: | $3,458,650 | $2,930,443 | $2,505,884 |

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

| | 1% Decrease | Current Healthcare Cost Trend Rate | 1% Increase |
|---|---|---|---|
| District's proportionate share of the Net OPEB Liability: | $2,439,887 | $2,930,443 | $3,574,115 |

***OPEB Liabilities, OPEB Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs.*** At June 30, 2018, the District reported a liability of $2,930,443 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 | $2,930,443 |
| State's proportionate share that is associated with the District | $3,172,742 |
| Total | $6,103,185 |

The Net OPEB Liability was measured as of August 31, 2017 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2016 thru August 31, 2017.

At August 31, 2017 the employer's proportion of the collective Net OPEB Liability was 0.0067387814% which was the same proportion measured as of August 31, 2016.

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

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

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

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

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

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

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

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

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

For the year ended June 30, 2018, the District recognized OPEB expense of $37,932 and revenue of $37,932 for support provided by the State.

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual economic experience | $ - | $ 61,175 |
| Changes in actuarial assumptions | - | 1,164,635 |
| Difference between projected and actual investment earnings | 445 | - |
| Changes in proportion and difference between the employer's contributions and the proportionate share of contributions | 15 | - |
| Contributions paid to TRS subsequent to the measurement date | 36,189 | - |
| Total | $ 36,649 | $1,225,810 |

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

| Year ended June 30: | OPEB Expense Amount |
|---|---|
| 2019 | $ (161,686) |
| 2020 | (161,686) |
| 2021 | (161,686) |
| 2022 | (161,686) |
| 2023 | (161,798) |
| Thereafter | (416,808) |

## NOTE 11. SCHOOL DISTRICT RETIREE HEALTH PLAN

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

*Funding Policy.* Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2016, 2017 and 2018. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the ten months ended June 30, 2016 and the years ended June 30, 2017 and June 30, 2018, the State's contributions to the TRS-Care were $32,350, $39,333, and $40,967, respectively, the active member contributions were $21,077, $25,566, and $26,629, respectively, and the school district's contribution were $17,792, $21,633, and $22,531, respectively, which equaled the required contributions each year.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments are recognized as equal revenues and expenditures/expenses by the District. For the year ended June 30, 2018, the contribution made on behalf of the District was $15,879.

## NOTE 12. HEALTH CARE

During the year ended June 30, 2018, employees of Valley View Independent School District were covered by the TRS-Active Care health insurance plan (the Plan). The District contributed $225 per month per employee to the Plan and employees, at their option, authorized payroll withholdings to pay any additional contribution and contributions for dependents. All contributions were paid to a self-funded pool. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

## NOTE 13. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at June 30, 2018, were as follows:

| | Property Taxes | Other Governments | Due From Other Funds | Other | Total Receivables |
|---|---|---|---|---|---|
| Governmental Activities: | | | | | |
| General Fund | $203,169 | $1,171,952 | $ - | $ - | $1,375,121 |
| Debt Service Fund | 41,704 | 10,394 | - | - | 52,098 |
| Special Revenue Fund | - | 34,276 | - | - | 34,276 |
| Total - Governmental Activities | $244,873 | $1,216,622 | $ - | $ - | $1,461,495 |
| Amounts not scheduled for collection during the subsequent year | $ 13,959 | $ - | $ - | $ - | $ 13,959 |

Payables at June 30, 2018, were as follows:

| | Accounts | Salaries and Benefits | Due to Other Funds | Due to Other Governments | Accrued Expenditures | Total Payables |
|---|---|---|---|---|---|---|
| Governmental Activities: | | | | | | |
| General Fund | $140,884 | $419,844 | $ - | $ - | $31,637 | $592,365 |
| Debt Service Fund | - | - | - | - | - | - |
| Special Revenue Funds | 586 | 19,705 | - | - | 2,285 | 22,576 |
| Total - Governmental Activities | $141,470 | $439,549 | $ - | $ - | $33,922 | $614,941 |
| Amounts not scheduled for payment during the subsequent year | $ - | $ - | $ - | $ - | $ - | $ - |

## NOTE 14. DUE FROM OTHER GOVERNMENTS

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

| Fund | State Grant | Federal Grants | Total |
|---|---|---|---|
| General | $1,171,952 | $ - | $1,171,952 |
| Debt Service | 10,394 | - | 10,394 |
| Special Revenue | - | 34,276 | 34,276 |
| Total | $1,182,346 | $34,276 | $1,216,622 |

## NOTE 15. LITIGATION AND CONTINGENCIES

Minimum foundation funding received from the Agency is based primarily upon information concerning average daily attendance at the District's schools which is compiled by the District and supplied to the Agency. Federal funding for Food Services under child nutrition programs is based primarily upon the number and type of meals served and on user charges as reported to the USDA. Federal and state funding received related to various grant programs are based upon periodic reports detailing reimbursable expenditures made in compliance with program guidelines to the grantor agencies.

The programs are governed by various statutory rules and regulations of the grantors. Amounts received and receivable under these various funding programs are subject to periodic audit and adjustment by the funding agencies. To the extent, if any, that the District has not complied with all the rules and regulations with respect to performance, financial or otherwise, adjustment to or return of funding monies may be required. In the opinion of the District's administration, there are no significant contingent liabilities relating to matters of compliance and, accordingly, no provision has been made in the accompanying financial statements for such contingencies.

The Cooke County Appraisal District is a defendant in various lawsuits involving the property values assigned to property located within the District's boundaries on which the District assesses property taxes. The District could be required to refund property taxes paid on values which were greater than the ultimate final assessed valuation assigned by the court. Such lawsuits could continue several years into the future.

## NOTE 16. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

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

| | General Fund | Special Revenue Fund | Debt Service Fund | Total |
|---|---|---|---|---|
| Property Taxes | $2,763,870 | $ - | $712,149 | $3,476,019 |
| Food sales | - | 139,650 | - | 139,650 |
| Investment Income | 24,341 | 1,903 | - | 26,244 |
| Penalties, interest and other tax related income | 30,253 | - | 6,545 | 36,798 |
| Co-curricular student activities | 33,108 | - | - | 33,108 |
| Tuition and fees | 51,899 | - | - | 51,899 |
| Rental | 9,185 | - | - | 9,185 |
| Other | 9,759 | - | - | 9,759 |
| Total | $2,922,415 | $141,553 | $718,694 | $3,782,662 |

## NOTE 17. UNEARNED REVENUE

Unearned revenue at year-end consisted of the following:

| | General Fund | Debt Service Fund | Special Revenue Fund | Total |
|---|---|---|---|---|
| Advanced Placement Incentives | $ - | $ - | $ 1,403 | $ 1,403 |
| Career and Technical | - | - | 624 | 624 |
| Read to Succeed | - | - | 59 | 59 |
| AP Campus Awards | - | - | 149 | 149 |
| | $ - | $ - | $ 2,235 | $ 2,235 |

## NOTE 18. SHARED SERVICE ARRANGEMENTS

The District participates in a shared services arrangement ("SSA") for the Cooke County Special Education Cooperative with six other districts.

The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Callisburg ISD nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA. During the year ended June 30, 2018, the District contributed $263,725 to the fiscal agent as its share of the costs of the joint venture.

The District also participates in a consortium program for juvenile justice alternative education services with other school districts. The District does not account for revenues or expenditures of this program and does not disclose them in these financial statements. Sanger ISD is the fiscal agent manager and is responsible for all financial activities of the Juvenile Justice Alternative Education Program. During the year ended June 30, 2018, the District contributed $0 to the fiscal agent as its share of the costs of the joint venture.

## NOTE 19. SELF–INSURED WORKERS' COMPENSATION

The District participates in the TASB Risk Management Workers Compensation Self-Insurance Joint Fund. The District incurred fixed costs of $11,924 for their share of claims administration, loss control, record keeping, and cost of excess insurance.

The accrued liability for workers compensation self-insurance of $5,555 includes incurred but not reported claims. This liability is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," which require that a liability for claims be reported if information indicates that it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. The liability recorded is an undiscounted actuarial calculation.

Changes in workers compensation claims liability amounts in fiscal periods 2017 and 2018 are represented below:

| Fiscal Period | Beginning Claims Liability | Claim and Changes in Estimates | Claims Payments | Ending Claims Liability |
|---|---|---|---|---|
| 2017 | $ 8,043 | $ (1,414) | $ 379 | $ 6,250 |
| 2018 | 6,250 | (512) | 183 | 5,555 |

## NOTE 20. EXCESS OF EXPENDITURES OVER APPROPRIATIONS BY FUNCTION

The Texas Education Agency requires the budgets for the Governmental fund types to be filed with the Texas Education Agency. The budget should not be exceeded in any functional category under TEA requirements. Expenditures exceeded appropriations in four functional categories in the general fund and one functional category in the child nutrition fund for the year ended June 30, 2018.

## NOTE 21. INTERFUND BALANCES AND TRANSFERS

There were no interfund balances at June 30, 2018.

Interfund transfers for the year ended June 30, 2018 consisted of the following individual amounts:

| Fund | Transfer to | Transfer from |
|---|---|---|
| Special Revenue Fund: | | |
| ESEA, Title I, Part A | $6,899 | $ - |
| ESEA, Title II, Part A | - | 6,899 |
| Total | $6,899 | $6,899 |

An interfund transfer was made from ESEA, Title II, Part A to ESEA Title I, Part A to help cover the payroll cost of three Title I employees.

## NOTE 22. PRIOR PERIOD ADJUSTMENT

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

| | |
|---|---|
| **Beginning Net Position – As Originally Presented** | $ 9,117,136 |
| Restatement due to: | |
| Net OPEB liability (measurement date as of August 31, 2016) | (5,173,550) |
| Deferred Outflows: | |
| District contributions made to TRS during the fiscal year | 31,362 |
| **Beginning Net Position – As Restated** | $ 3,974,948 |

REQUIRED SUPPLEMENTARY INFORMATION

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

| | FY 2018 Plan Year 2017 | FY 2017 Plan Year 2016 | FY 2016 Plan Year 2015 | FY 2015 Plan Year 2014 |
|---|---|---|---|---|
| District's Proportion of the Net Pension Liability (Asset) | 0.00325624% | 0.00325624% | 0.0032722% | 0.001838% |
| District's Proportionate Share of Net Pension Liability (Asset) | $ 1,065,009 | $ 1,230,485 | $ 1,156,679 | $ 490,955 |
| State's Proportionate Share of the Net Pension Liability (Asset) associated with the District | 2,236,785 | 2,723,608 | 2,669,297 | 2,291,521 |
| Total | $ 3,301,794 | $ 3,954,093 | $ 3,825,976 | $ 2,782,476 |
| District's Covered Payroll | $ 3,933,277 | $ 3,874,472 | $ 3,234,952 | $ 3,824,513 |
| District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll | 27.08% | 31.76% | 35.76% | 12.84% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 82.17% | 78.00% | 78.43% | 83.25% |

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

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

Note: The District changed its fiscal year-end from August 31 to June 30 effective with the period beginning September 1, 2015. Thus, the 2016 column reflects 10 months of District information where applicable.

VALLEY VIEW INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2018

| | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| Contractually Required Contribution | $ 111,316 | $ 108,458 | $ 87,772 | $ 97,243 |
| Contribution in Relation to the Contractually Required Contribution | (111,316) | (108,458) | (87,772) | (97,243) |
| Contribution Deficiency (Excess) | $ -0- | $ -0- | $ -0- | $ -0- |
| District's Covered Payroll | $ 4,096,714 | $ 3,933,277 | $ 3,234,952 | $ 3,824,513 |
| Contributions as a Percentage of Covered Payroll | 2.72% | 2.76% | 2.71% | 2.54% |

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

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

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

| | | FY 2018 Plan Year 2017 |
|---|---|---|
| District's Proportion of the Net Liability (Asset) for Other Post Employment Benefits | | 0.006738781% |
| District's Proportionate Share of Net Post Employment Benefit Liability (Asset) | $ | 2,930,443 |
| State's Proportionate Share of the Net Post Employment Benefit Liability (Asset) associated with the District | | 3,172,742 |
| Total | $ | 6,103,185 |
| District's Covered Payroll | $ | 3,797,733 |
| District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll | | 77.16% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | | 0.91% |

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

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

VALLEY VIEW INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS FOR OTHER POST EMPLOYMENT BENEFITS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED JUNE 30, 2018

| | | 2018 |
|---|---|---|
| Contractually Required Contribution | $ | 29,162 |
| Contribution in Relation to the Contractually Required Contribution | | (29,162) |
| Contribution Deficiency (Excess) | $ | -0- |
| District's Covered Payroll | $ | 3,955,538 |
| Contributions as a Percentage of Covered Payroll | | 0.74% |

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

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

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

PENSION LIABILITY:

*Changes of benefit terms:*

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

*Changes of assumptions:*

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

OPEB LIABILITY:

*Changes of benefit terms:*

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

*Changes of assumptions:*

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

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

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

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

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COMBINING SCHEDULES

VALLEY VIEW INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

| Data Control Codes | | 211 ESEA I, A Improving Basic Program | 244 Career and Technical - Basic Grant | 255 ESEA II,A Training and Recruiting | 289 ESEA Title IV, Part A |
|---|---|---|---|---|---|
| | ASSETS | | | | |
| 1110 | Cash and Cash Equivalents | $ (30,755) | $ 624 | $ (46) | $ - |
| 1240 | Receivables from Other Governments | 30,755 | - | 46 | - |
| 1000 | Total Assets | $ - | $ 624 | $ - | $ - |
| | LIABILITIES | | | | |
| 2300 | Unearned Revenues | $ - | $ 624 | $ - | $ - |
| 2000 | Total Liabilities | - | 624 | - | - |
| 4000 | Total Liabilities and Fund Balances | $ - | $ 624 | $ - | $ - |

| 397 Advanced Placement Incentives | 410 State Textbook Fund | 427 Ready to Read | 429 AP Campus Awards | Total Nonmajor Governmental Funds |
|---|---|---|---|---|
| $ 1,403 | $ - | $ 59 | $ 149 | $ (28,566) |
| - | - | - | - | 30,801 |
| $ 1,403 | $ - | $ 59 | $ 149 | $ 2,235 |
| $ 1,403 | $ - | $ 59 | $ 149 | $ 2,235 |
| 1,403 | - | 59 | 149 | 2,235 |
| $ 1,403 | $ - | $ 59 | $ 149 | $ 2,235 |

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

| Data Control Codes | | 211 ESEA I, A Improving Basic Program | 244 Career and Technical - Basic Grant | 255 ESEA II,A Training and Recruiting | 289 ESEA Title IV, Part A |
|---|---|---|---|---|---|
| | REVENUES: | | | | |
| 5800 | State Program Revenues | $ - | $ - | $ - | $ - |
| 5900 | Federal Program Revenues | 64,502 | 3,269 | 6,899 | 10,000 |
| 5020 | Total Revenues | 64,502 | 3,269 | 6,899 | 10,000 |
| | EXPENDITURES: | | | | |
| | Current: | | | | |
| 0011 | Instruction | 71,401 | 3,269 | - | 10,000 |
| 6030 | Total Expenditures | 71,401 | 3,269 | - | 10,000 |
| 1100 | Excess (Deficiency) of Revenues Over (Under) Expenditures | (6,899) | - | 6,899 | - |
| | OTHER FINANCING SOURCES (USES): | | | | |
| 7915 | Transfers In | 6,899 | - | - | - |
| 8911 | Transfers Out (Use) | - | - | (6,899) | - |
| 7080 | Total Other Financing Sources (Uses) | 6,899 | - | (6,899) | - |
| 1200 | Net Change in Fund Balance | - | - | - | - |
| 0100 | Fund Balance - July 1 (Beginning) | - | - | - | - |
| 3000 | Fund Balance - June 30 (Ending) | $ - | $ - | $ - | $ - |

| 397 Advanced Placement Incentives | 410 State Textbook Fund | 427 Ready to Read | 429 AP Campus Awards | Total Nonmajor Governmental Funds |
|---|---|---|---|---|
| $ - | $ 69,028 | $ - | $ 2,896 | $ 71,924 |
| - | - | - | - | 84,670 |
| - | 69,028 | - | 2,896 | 156,594 |
| - | 69,028 | - | 2,896 | 156,594 |
| - | 69,028 | - | 2,896 | 156,594 |
| - | - | - | - | - |
| - | - | - | - | 6,899 |
| - | - | - | - | (6,899) |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| $ - | $ - | $ - | $ - | $ - |

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REQUIRED T.E.A. SCHEDULES

VALLEY VIEW INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED JUNE 30, 2018

| Last 10 Years | | (1) Tax Rates | (2) | (3) Assessed/Appraised Value for School Tax Purposes |
|---|---|---|---|---|
| | | Maintenance | Debt Service | |
| 2009 | and prior years | Various | Various | $ Various |
| 2010 | | 1.040000 | 0.080000 | 177,558,214 |
| 2011 | | 1.120000 | 0.000000 | 221,050,446 |
| 2012 | | 1.120000 | 0.000000 | 209,435,089 |
| 2013 | | 1.120000 | 0.000000 | 228,757,054 |
| 2014 | | 1.120000 | 0.000000 | 230,703,482 |
| 2015 | | 1.120000 | 0.275000 | 225,333,118 |
| 2016 | | 1.120000 | 0.290000 | 216,073,830 |
| 2017 | | 1.170000 | 0.240000 | 254,014,326 |
| 2018 | (School year under audit) | 1.120000 | 0.290000 | 249,764,255 |
| 1000 | TOTALS | | | |

| (10) Beginning Balance 7/1/2017 | (20) Current Year's Total Levy | (31) Maintenance Collections | (32) Debt Service Collections | (40) Entire Year's Adjustments | (50) Ending Balance 6/30/2018 |
|---|---|---|---|---|---|
| $ 12,875 | $ - | $ 1,291 | $ 100 | $ (1,741) | $ 9,743 |
| 4,164 | - | 726 | 56 | - | 3,382 |
| 3,991 | - | 446 | - | - | 3,545 |
| 3,425 | - | 466 | - | - | 2,959 |
| 5,867 | - | 511 | - | (14) | 5,342 |
| 8,128 | - | 2,470 | - | 4,202 | 9,860 |
| 11,497 | - | 4,548 | 1,117 | 6,150 | 11,982 |
| 21,051 | - | 7,898 | 2,045 | 4,459 | 15,567 |
| 111,463 | - | 38,113 | 7,818 | (2,714) | 62,818 |
| - | 3,521,676 | 2,702,299 | 699,702 | - | 119,675 |
| $ 182,461 | $ 3,521,676 | $ 2,758,768 | $ 710,838 | $ 10,342 | $ 244,873 |

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

| Data Control Codes | | Budgeted Amounts Original | Budgeted Amounts Final | Actual Amounts (GAAP BASIS) | Variance With Final Budget Positive or (Negative) |
|---|---|---|---|---|---|
| | REVENUES: | | | | |
| 5700 | Total Local and Intermediate Sources | $ 135,500 | $ 141,250 | $ 141,553 | $ 303 |
| 5800 | State Program Revenues | 13,132 | 14,891 | 15,587 | 696 |
| 5900 | Federal Program Revenues | 204,200 | 244,946 | 247,297 | 2,351 |
| 5020 | Total Revenues | 352,832 | 401,087 | 404,437 | 3,350 |
| | EXPENDITURES: | | | | |
| 0035 | Food Services | 347,447 | 410,552 | 410,862 | (310) |
| | Debt Service: | | | | |
| 0071 | Principal on Long Term Debt | 5,125 | 5,125 | 5,125 | - |
| 0072 | Interest on Long Term Debt | 260 | 260 | 255 | 5 |
| 6030 | Total Expenditures | 352,832 | 415,937 | 416,242 | (305) |
| 1200 | Net Change in Fund Balances | - | (14,850) | (11,805) | 3,045 |
| 0100 | Fund Balance - July 1 (Beginning) | 51,935 | 51,935 | 51,935 | - |
| 3000 | Fund Balance - June 30 (Ending) | $ 51,935 | $ 37,085 | $ 40,130 | $ 3,045 |

EXHIBIT J-3

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

| Data Control Codes | | Budgeted Amounts | | Actual Amounts (GAAP BASIS) | Variance With Final Budget Positive or (Negative) |
|---|---|---|---|---|---|
| | | Original | Final | | |
| | REVENUES: | | | | |
| 5700 | Total Local and Intermediate Sources | $ 700,775 | $ 718,693 | $ 718,694 | $ 1 |
| 5800 | State Program Revenues | 20,000 | 35,369 | 60,143 | 24,774 |
| 5020 | Total Revenues | 720,775 | 754,062 | 778,837 | 24,775 |
| | EXPENDITURES: | | | | |
| | Debt Service: | | | | |
| 0071 | Principal on Long Term Debt | 445,000 | 445,000 | 445,000 | - |
| 0072 | Interest on Long Term Debt | 415,000 | 415,000 | 414,931 | 69 |
| 6030 | Total Expenditures | 860,000 | 860,000 | 859,931 | 69 |
| 1100 | Excess (Deficiency) of Revenues Over (Under) Expenditures | (139,225) | (105,938) | (81,094) | 24,844 |
| | OTHER FINANCING SOURCES (USES): | | | | |
| 7915 | Transfers In | - | 117,919 | - | (117,919) |
| 1200 | Net Change in Fund Balances | (139,225) | 11,981 | (81,094) | (93,075) |
| 0100 | Fund Balance - July 1 (Beginning) | 335,098 | 335,098 | 335,098 | - |
| 3000 | Fund Balance - June 30 (Ending) | $ 195,873 | $ 347,079 | $ 254,004 | $ (93,075) |

COMPLIANCE SECTION

Members:
AMERICAN INSTITUTE OF
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**HANKINS, EASTUP, DEATON, TONN & SEAY**
A PROFESSIONAL CORPORATION
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# INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Valley View Independent School District
Valley View, Texas 76272

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Valley View Independent School District (the "District") as of and for the year ended June 30, 2018, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 31, 2018. 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.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Hankins, Eastup, Deaton, Tonn & Seay

Hankins, Eastup, Deaton, Tonn & Seay
A Professional Corporation
Certified Public Accountants

August 31, 2018

**APPENDIX C**

**FORM OF BOND COUNSEL'S OPINION**

July 10, 2019

Valley View Independent School District
Maintenance Tax Refunding Notes, Series 2019

(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Valley View Independent School District (the "District") in connection with the issuance of $_____ aggregate principal amount of Maintenance Tax Refunding Notes designated as "Valley View Independent School District Maintenance Tax Refunding Notes, Series 2018" (the "Notes"). The Notes are authorized by a resolution adopted by the Board of Trustees of the District (the "Board") on June 17, 2019 (the "Resolution"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Resolution.

In such connection, we have reviewed the Notes, the tax certificate of the District dated the date hereof (the "Tax Certificate"), certificates of the District, and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Notes has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the District. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Notes and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Notes to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Notes, the Notes and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against issuers in the State of Texas. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, choice of law, choice

of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Notes constitute the valid and binding obligations of the District.

2. The Board has power and is obligated to levy an annual ad valorem tax, within the legal limits prescribed by law, upon taxable property located within the District, which taxes have been pledged irrevocably to pay the principal of and interest on the Notes.

3. Interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Notes is not a specific preference item for purposes of the federal individual alternative minimum taxes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Notes.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP