August 11, 2020

RE: $4,835,000 ATLANTA INDEPENDENT SCHOOL DISTRICT UNLIMITED TAX REFUNDING BONDS, SERIES 2020

Enclosed is an addendum for the above referenced Official Statement which reflects corrections to Table 7 - Tax Supported Debt Service Requirements on page A-4.

Please replace Table 7 - Tax Supported Debt Service Requirements in its entirety with the enclosed addendum, to the copies of the Official Statement in your possession and forward copies to the parties to whom you have previously sent copies of such Official Statement.

DEBT INFORMATION

TABLE 7 - TAX SUPPORTED DEBT SERVICE REQUIREMENTS

Period Ending 8/31	Outstanding Debt Service Requirements	Less: Refunded Bonds*	Debt Service Requirements Unlimited Tax Refunding Bonds, Series 2020 Principal	Interest	Total	Total Debt Service Requirements
2021	$ 558,728	$ 181,305	$ -	$ 162,989	$ 162,989	$ 540,412
2022	561,528	501,305	270,000	163,900	433,900	494,123
2023	562,268	502,045	285,000	153,100	438,100	498,323
2024	557,718	497,495	295,000	141,700	436,700	496,923
2025	6,293,524	497,801	300,000	135,800	435,800	6,231,523
2026	497,817	497,817	310,000	123,800	433,800	433,800
2027	500,808	500,808	325,000	111,400	436,400	436,400
2028	498,292	498,292	340,000	98,400	438,400	438,400
2029	500,438	500,438	350,000	84,800	434,800	434,800
2030	494,241	497,076	365,000	70,800	435,800	435,800
2031	495,962	498,376	375,000	59,850	434,850	434,850
2032	496,783	498,745	385,000	48,600	433,600	433,600
2033	497,097	498,593	400,000	37,050	437,050	437,050
2034	496,904	497,918	410,000	25,050	435,050	435,050
2035	496,205	496,720	425,000	12,750	437,750	437,750
Total	$13,508,312	$7,164,734	$4,835,000	$1,429,989	$6,264,989	$12,618,803

Estimated Average Annual Debt Service Requirements ..... $ 841,254
Estimated Maximum Annual Debt Service Requirement $6,231,523

August 7, 2020

RE: $4,835,000 ATLANTA INDEPENDENT SCHOOL DISTRICT UNLIMITED TAX REFUNDING BONDS, SERIES 2020

Enclosed is an addendum for the above referenced Official Statement which reflects corrections to the CUSIPs on page ii.

Please replace this page in its entirety with the enclosed addendum, to the copies of the Official Statement in your possession and forward copies to the parties to whom you have previously sent copies of such Official Statement.

PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES AND YIELDS
$4,835,000 Unlimited Tax Refunding Bonds, Series 2020
(Interest accrues from the Date of Delivery)

Maturity[a] (8/15)	Principal Amount	Interest Rate	Initial Offering Yield[b]	CUSIP No. [c] (Prefix: 048159)
2022	$270,000	4.000%	0.300%	GC5
2023	285,000	4.000%	0.350%	GD3
2024	295,000	2.000%	0.450%	GE1
2025	300,000	4.000%	0.570%	GF8
2026	310,000	4.000%	0.670%	GG6
2027	325,000	4.000%	0.770%	GH4
2028	340,000	4.000%	0.840%	GJ0
2029	350,000	4.000%	0.970%	GK7
2030	365,000	3.000%	1.120%	GL5
2031	375,000	3.000%	1.170%	GM3
2032	385,000	3.000%	1.260%	GN1
2033	400,000	3.000%	1.300%	GP6
2034	410,000	3.000%	1.350%	GQ4
2035	425,000	3.000%	1.400%	GR2

(a) The Bonds maturing on and after August 15, 2030, are subject to optional redemption, in whole or in part, on August 15, 2029, 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 BONDS – Optional Redemption"). Certain of the Bonds may be subject to mandatory sinking fund redemption in the event the Underwriter elects to aggregate two or more maturities as term Bonds. (see "THE BONDS - "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 Bonds. Neither the District, the Financial Advisor, nor the Underwriter shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

OFFICIAL STATEMENT
Dated: July 27, 2020

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

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 Bonds 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 Bonds is not a specific preference item for purposes of the federal alternative minimum tax. 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 Bonds (See "TAX MATTERS).

The District will designate the Bonds as "Qualified Tax-Exempt Obligations" for Financial Institutions.

$4,835,000
ATLANTA INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Cass County, Texas)
UNLIMITED TAX REFUNDING BONDS
SERIES 2020

Dated Date: August 1, 2020
Interest to accrue from Date of Delivery (defined below) **Due: August 15, as shown on the inside cover page**

Atlanta Independent School District (the "District") is issuing its $4,835,000 Unlimited Tax Refunding Bonds, Series 2020 (the "Bonds"). The Bonds are issued pursuant to the Constitution and general laws of the State, including particularly Chapter 1207, Texas Government Code, as amended, and an order adopted by the Board of Trustees of the District authorizing the issuance of the Bonds and a pricing certificate executed pursuant thereto (collectively the "Order"). The Bonds are payable from an ad valorem tax levied, without legal limit as to rate or amount, on all taxable property located within the District, as provided in the Order. (See "THE BONDS – Authority for Issuance"). An application has been filed by the District with, and conditional approval has been received from, the Texas Education Agency for the Bonds to be guaranteed by the corpus of the Texas Permanent School Fund Guarantee Program (See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM")

Interest on the Bonds will accrue from the date of their delivery and will be payable on February 15 and August 15 of each year, commencing February 15, 2021, until maturity or prior redemption. The Bonds will be issued in principal denominations of $5,000 or any integral multiple thereof within a maturity. Interest accruing on the Bonds will be calculated on the basis of a 360-day year of twelve 30-day months. (See "THE BONDS – Description of the Bonds").

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 Bonds at maturity or on a prior redemption date and interest on the Bonds 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 Bonds. No physical delivery of the Bonds 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 Bonds (See "BOOK-ENTRY ONLY SYSTEM").

Proceeds from the sale of the Bonds will be used (i) to currently refund the District's outstanding Unlimited Tax School Building Bonds Taxable Series, 2010C (Build America Bonds – Direct Subsidy), as indicated in Schedule I, attached hereto (the "Refunded Obligations") and (ii) to pay the costs of issuing the Bonds and refunding the Refunded Obligations. (See "THE BONDS – Purpose" and "THE BONDS – Sources and Uses of Funds").

The Bonds maturing on and after August 15, 2030, 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 August 15, 2029 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 BONDS – Optional Redemption"). Certain of the Bonds may be subject to mandatory sinking fund redemption in the event the Underwriter elects to aggregate two or more maturities as term Bonds. (See "THE BONDS - "Mandatory Redemption").

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

The Bonds 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's Opinion"). Certain legal matters will be passed upon for the Underwriter by Sara Leon & Associates, LLC, Austin, Texas, as Counsel to the Underwriter.

It is expected that the Bonds will be available for delivery through DTC on or about August 17, 2020 (the "Date of Delivery).

OPPENHEIMER & Co.

PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES AND YIELDS

$4,835,000 Unlimited Tax Refunding Bonds, Series 2020

(Interest accrues from the Date of Delivery)

Maturity[a] (8/15)	Principal Amount	Interest Rate	Initial Offering Yield[b]	CUSIP No. [c] (Prefix: US048159)
2022	$270,000	4.000%	0.300%	GC57
2023	285,000	4.000%	0.350%	GD31
2024	295,000	2.000%	0.450%	GE14
2025	300,000	4.000%	0.570%	GF88
2026	310,000	4.000%	0.670%	GG61
2027	325,000	4.000%	0.770%	GH45
2028	340,000	4.000%	0.840%	GJ01
2029	350,000	4.000%	0.970%	GK73
2030	365,000	3.000%	1.120%	GL56
2031	375,000	3.000%	1.170%	GM30
2032	385,000	3.000%	1.260%	GN13
2033	400,000	3.000%	1.300%	GP60
2034	410,000	3.000%	1.350%	GQ44
2035	425,000	3.000%	1.400%	GR27

(a) The Bonds maturing on and after August 15, 2030, are subject to optional redemption, in whole or in part, on August 15, 2029, 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 BONDS – Optional Redemption"). Certain of the Bonds may be subject to mandatory sinking fund redemption in the event the Underwriter elects to aggregate two or more maturities as term Bonds. (see "THE BONDS - "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 Bonds. 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 BONDS 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 BONDS 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 BONDS 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 Bonds are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Bonds is to be construed as constituting an agreement with the purchasers of the Bonds. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL SCHEDULES AND APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

The Underwriter, Oppenheimer, 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, the Rule 15c2-12.

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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 Bonds 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 Atlanta Independent School District (the "District") is a political subdivision located in Cass 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").

Authority For Issuance ..... The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Chapter 1207, Texas Government Code, as amended, and an order adopted by the Board of Trustees of the District authorizing the issuance of the Bonds and a pricing certificate executed pursuant thereto (collectively the "Order") (See "THE BONDS – Authority for Issuance").

The Bonds..... The District's Unlimited Tax Refunding Bonds, Series 2020 (the "Bonds") shall mature on the dates and in the amounts set forth on the inside cover page of this Official Statement (See "THE BONDS – Description of the Bonds").

Payment of Interest ..... Interest on the Bonds will accrue from the Date of Delivery and will be payable semiannually on February 15 and August 15 of each year, commencing August 15, 2021, until maturity or prior redemption. (See "THE BONDS – Description of the Bonds").

Paying Agent/Registrar..... The initial Paying Agent/Registrar is UMB Bank, N.A., Austin, Texas (See "THE BONDS – 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 BONDS – Book-Entry-Only System").

Security For The Bonds ..... The Bonds are direct obligations of the District, payable from an ad valorem tax levied, without legal limitation as to rate or amount, on all taxable property located within the District. (See "THE BONDS – Security and Source of Payment"). An application has been filed by the District with, and conditional approval has been received from, the Texas Education Agency for the Bonds to be guaranteed by the corpus of the Texas Permanent School Fund Guarantee Program (See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").

Optional Redemption ..... The Bonds maturing on and after August 15, 2030, 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 August 15, 2029 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 BONDS – Optional Redemption").

Mandatory Redemption ..... Certain of the Bonds may be subject to mandatory sinking fund redemption in the event the Underwriter elects to aggregate two or more consecutive maturities as term Bonds. (See "THE BONDS – 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 Bonds 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 Bonds is not a specific preference item for purposes of the federal alternative minimum tax. 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 Bonds. (See "TAX MATTERS.").
	The District will designate the Bonds as qualified tax-exempt obligations.
Use of Proceeds	Proceeds from the sale of the Bonds will be used to (i) to currently refund the District's outstanding Unlimited Tax School Building Bonds Taxable Series, 2010C (Build America Bonds – Direct Subsidy), as indicated in Schedule I, attached hereto (the "Refunded Obligations") and (ii) pay for the costs associated with the issuance of the Bonds and the refunding of the Refunded Obligations (See "THE BONDS – Purpose" and "THE BONDS – Sources and Uses of Funds").
Book-Entry Only System	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. The Bonds will be issued in principal denominations of $5,000 or any integral multiple thereof within a maturity. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of and interest on the Bonds 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 Bonds. (See "THE BONDS – Book-Entry Only System").
Ratings	S&P Global Ratings ("S&P") has assigned its municipal bond rating of "AAA" to the Bonds by virtue of the guarantee of the Permanent School Fund of the State of Texas of the Bonds. In addition, S&P has assigned its underlying unenhanced rating of "A+" to the Bonds. 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.

$4,835,000
ATLANTA INDEPENDENT SCHOOL DISTRICT
UNLIMITED TAX REFUNDING BONDS, SERIES 2020
SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 8/31	Estimated Population[1]	Taxable Assessed Valuation[3]	Taxable Assessed Valuation Per Capita	Tax Supported Debt Outstanding	Ratio of Tax Supported Debt to Assessed Valuation	Tax Supported Debt Per Capita
2016	9,282	$552,807,841	$59,557	$10,452,500	1.89%	$1,126
2017	8,972	555,491,011	61,914	9,814,500	1.77%	1,094
2018	8,891	556,483,239	62,589	9,157,500	1.65%	1,030
2019	9,135	561,282,395	61,443	11,820,500	2.11%	1,294
2020	9,135	583,301,813	63,854	10,875,500[4]	1.86%	1,191

[1] Source: Municipal Advisory Council of Texas.
[2] Established by Cass County Appraisal District, subject to change during the ensuing year.
[3] Source: District's audited financial statements.
[4] Includes the Bonds and excludes the Refunded Obligations.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

For Fiscal Year Ended August 31,

	2019	2018	2017	2016	2015
Beginning Balance	$ 6,632,395	$ 6,527,373	$ 8,093,679	$ 7,387,585	$ 7,289,509
Total Revenue	12,591,401	15,288,739	15,184,369	15,939,772	14,510,620
Total Expenditures	14,903,622	14,819,172	15,126,766	14,837,880	14,784,013
Excess/(Deficiency) of Revenues	687,779	469,567	57,603	1,101,892	(273,393)
Net Transfers/Adjustments	(2,058,612)	(364,545)	(1,623,909)	(395,798)	371,469
Ending Balance	$ 5,261,562	$ 6,632,395	$ 6,527,373	$ 8,093,679	$ 7,387,585

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
Charlotte Stanley, President	7 Years	May, 2022	Manufacturing Company Owner
Keri Richardson, Vice President	6 Years	May, 2023	Insurance Agent
Joe Wall, Secretary	12 Years	May, 2022	Retired
Spencer Hale, Member	1 Year	May, 2022	Oil & Gas Operator
Joel Steger, Member	19 Years	May, 2022	Insurance Agent
Randall Thomason, Member	12 Years	May, 2023	Real Estate
Lauren Giesler, Member	< 1 Year	May, 2023	Speech Pathologist

Selected Administrative Staff

Name	Position	Length of Service Within District	Total Industry Experience
Sidney Harrist	Superintendent	45 Years	45 Years
Marilyn Cobb	Assistant Superintendent for Finance	22 Years	22 Years

Consultants and Advisors

Auditors	Knuckols, Duvall, Hallum & Co. Marshall, Texas
Bond Counsel	Orrick, Herrington & Sutcliff LLP, Houston, Texas
Financial Advisor	Government Capital Securities Corporation Southlake, Texas

OFFICIAL STATEMENT RELATING TO
$4,835,000
ATLANTA INDEPENDENT SCHOOL DISTRICT
UNLIMITED TAX REFUNDING BONDS, SERIES 2020

INTRODUCTION

This Official Statement, which includes APPENDICES A, B and C hereto, provides certain information regarding the issuance of the $4,835,000 Atlanta Independent School District Unlimited Tax Refunding Bonds, Series 2020 (the "Bonds"). The Bonds will be authorized to be issued, sold and delivered by an order enacted by the District's governing body (the "Board") and the pricing certificate executed pursuant thereto (collectively the "Order"). Capitalized terms used in this Official Statement have the same meaning assigned to such terms in the Order, 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 Bonds, the Order, 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 Atlanta Independent School District, 106 West Main Street, Atlanta, Texas 75551, 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 Cass 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 BONDS

Description of the Bonds

The Bonds shall be dated August 1, 2020. Interest will accrue on the Bonds from the Date of Delivery, will be payable semiannually on February 15 and August 15 of each year, commencing on February 15, 2021, until maturity or prior redemption and will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds 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 Bonds is initially UMB Bank, N.A., Austin, Texas.

Initially, the Bonds will be registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC"), pursuant to the Book-Entry-Only System described below. No physical delivery of the Bonds will be made to the beneficial owners. Principal of, premium, if any, and accrued interest on the Bonds 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 Bonds. (See "THE BONDS - Book-Entry Only System" for a more complete description of such system).

Optional Redemption

The Bonds maturing on and after August 15, 2030, 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 August 15, 2029, 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 Bonds 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 Bonds or portions thereof within a maturity, to be redeemed.

Mandatory Redemption

Certain of the Bonds may be subject to mandatory sinking fund redemption in the event the Underwriter elects to aggregate two or more consecutive maturities as term Bonds.

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 BONDS, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND INTEREST ON SUCH BONDS OR PORTION THEREOF SHALL CEASE TO ACCRUE, IRRESPECTIVE OF WHETHER SUCH BONDS ARE SURRENDERED FOR PAYMENT.

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

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

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

Authority For Issuance

The Bonds are being issued pursuant to authority conferred by the Constitution and general laws of the State of Texas, including particularly Chapter 1207, Texas Government Code, as amended and the Order. Capitalized terms used herein have the same meanings assigned to such terms in the Order, except as otherwise indicated.

Purpose

Proceeds from the sale of the Bonds will be used to (i) to currently refund the District's outstanding Unlimited Tax School Building Bonds Taxable Series, 2010C (Build America Bonds – Direct Subsidy), as indicated in Schedule I, attached hereto (the "Refunded Obligations") and (ii) pay for the costs associated with the issuance of the Bonds and the refunding of the Refunded Obligations. (See "THE BONDS – Purpose" and "THE BONDS – Sources and Uses of Funds").

Refunded Obligations

The Refunded Obligations and the interest due thereon are to be paid on their redemption date from funds to be deposited with the paying agent/registrar for the Refunded Obligations (the "Prior Paying Agent/Registrar"). The Order provides that from the proceeds of the sale of the Bonds to the Underwriter, together with other funds of the District, the District will deposit with the Prior Paying Agent/Registrar an amount which will be sufficient to accomplish the discharge and final payment of the Refunded Obligations on the redemption date.

By the deposit of the funds with the Prior Paying Agent/Registrar, the District will have affected the defeasance of all of the Refunded Obligations in accordance with State law. As a result of such defeasance, the Refunded obligations will no longer be deemed as being outstanding obligations of the District, payable from the sources and secured in the manner provided in the order authorizing their issuance or for any other purpose. Upon defeasance of the Refunded Obligations, the payment of the Refunded Obligations will no longer be guaranteed by the Permanent School Fund of Texas.

Sources and Uses of Funds

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

Sources of Funds:	
Par Amount of the Bonds	$4,835,000.00
Plus: Net Reoffering Premium	771,125.45
Total Sources of Funds	$5,606,125.45
Uses of Funds:	
Deposit with the Paying Agent for Refunded Obligations	$5,486,501.90
Underwriter's Discount and Issuance Costs[(a)]	115,754.88
Additional Proceeds	3,868.67
Total Uses of Funds	$5,606,125.45

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

Security and Source of Payment

The Bonds constitute direct obligations of the District, payable from an ad valorem tax levied, without legal limitation as to rate or amount, on all taxable property located within the District.

Legality

The Bonds 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 Order

In the Order, the District has reserved the right to amend the Order 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 Bonds then Outstanding, to amend, add to, or rescind any of the provisions of the Order; provided that, without the consent of all holders of Outstanding Bonds, no such amendment, addition, or rescission shall (i) extend the time or times of payment of the principal of and interest on the Bonds, 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 Bonds, (ii) give any preference to any Bond over any other Bond, or (iii) reduce the aggregate principal amount of Bonds required to be held by holders for consent to any such amendment, addition, or rescission.

Defeasance

The Order provides that the District may defease the Bonds and discharge its obligation to the holders of any or all of the Bonds 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 Bonds, 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 Bonds 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 Order. Any surplus amount not required to accomplish

such defeasance shall be returned to the District.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the District to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds 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 Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorize.

Book-Entry Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry Only-System has been provided by DTC for use in disclosure documents such as this Official Statement. The District, the Financial Advisor, and the 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 Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered Bonds 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 Bonds, 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 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to DTC. If less than all of the Bonds 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 Bonds 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on 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 Bonds 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 Bonds at any time by giving reasonable notice to the District or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bonds 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, Bond 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 Bonds are in the Book-Entry Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry Only System and (ii) except as described above, notices that are to be given to registered owners under the Order will be given only to DTC.

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 Bonds. In the Order, 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 Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

In the event the Book-Entry-Only System should be discontinued, interest on the Bonds 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 Bonds 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 Bonds 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 Bonds, principal, interest, and redemption payments on the Bonds 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 Bonds 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. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds 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 Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds 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 Bonds 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 Bonds surrendered for exchange or transfer. See "THE BONDS - Book-Entry Only System" for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

Neither the District nor the Paying Agent/Registrar shall be required to transfer or exchange Bonds (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 Bond 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 Bond.

Record Date for Interest Payment

The record date ("Record Date") for the interest payable on the Bonds 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 Order does not provide for the appointment of a trustee to represent the interests of the Bond holders upon any failure of the District to perform in accordance with the terms of the Order 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 Order. Furthermore, the Order does not establish specific events of default with respect to the Bonds and, under State law, there is no right to the acceleration of maturity of the Bonds upon the failure of the District to observe any covenant under the Order. A registered owner of Bonds could seek a judgment against the District if a default occurred in the payment of principal of or interest on any such Bonds; 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 Bonds as it becomes due or perform other material terms and covenants contained in the Order. 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 Bonds 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 Bond 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 Order and the Bonds 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 Order provides that from the proceeds of the sale of the Bonds 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 Order, 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.

INFECTIOUS DISEASE OUTBREAK – COVID-19

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

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in Texas in response to the Pandemic, which disaster declaration he has subsequently extended. In addition, certain local officials, including the County Judge of Cass County, also declared a local state of disaster. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has issued a series of executive orders relating to COVID-19 preparedness and mitigation. Due to a recent spike in COVID-19 cases, recent executive orders modified the phased reopening of businesses in Texas, subject to further restrictions in the Governor's discretion. For example, Executive Order GA-28, which was issued on June 26, 2020, and remains in effect until modified, amended, rescinded or superseded by the Governor, established occupancy limits to 50 percent for most businesses in Texas, limited bars and similar establishments to drive-through, pickup or delivery options, and made most outdoor gatherings of more than 100 people subject to approval by local authorities, subject to exceptions outlined in the order. Businesses otherwise subject to a 50 percent occupancy limit and located in a county meeting certain Department of State Health Services criteria are eligible to operate at up to 75 percent of occupancy. In a separate order, the Governor imposed a moratorium on elective surgeries in Harris, Travis, Bexar and Dallas Counties. The Governor retains the authority to impose additional restrictions on activities. Under Executive Order GA-28, for the remainder of the 2019-2020 school year, public schools may resume operations in the summer under protocols outlined in guidance from the TEA. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at https://gov.texas.gov/. Neither the information on (nor accessed through) such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

For the 2019-2020 school year, TEA has informed Texas school districts that COVID-19 related school closings and/or absenteeism will not impact ADA calculations and school funding so long as a school district commits to support students instructionally while they are at home. In addition to providing educational resources online when classes were suspended, the District delivered online instruction through the end of the school year. As such, after taking into account the allocation by the state of certain CARES Act funding, the District does not anticipate a reduction in state funding for the 2019-2020 school year as a result of the school closures at this time. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM."

The TEA recently advised districts that for the 2020-2021 school year district funding will return to being based on ADA calculations requiring attendance to be taken. However, the TEA is crafting an approach for determining ADA that provides districts with several options for determining daily attendance. These include, remote synchronous instruction, remote asynchronous instruction, on campus instruction, and the Texas Virtual Schools Network. To

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

The full extent of the ongoing impact of COVID-19 on the District's longer-term operational and financial performance will depend on future developments, many of which are outside of its control, including the effectiveness of the mitigation strategies discussed above, the duration and spread of COVID-19, and future governmental actions, all of which are highly uncertain and cannot be predicted. The District continues to monitor the spread of COVID-19 and is working with local, state, and national agencies to address the potential impact of the Pandemic upon the District. While the potential impact of the Pandemic on District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District's operations and financial condition.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. These negative impacts may reduce or negatively affect property values within the District. The financial and operating data contained herein are the latest available, but are for the dates and the periods stated herein, which are for periods prior to the economic impact of the Pandemic and efforts to slow it. It is unclear at this time what effect, if any, COVID-19 and resulting economic disruption may have on future assessed values or the collection of taxes, either because of delinquencies or collection and valuation relief resulting from the declared emergency. See "AD VALOREM PROPERTY TAXATION." The Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes.
Additionally, state funding of District operations and maintenance in future fiscal years could be adversely impacted by the negative effects on economic growth and financial markets resulting from the Pandemic as well as ongoing disruptions in the global oil markets (See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" and "EXPOSURE TO OIL AND GAS INDUSTRY").

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

EXPOSURE TO OIL AND GAS INDUSTRY

Recent declines in oil prices in the United States and globally may lead to adverse conditions in the oil and gas industry. Such adverse conditions may result in reduced revenues, declines in capital and operating expenditures, business failures, and the layoff of workers within the oil and gas industry. In the past, the greater east Texas area has been particularly affected by adverse conditions in the oil and gas industry, and adverse conditions in the oil and gas industry and spillover effects into other industries could adversely impact the businesses of ad valorem property taxpayers and the property values in the District, resulting in a reduction in property tax revenue. The Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds.

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

This disclosure statement provides information relating to the program (the "Guarantee Program") administered by the Texas Education Agency (the "TEA") with respect to the Texas Permanent School Fund guarantee of tax-supported bonds issued by Texas school districts and the guarantee of revenue bonds issued by or for the benefit of Texas charter districts. The Guarantee Program was authorized by an amendment to the Texas Constitution in 1983 and by Subchapter C of Chapter 45 of the Texas Education Code, as amended (the "Act"). While the Guarantee

Program applies to bonds issued by or for both school districts and charter districts, as described below, the Act and the program rules for the two types of districts have some distinctions. For convenience of description and reference, those aspects of the Guarantee Program that are applicable to school district bonds and to charter district bonds are referred to herein as the "School District Bond Guarantee Program" and the "Charter District Bond Guarantee Program," respectively.

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

History and Purpose

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

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

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

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

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

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

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

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

2019 Texas Legislative Session

During the 86th Regular Session of the Texas Legislature, which concluded on May 27, 2019 (the "86th Session"), various bills were enacted that relate to the PSF. Among such enacted legislation are bills that relate to the composition of the SLB and its relationship to the SBOE with respect to the management of the PSF. Legislation was approved that will change the composition of the SLB to a five member board from a three member board.

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

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

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

The Total Return Constitutional Amendment

The Total Return Constitutional Amendment approved a fundamental change in the way that distributions are made to the ASF from the PSF. The Total Return Constitutional Amendment requires that PSF distributions to the ASF be determined using a total-return-based formula instead of the current-income-based formula, which was used from 1964 to the end of the 2003 fiscal year. The Total Return Constitutional Amendment provides that the total amount distributed from the Fund to the ASF: (1) in each year of a State fiscal biennium must be an amount that is not more than 6% of the average of the market value of the Fund, excluding real property (the "Distribution Rate"), on the last day of each of the sixteen State fiscal quarters preceding the Regular Session of the Legislature that begins before that State fiscal biennium (the "Distribution Measurement Period"), in accordance with the rate adopted by: (a) a vote of two-thirds of the total membership of the State Board of Education ("SBOE"), taken before the Regular Session of the Legislature convenes or (b) the Legislature by general law or appropriation, if the SBOE does not adopt a rate as provided by clause (a); and (2) over the ten-year period consisting of the current State fiscal year and the nine preceding state fiscal years may not exceed the total return on all investment assets of the Fund over the same ten-year period (the "Ten Year Total Return"). In April 2009, the Attorney General issued a legal opinion, Op. Tex. Att'y Gen. No. GA-0707 (2009) ("GA0707"), at the request of the Chairman of the SBOE with regard to certain matters pertaining to the Distribution Rate and the determination of the Ten Year Total Return. In GA-0707 the Attorney General opined, among other advice, that (i) the Ten Year Total Return should be calculated on an annual basis, (ii) a contingency plan adopted by the SBOE, to permit monthly transfers equal in aggregate to the annual Distribution Rate to be halted and subsequently made up if such transfers temporarily exceed the Ten Year Total Return, is not prohibited by State law, provided that such contingency plan applies only within a fiscal year time basis, not on a biennium basis, and (iii) that the amount distributed from the Fund in a fiscal year may not exceed 6% of the average of the market value of the Fund or the Ten Year Total Return. In accordance with GA0707, in the event that the Ten Year Total Return is exceeded during a fiscal year, transfers to the ASF will be halted. However, if the Ten Year Total Return subsequently increases during that biennium, transfers may be resumed, if the SBOE has provided for that contingency, and made in full during the remaining period of the

biennium, subject to the limit of 6% in any one fiscal year. Any shortfall in the transfer that results from such events from one biennium may not be paid over to the ASF in a subsequent biennium as the SBOE would make a separate payout determination for that subsequent biennium.

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

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

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

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

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

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

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

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

Management and Administration of the Fund

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

The Total Return Constitutional Amendment provides that expenses of managing the PSF are to be paid "by appropriation" from the PSF. In January 2005, at the request of the SBOE, the Attorney General issued a legal

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

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

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

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

Capacity Limits for the Guarantee Program

The capacity of the Fund to guarantee bonds under the Guarantee Program is limited in two ways: by State law (the "State Capacity Limit") and by regulations and a notice issued by the IRS (the "IRS Limit"). Prior to May 20, 2003, the State Capacity Limit was equal to two times the lower of cost or fair market value of the Fund's assets, exclusive of real estate. During the 78th Regular Session of the Legislature in 2003, legislation was enacted that increased the State Capacity Limit by 25%, to two and one half times the lower of cost or fair market value of the Fund's assets as estimated by the SBOE and certified by the State Auditor, and eliminated the real estate exclusion from the calculation. Prior to the issuance of the IRS Notice (defined below), the capacity of the program under the IRS Limit was limited to two and one-half times the lower of cost or fair market value of the Fund's assets adjusted by a factor that excluded additions to the Fund made since May 14, 1989. During the 2007 Texas Legislature, Senate Bill 389 ("SB 389") was enacted providing for additional increases in the capacity of the Guarantee Program, and specifically providing that the SBOE may by rule increase the capacity of the Guarantee Program from two and one-half times the cost value of the PSF to an amount not to exceed five times the cost value of the PSF, provided that the increased limit does not violate federal law and regulations and does not prevent bonds guaranteed by the Guarantee Program from receiving the highest available credit rating, as determined by the SBOE. SB 389 further

provides that the SBOE shall at least annually consider whether to change the capacity of the Guarantee Program. From 2005 through 2009, the Guarantee Program twice reached capacity under the IRS Limit, and in each instance the Guarantee Program was closed to new bond guarantee applications until relief was obtained from the IRS. The most recent closure of the Guarantee Program commenced in March 2009 and the Guarantee Program reopened in February 2010 on the basis of receipt of the IRS Notice.

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

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

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

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

Since July 1991, when the SBOE amended the Guarantee Program Rules to broaden the range of bonds that are eligible for guarantee under the Guarantee Program to encompass most Texas school district bonds, the principal amount of bonds guaranteed under the Guarantee Program has increased sharply. In addition, in recent years a number of factors have caused an increase in the amount of bonds issued by school districts in the State. See the table "Permanent School Fund Guaranteed Bonds" below. Effective September 1, 2009, the Act provides that the SBOE may annually establish a percentage of the cost value of the Fund to be reserved from use in guaranteeing bonds. The capacity of the Guarantee Program in excess of any reserved portion is referred to herein as the "Capacity Reserve." The SDBGP Rules provide for a minimum Capacity Reserve for the overall Guarantee Program of no less than 5%, and provide that the amount of the Capacity Reserve may be increased by a majority vote of the SBOE. The CDBGP Rules provide for an additional 5% reserve of CDBGP capacity. The Commissioner is

authorized to change the Capacity Reserve, which decision must be ratified or rejected by the SBOE at its next meeting following any change made by the Commissioner. The current Capacity Reserve is noted in the monthly updates with respect to the capacity of the Guarantee Program on the TEA web site at http://tea.texas.gov/Finance_and_Grants/Permanent_School_Fund/, which are also filed with the MSRB.

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

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

The School District Bond Guarantee Program

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

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

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

to guaranteed bonds that is defined or described in State law as a "bond enhancement agreement" or a "credit agreement," unless the right to payment of such third party is directly as a result of such third party being a bondholder.

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

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

The Charter District Bond Guarantee Program

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

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

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

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

The Charter District Bond Guarantee Program does not apply to the payment of principal and interest upon redemption of bonds, except upon mandatory sinking fund redemption, and does not apply to the obligation, if any, of a charter district to pay a redemption premium on its guaranteed bonds. The guarantee applies to all matured

interest on guaranteed charter district bonds, whether the bonds were issued with a fixed or variable interest rate and whether the interest rate changes as a result of an interest reset provision or other bond resolution provision requiring an interest rate change. The guarantee does not extend to any obligation of a charter district under any agreement with a third party relating to guaranteed bonds that is defined or described in State law as a "bond enhancement agreement" or a "credit agreement," unless the right to payment of such third party is directly as a result of such third party being a bondholder.

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

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

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

From time to time, TEA has limited new guarantees under the Charter District Bond Guarantee Program to conform to capacity limits specified by the Act. Legislation enacted during the Legislature's 2017 regular session modified the manner of calculating the capacity of the Charter District Bond Guarantee Program (the "CDBGP Capacity"),

which further increased the amount of the CDBGP Capacity, beginning with State fiscal year 2018, but that provision of the law does not increase overall Program capacity, it merely allocates capacity between the School District Bond Guarantee Program and the Charter District Bond Guarantee Program. See "Capacity Limits for the Guarantee Program" and "2017 Legislative Changes to the Charter District Bond Guarantee Program." Other factors that could increase the CDBGP Capacity include Fund investment performance, future increases in the Guarantee Program multiplier, changes in State law that govern the calculation of the CDBGP Capacity, as described below, growth in the relative percentage of students enrolled in open-enrollment charter schools to the total State scholastic census, legislative and administrative changes in funding for charter districts, changes in level of school district or charter district participation in the Program, or a combination of such circumstances.

2017 Legislative Changes to the Charter District Bond Guarantee Program

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

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

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

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

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

Charter District Risk Factors

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

Other than credit support for charter district bonds that is provided to qualifying charter districts by the Charter District Bond Guarantee Program, State funding for charter district facilities construction is limited to a program established by the Legislature in 2017, which provides $60 million per year for eligible charter districts with an acceptable performance rating for a variety of funding purposes, including for lease or purchase payments for instructional facilities. Since State funding for charter facilities is so limited, charter schools generally issue revenue bonds to fund facility construction and acquisition, or fund facilities from cash flows of the school. Some charter districts have issued non-guaranteed debt in addition to debt guaranteed under the Charter District Bond Guarantee Program, and such non-guaranteed debt is likely to be secured by a deed of trust covering all or part of the charter district's facilities. In March 2017, the TEA began requiring charter districts to provide the TEA with a lien against charter district property as a condition to receiving a guarantee under the Charter District Bond Guarantee Program. However, charter district bonds issued and guaranteed under the Charter District Bond Guarantee Program prior to

the implementation of the new requirement did not have the benefit of a security interest in real property, although other existing debts of such charter districts that are not guaranteed under the Charter District Bond Guarantee Program may be secured by real property that could be foreclosed on in the event of a bond default.

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

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

Infectious Disease Outbreak

A respiratory disease named "2019 novel coronavirus" ("COVID-19") has recently spread to many parts of the world, including Texas and elsewhere in the U.S. On March 13, 2020, the U.S. president declared a national emergency and the Governor of Texas (the "Governor") declared COVID-19 as a statewide public health disaster (the "COVID-19 Declarations"). Subsequent actions by the Governor imposed temporary restrictions on certain businesses and ordered all schools in the State to temporarily close. This situation is rapidly developing; for additional information on these events in the State, reference is made to the website of the Governor, https://gov.texas.gov/, and, with respect to public school events, the website of TEA, https://tea.texas.gov/texas-schools/safe-and-healthy-schools/coronavirus-covid-19-support-andguidance.

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

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

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

TEA Continuity of Operations

Since 2007, Texas Labor Code Section 412.054 has required each State agency to develop and submit to the State Office of Risk Management an agency-level continuity of operations plan to keep the agency operational in case of disruptions to production, finance, administration or other essential operations. Such plans may be implemented during the occurrence or imminent threat of events such as extreme weather, natural disasters and infectious disease outbreaks. TEA has adopted a continuity of operations plan, which provides for, among other measures and conditions, steps to be taken to ensure performance of its essential missions and functions under such threats and

conditions in the event of a pandemic event. TEA annually conducts risk assessments and risk impact analysis that include stress testing and availability analysis of system resources, including systems that enable TEA employees to work remotely, as is occurring as a result of the COVID-19 declarations. As noted above, under "The School District Bond Guarantee Program," the Guarantee Program is in significant part an intercept program whereby State funding for school districts and charter districts reimburse the Fund for any guarantee payment from the Fund for a non-performing district. In addition to the continuity of operations plan provisions noted above, the Fund maintains cash positions in its portfolios that are intended to provide liquidity to the Fund for payments under the Guarantee Program pending reimbursement of the Fund by the Comptroller. Fund management is of the view that its liquidity position, which changes from time to time in light of then current circumstances, is sufficient for payment of claims made on the Guarantee Program.

Impact of COVID-19 on School Districts and Charter Districts

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

Ratings of Bonds Guaranteed Under the Guarantee Program

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

Valuation of the PSF and Guaranteed Bonds

Permanent School Fund Valuations

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

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

[2] At August 31, 2019, mineral assets, sovereign and other lands and internally managed discretionary real estate, external discretionary real estate investments, domestic equities, and cash managed by the SLB had book values of approximately $13.4 million, $216.7 million, $3,640.2 million, $7.5 million, and $4,457.3 million, respectively, and

market values of approximately $3,198.2 million, $619.7 million, $3,927.6 million, $1.3 million, and $4,457.3 million, respectively. At February 29, 2020, the PSF had a book value of $35,908,691,818 and a market value of $46,992,040,588. February 29, 2020 values are based on unaudited data, which is subject to adjustment.

Permanent School Fund Guaranteed Bonds

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

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

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

Permanent School Fund Guaranteed Bonds by Category [(1)]

	School District Bonds		Charter District Bonds		Totals	
Fiscal Year Ended 8/31	No. of Issues	Principal Amount	No. of Issues	Principal Amount	No. of Issues	Principal Amount
2015	3,089	$63,197,514,047	28	$757,935,000	3,117	$63,955,449,047
2016	3,244	67,342,303,445	35	961,025,000	3,279	68,303,328,445
2017	3,253	72,884,480,023	40	1,381,610,000	3,293	74,266,090,023
2018	3,249	7,647,966,069	44	1,432,935,000	3,293	79,080,901,069
2019[(2)]	3,297	82,537,755,203	49	1,860,145,000	3,346	84,397,900,203

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

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

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

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

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

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

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

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

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

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

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

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

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

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2011 and 2019 Constitutional Amendments

On November 8, 2011, a referendum was held in the State as a result of legislation enacted that year that proposed amendments to various sections of the Texas Constitution pertaining to the PSF. At that referendum, voters of State approved non-substantive changes to the Texas Constitution to

clarify references to the Fund, and, in addition, approved amendments that effected an increase to the base amount used in calculating the Distribution Rate from the Fund to the ASF, and authorized the SLB to make direct transfers to the ASF, as described below.

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

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

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

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

The constitutional amendments approved on November 8, 2011 also provided authority to the GLO or any other entity (other than the SBOE) that has responsibility for the management of land or other properties of the PSF to determine whether to transfer an amount each year to the ASF from the revenue derived during the current year from such land or properties. Prior to November 2019, the amount authorized to be transferred to the ASF from the GLO was limited to $300 million per year. On November 5, 2019, a constitutional amendment was approved by State voters that increased the maximum transfer to the ASF to $600 million each year from the revenue derived during that year from the PSF from each of the GLO, the SBOE or any other entity that may have the responsibility to

manage such properties (at present there are no such other entities). Any amount transferred to the ASF pursuant to this constitutional provision is excluded from the 6% Distribution Rate limitation applicable to SBOE transfers. The exercise of the increased authorization for such transfers is subject to the discretion of the GLO and the SBOE, and such transfers could be taken into account by the SBOE for purposes of its distributions to the ASF that are made pursuant to the Total Return Constitutional Amendment. However, future legal and/or financial analysis may be needed before the impact on the Fund of the constitutional change effected in November 2019 can be determined.

Other Events and Disclosures

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

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

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

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

PSF Continuing Disclosure Undertaking

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

annually certain updated financial information and operating data, and timely notice of specified material events, to the MSRB.

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

Annual Reports

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

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

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

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

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Event Notices

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

Availability of Information

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

Limitations and Amendments

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

The continuing disclosure agreement of the TEA is made only with respect to the PSF and the Guarantee Program. The issuer of guaranteed bonds or an obligated person with respect to guaranteed bonds may make a continuing

disclosure undertaking in accordance with Rule 15c2 with respect to its obligations arising under Rule 15c2-12 pertaining to financial and operating data concerning such entity and notices of material events relating to such guaranteed bonds. A description of such undertaking, if any, is included elsewhere in the Official Statement.

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

Compliance with Prior Undertakings

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

SEC Exemptive Relief

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

STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS

Litigation Relating to the Texas Public School Finance System

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

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

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

Possible Effects of Changes in Law on District Bonds

The Court's decision in Morath upheld the constitutionality of the Finance System but noted that the 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 Bonds, but would instead require the Legislature to cure the system's unconstitutionality in a way that is consistent with the Contract Clauses of the U.S. and Texas Constitutions" (collectively, the "Contract Clauses"), which prohibit the enactment of laws that impair prior obligations of contracts.

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

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

Overview

During the 2019 legislative session, the Texas Legislature made numerous changes to the Finance System, including particularly those contained in House Bill 3 ("HB 3"). In some instances, the provisions of HB 3 will require further interpretation by the District and TEA. The District is still in the process of (a) analyzing the provisions of HB 3 and (b) monitoring the on-going guidance provided by TEA. The information contained herein reflects the District's understanding of HB 3 based on information available to the District as of the date of this Official Statement, which is subject to change.

The following language 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 Chapters 43 through 49 of the Texas Education Code, as amended.

Local funding is derived from collections of ad valorem taxes levied on property located within each 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. School districts may not levy surplus M&O taxes for the purpose of paying debt service on bonds. A district is authorized to levy their M&O tax at a constitutionally-mandated and voter-approved rate of up to $1.50 per $100 of taxable value in the district. Current law also requires school districts to demonstrate their ability to pay debt service on outstanding bonded indebtedness through the levy of an I&S tax at a rate not to exceed $0.50 per $100 of taxable value at the time bonds are issued. Once bonds are issued, however, districts may levy a tax sufficient to pay debt service on such bonds unlimited as to rate or amount. Because property values vary widely among school districts, the amount of local funding generated among school districts for the same tax rate is also subject to wide variation.

Prior to the 2019 Legislative Session, a district's maximum M&O tax rate for a given tax year was determined by multiplying that district's 2005 M&O tax rate levy by a compression percentage set by legislative appropriation or, in the absence of legislative appropriation, by the Commissioner of Education. This compression percentage was historically set at 66.67%, effectively setting the maximum compressed M&O tax rate for most school districts at $1.00 per $100 of taxable value. School districts were permitted, however, to generate additional local funds by raising their M&O tax rate up to $0.04 above the compressed tax rate or, with voter-approval at a valid election in the district, by up to $0.17 above the compressed rate (for most districts, between $1.04 and $1.17 per $100 of taxable value). Districts received additional State funds in proportion to such taxing effort.

Local Funding for School Districts

In HB 3, the 86th Texas Legislature made several significant changes to the funding methodology for school districts. HB 3 orders a district's M&O tax rate into two distinct parts: the Tier One Tax Rate and the Enrichment Tax Rate, and applies a legislatively-appropriated State Compression Percentage (each term as described below) or a higher rate of compression, as appropriate.

State Compression Percentage. The "State Compression Percentage" is a statutorily-defined percentage of the rate of $1.00 per $100 that is necessary to receive the full amount of State aid. The State Compression Percentage is set at 93% per $100 of taxable value for the 2019-2020 school year, effectively setting the fiscal year 2019-2020 Tier One Tax Rate for most school districts at $0.93 cents. In the 2020-2021 school year, the State Compression Percentage in anticipated to decline, based on statewide average property value growth, to 91.65%. It will decline further in future years if statewide average property values grow at a rate that is greater than 2.5%.

Tier One Tax Rate. For school year 2019-2020, the Tier One Tax Rate is defined as the lesser of the State Compression Percentage multiplied by $1.00 or the total number of cents levied by the district for the 2018-2019 school year for M&O purposes (excluding tax rate increases in response to declared disasters as described below), multiplied by the State Compression Percentage. Beginning with the 2020-2021 school year, a district must reduce its compression percentage to a rate lower than the State Compression Percentage if the taxable value in the district has increased by more than 2.5% over the prior year.

Enrichment Tax Rate. The Enrichment Tax Rate is defined as any tax effort in excess of the Tier One Tax Rate and less than $1.17. The Enrichment Tax Rate is divided into two components, commonly known as "Golden Pennies" and "Copper Pennies." Golden Pennies refer to the first eight cents of taxing effort above the Tier One Tax Rate. Copper Pennies refer to any taxing effort above the sum of the Tier One Tax Rate and Golden Pennies, but less than or equal to the sum of (1) $0.17, plus (2) the product of the State Compression Percentage, multiplied by $1.00. For the 2019-2020 tax year, this maximum value for most districts is $1.10.

Districts are entitled to a guaranteed yield (i.e., the guaranteed level of local tax revenue and State aid generated) for each Golden Penny or Copper Penny levied in addition to the Tier One Tax Rate. However, in years for which the guaranteed yield per Copper Penny is increased, a district may be required to reduce its M&O tax rate for that school year if it levies Copper Pennies (see "Wealth Transfer Provisions – Tier Two Funding" below).

State Funding for School Districts

State funding for school districts is provided through the Foundation School Program, which provides each district with a State-appropriated baseline level of funding (the "Basic Allotment") for each student in "Average Daily Attendance" (being the sum of student attendance for each State-mandated day of instruction divided by the number of State-mandated days of instruction, defined herein as "ADA"). The Basic Allotment per student is revised downward if a district's Tier One Tax Rate does not meet or exceed a State-determined threshold (currently $0.93 per $100 of taxable value). This Basic Allotment is supplemented by additional State funds, allotted based upon the unique district characteristics and demographics of students in ADA, to make up most of a district's basic level of State funding (referred to herein as "Tier One") under the Foundation School Program.
Tier One 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 a district's Enrichment Tax Rate, which is the M&O tax effort that exceeds the Tier One Tax Rate. The Finance System also provides an Existing Debt Allotment ("EDA") to subsidize debt service on eligible outstanding district bonds, an Instructional Facilities Allotment ("IFA") to subsidize debt service on newly issued bonds, and a New Instructional Facilities Allotment ("NIFA") to subsidize operational expenses associated with the opening of a new instructional facility. IFA primarily addresses the debt service needs of property-poor districts. In 2019, the 86th Texas Legislature appropriated funds in the amount of $1,323,444,300 for the 2020-2021 State fiscal biennium for the EDA, IFA, and NIFA.

Tier One and Tier Two allotments represent the State's share of the cost of M&O expenses of districts, with local M&O taxes representing the district's local share. EDA and IFA allotments supplement a 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 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 2020-21 State fiscal biennium and debt service assistance on 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 district that is not subject to the wealth transfer provisions described below an opportunity to supplement Tier One 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, Tier One funding is based on an allotment per student known as the "Basic Allotment." For the 2020-21 State fiscal biennium, the Basic Allotment for districts with an M&O tax rate of at least $0.93 cents is $6,160 for each student in ADA and is revised downward for districts with a lower M&O tax rate. The Basic Allotment is then supplemented for all districts by various weights to account for differences among districts and their student populations. Such additional allotments include, but are not limited to, increased funds for students in ADA who: (i) attend a qualified special education program, (ii) are diagnosed with dyslexia or a related disorder, (iii) are economically disadvantaged, or (iv) have limited English language

proficiency. Additional allotments to mitigate differences among districts include, but are not limited to: (i) a transportation allotment for mileage associated with transporting students who reside two miles or more from their home campus, (ii) a fast

growth allotment (for districts in the top 25% of enrollment growth relative to other districts), and (iii) a college, career and military readiness allotment to further Texas' goal of increasing the number of student who attain post-secondary education or workforce credential. The sum of a district's Basic Allotment and all statutory adjustments, divided by $6,160, is that district's measure of students in "Weighted Average Daily Attendance" ("WADA"), which serves to calculate Tier Two funding.

Tier Two supplements the basic funding of Tier One and provides two levels of enrichment with different guaranteed yields (i.e., guaranteed levels of State and local funds per cent of tax effort) depending on the district's Enrichment Tax Rate. The first eight cents of tax effort that exceeds a district's Tier One Tax Rate (Golden Pennies) will generate a guaranteed yield equal to the greater of (i) the local revenue per student in WADA per cent of tax effort available to a school district at the 96th percentile of wealth per student in WADA, or (ii) the Basic Allotment multiplied by 0.016 per student in WADA per cent of tax effort. For the 2020-21 State fiscal biennium, the guaranteed yield will be $98.56 per WADA per cent of tax effort above $0.93 up to $1.01 per $100 taxable value.

The second level of Tier Two is generated by tax effort that exceeds the district's Tier One Tax Rate plus eight cents (Copper Pennies) and has a guaranteed yield per cent per WADA of the Basic Allotment multiplied by 0.008. For the 2020-2021 State fiscal biennium, the guaranteed yield will be $49.28 per WADA per cent of tax effort above $1.01, up to eleven cents of tax effort.

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 IFA program and the 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 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 $35 since this program first began in 1997. New awards of IFA are only available if appropriated funds are allocated for such purpose by the State Legislature. To receive an IFA award, in years where the new IFA awards are available, a district must apply to the Commissioner in accordance with rules adopted by the TEA before issuing the bonds to be paid with IFA State assistance. The total amount of debt service assistance over a biennium for which a 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 86th State Legislature did not appropriate any funds for new IFA awards for the 2020-2021 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. Until recently, the EDA guaranteed yield (the "EDA Yield") was the same as the IFA Guaranteed Yield ($35 per cent of local tax effort per student in ADA). The 85th Texas 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 2019-2020 fiscal year is approximately $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, and (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 biennium. 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 86th Texas Legislature appropriated funds in the amount of $100,000,000 for each of the 2019-2020 and 2020-2021 State fiscal years for NIFA allotments.

Wealth Transfer Provisions and Funding Equity

Some school districts in Texas have sufficient property wealth per student in WADA to generate their statutory level of funding through collections of local property taxes alone. Certain districts whose property tax base can generate local M&O revenues in excess of the State entitlement are subject to the wealth equalization provisions contained in Chapter 49, as amended, Texas Education Code ("Chapter 49"). Such districts are referred to herein as "Chapter 49 districts." For most Chapter 49 districts, wealth equalization entails a process known as "recapture," paying the portion of the district's local share in excess of the guaranteed yield to the State (for redistribution to other school districts) or otherwise expending M&O tax revenues for the benefit of students in districts that are not subject to Chapter 49.

In 2019, the 86th Texas Legislature adopted substantial changes to the wealth transfer provisions of the Texas Education Code.

Whereas the recapture process had previously been based on the proportion of a district's assessed property value per student in WADA, recapture is now measured by the "local revenue level" (being the local share of the relevant portion of the Foundation

School Program) in excess of the entitlements appropriated by the Legislature each fiscal biennium. Therefore, districts are now guaranteed that recapture will not reduce revenue below their statutory entitlement. The changes to the wealth transfer provisions are expected to reduce the cumulative amount of recapture payments paid by school districts by approximately $3.6 billion during the 2020-2021 State fiscal biennium.

Tax Rate and Funding Equity. The Texas Commissioner of Education (the "Commissioner") may adjust a district's funding entitlement if the funding formulas used to determine the district's entitlement result in an unanticipated loss or gain for a district. Any such adjustment requires preliminary approval from the Legislative Budget Board and the office of the Governor, and such adjustments may only be made through the 2020-2021 school year. Further, current law includes a mechanism designed to ensure that districts can have no greater than a 10% difference in maximum compressed tax rates for the 2020-2021 school year and beyond.

Additionally, the Commissioner may proportionally reduce the amount of funding a district receives under the Finance System and the ADA calculation if the district operates on a calendar that provides less than the State-mandated minimum instruction time in a school year. The Commissioner may also adjust a district's ADA as it relates to State funding where disaster, flood, extreme weather or other calamity has a significant effect on a district's attendance.

Furthermore, "property-wealthy" school districts which received additional State funds under the prior State funding regime are entitled to an equalized wealth transition grant on an annual basis through the 2023-2024 school year in an amount equal to the amount of additional revenue such district would have received under former Texas Education Code Sections 41.002(e) through (g), as those sections existed on January 1, 2019. This grant is phased out through the 2023-2024 school year as follows: (1) 20% reduction for the 2020-2021 school year, (2) 40% reduction for the 2021-2022 school year, (3) 60% reduction for the 2022-2023 school year, and (4) 80% reduction for the 2023-2024 school year.

Recapture. Similar to prior law, Chapter 49 districts must pay the surplus local revenue in excess of entitlement to the State for redistribution to other school districts or directly to other school districts with a local revenue level that does not generate local funds sufficient to meet the statutory level of funding. Chapter 49 districts must exercise certain options, described in more detail below, in order to reduce "their local revenue level in excess of entitlement," as determined by formulas set forth in Section 48.257 of the Texas Education Code.

Tier One Funding. In the 2020-2021 State fiscal biennium, the guaranteed level of State and local funds varies for each component of a district's M&O tax rate. Generally, a district's Tier One Tax Rate (as the equivalent of the State Compression Percentage) is set at 93% or lower by appropriation, multiplied by $1.00 per $100 of property valuation (except for districts taxing at a rate of less than $1.00 for the 2018-2019 school year). The Tier One Tax Rate for such districts for the 2019-2020 school year would be the State Compression Percentage applied to the number of cents levied by the district for the 2018 -2019 school year.) Revenue from this tax rate, combined with any state aid in Tier One, generate the district's total Tier One entitlement. Revenue in excess of the local share of Tier One is returned to the State in the form of recapture.

Tier Two Funding. Under current law, the Golden Pennies of a district's Enrichment Tax Rate will generate a guaranteed yield equal to the greater of (i) the local revenue per student in WADA per cent of tax effort available to a school district at the 96th percentile of wealth per student in WADA, or (ii) 160% of the Basic Allotment per student in WADA at such district. The local revenue generated from a district's Golden Pennies are generally not subject to recapture; however, in years where an amount less than the guaranteed yield for Golden Pennies described in clauses (i) and (ii) is appropriated, a district must remit to the State any revenue generated from its Golden Pennies above the guaranteed yield appropriated in that year.

The Copper Pennies of a district's Enrichment Tax Rate generate a guaranteed yield equal the Basic Allotment for the 2020-2021 State fiscal biennium times 0.008. For a school year in which a district's guaranteed yield for its Copper Pennies per student in WADA exceeds the guaranteed yield per student in WADA for the preceding school year, a district would be required to reduce its Copper Pennies levied so as to generate no more revenue per student in WADA than was available to the district for the preceding year. Accordingly, the increase in the guaranteed yield from $31.95 per cent per student in WADA in school year 2019-2020 to $49.28 per cent per student in WADA requires districts to compress their levy of Copper Pennies by a factor of 0.64834.

Wealth Transfer Options. Under Chapter 49, a district has six options to reduce its local revenue level so that it does not exceed the equalized wealth level: (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; (5) a district may execute an agreement to provide students of one or more other districts with career and technology education through a program designated as an area program for career and technology education; or (6) 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 49 district may also exercise any combination of these remedies.

Options (3), (4) and (6) require prior approval by the Chapter 49 district's voters.

Furthermore, a district may not adopt a tax rate until its effective local revenue level is at or below the level that would produce its guaranteed entitlement under the Foundation School Program. If a district fails to exercise a permitted option, the Commissioner must reduce the district's local revenue level to the level that would product its guaranteed entitlement, 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.

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

As discussed under "CURRENT PUBLIC SCHOOL FINANCE SYSTEM," HB 3 made significant changes to the school finance system, including the funding formulas and the wealth equalization provisions applicable to school districts. TEA is responsible for providing guidance to school districts regarding the implementation of HB 3 and the state funding that will be available to districts under HB 3, and as of the date of this official statement TEA has not published final guidance on the funding that will be available under HB 3. However, based on the information currently available to the District, the District does expect to be subject to recapture during the 2019-2020 or 2020-2021 school year.

AD VALOREM TAX PROCEDURES

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

Valuation of Taxable Property

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

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

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

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

State Mandated Homestead Exemptions

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

Local Option Homestead Exemptions

The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than $5,000) and (2) an additional exemption of at

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

State Mandated Freeze on School District Taxes

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

Personal Property

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

Freeport Exemptions

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

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

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

Other Exempt Property

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

Temporary Exemption for Qualified Property Damaged by a Disaster

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

exemption to apply to property physically harmed as a result of a declared disaster.

Tax Increment Reinvestment Zones

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

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

Tax Limitation Agreements

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

For a discussion of how the various exemptions described above are applied by the District, see "The Property Tax Code as Applied to the District" herein.

District and Taxpayer Remedies

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

Owners of certain property with a taxable value of at least $50 million and situated in a county with a population of one million or more as of the most recent federal decennial census may additionally protest the determinations of appraisal district directly to a three-member special panel of the appraisal review board, selected by a State district judge, consisting of highly qualified professionals in the field of property tax appraisal.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the City and provides for taxpayer referenda that could result in the repeal of certain tax increases. See "– Public Hearing and Maintenance and Operation Tax Rate Limitations." The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

Property Tax Code as it Applies to the District

The District grants a state mandated exemption to the market value of the residence homestead of persons 65 years of age or older of $25,000 plus a local exemption of $10,000.

The District has not granted an additional exemption on the market value of residence homesteads.

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 grant a freeport property exemption.

The District does not tax nonbusiness personal property.

In accordance with Section 11.131 of the Tax Code, the District must grant a complete exemption to the residential homesteads of veterans judged to be 100% disabled by the U.S. Department of Veteran Affairs.

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 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 8, 1958 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 bonded indebtedness of the District after the issuance of the Bonds will be approximately 1.84% of the District's current taxable assessed valuation of property. See "APPENDIX A – FINANCIAL INFORMATION – Table 1 Valuation, Exemptions and Tax Supported Debt" herein.

The maximum M&O 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, or (B) the sum of the Tier One Tax Rate and Enrichment Tax Rate 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-approval 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 Maintenance and Operations Tax Rate Limitations" herein.

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

Section 45.0031, as amended, Texas Education Code ("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. If a district exercises this option, it may not adopt an I&S tax until it has credited to the district's interest and sinking fund an amount equal to all State allotments provided solely for payment of debt service and any Tier One funds needed to demonstrate compliance with the threshold tax rate test and which is received or to be received in that year. Additionally, a 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. 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. 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 issued as refunding bonds pursuant to Chapter 1207 and are, therefore, not subject to the $0.50 threshold tax rate test; however, taxes levied to pay debt service on the Bonds are included in the calculation of the $0.50 tax rate test as applied to subsequent issues of "new debt".

INVESTMENTS

The District may invest its investable funds (including bond proceeds and money pledged to the payment of or as security for bonds or other indebtedness issued by the District or obligations under a lease, installment sale, or other agreement of the District) in investments authorized by State law in accordance with investment policies approved by the governing body of the District. Both State law and the District's investment policies are subject to change.

Legal Investments

Under State law, the District is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations 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 are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the District selects from a list the governing body of the District or designated investment committee of the District adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in the State that the District selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the District's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the District appoints as the District's custodian of the banking deposits issued for the District's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the SEC and operating under SEC Rule 15c3-3; (9) (i) certificates of deposit or share certificates meeting the requirements of Chapter 2256, Texas Government Code (the "Public Funds Investment Act"), that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or their respective successors, and are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and provided for by law for District deposits, or (ii) certificates of deposits where (a) the funds are invested by the District through (A) a broker that has its main office or a branch office in the State and is selected from a list adopted by the District as required by law, or (B) a depository institution that has its main office or branch office in the State that is selected by the District, (b) 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, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the District appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d), Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to SEC Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the District with respect to the certificates of deposit; (10) fully collateralized repurchase agreements as defined in the Public Funds Investment Act, that have a defined termination date, are secured by a combination of cash and obligations described in clauses (1) or (13) in this paragraph or corporate bonds as described below, 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; (11) 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 (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13)

through (15) below, 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; and (iv) the agreement to lend securities has a term of one year or less; (12) certain bankers' acceptances with stated maturity of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated not less than "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (13) commercial paper with a stated maturity of 365 days or less that is rated not less than "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 United States or state bank; (14) no-load money market mutual funds registered with and regulated by the SEC that provide the District with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and that comply with federal SEC Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and (15) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and have either (a) a duration of one year or more and invest exclusively in obligations described in under this heading, or (b) a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. 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, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract.

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 (8) above, other than the prohibited obligations described below, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) 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; 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 if the governing body of the District authorizes such investment in the particular pool by order, ordinance, or resolution and the investment pool complies with the requirements of Section 2256.016, Texas Government Code.

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.

As a school district that qualifies as an issuer under Chapter 1371, Texas Government Code, as amended, the District is also authorized to purchase, sell, and invest its funds in corporate bonds that, at the time of purchase, are rated by a nationally recognized investment rating firm "AA-" or the equivalent and have a stated final maturity that is not later than the third anniversary of the date the corporate bonds were purchased. Texas law defines "corporate bonds" as senior secured debt obligations issued by a domestic business entity and rated not lower than "AA-" or the equivalent by a nationally recognized investment rating firm. The term does not include a debt obligation that is convertible into stocks or shares in the entity issuing the bond (or an affiliate or subsidy thereof) or any unsecured debt. Corporate bonds must finally mature not later than 3 years from their date of purchase by the school district. A school district may not (1) invest more than 15% of its monthly average fund balance (excluding bond proceeds, reserves, and other funds held for the payment of debt service) in corporate bonds; or (2) invest more than 25% of the funds invested in corporate bonds in any one domestic business entity (including subsidiaries and affiliates thereof). Corporate bonds held by a school district must be sold if they are at any time downgraded below "AA-" (or the equivalent thereof) or, with respect to a corporate bond rated "AA-" (or the equivalent thereof), such corporate bond is placed on negative credit watch. Corporate bonds are not an eligible investment for a public funds investment pool. To invest in corporate bonds, an eligible school district must first (i) amend its investment policy to authorize corporate bonds as an eligible investment, (ii) adopt procedures for monitoring rating changes in corporate bonds and liquidating an investment in corporate bonds, and (iii) identify funds eligible to be invested in corporate bonds. The District has, to date, taken no such action to permit its investment in corporate bonds.

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, maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All District funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each funds' 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, District investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the District shall submit an investment report detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, 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 strategy statements and (b) state law. No person may invest District funds without express written authority from the Board of Trustees.

Additional Provisions

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

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 Bonds 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 Bonds is not a specific preference item for purposes of the federal alternative minimum tax. 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 Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), 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 Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds 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 Bonds accrues daily over the term to maturity of

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

Bonds 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 Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of Bonds, like the Premium Bonds, 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 Bonds 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 Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds 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 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. 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 Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. 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 Bonds 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 Bonds 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 Bonds 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 Bonds. Prospective purchasers of the Bonds 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 Bonds 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 Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Bonds 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 Bonds 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 Bonds for audit, or the course or result of such audit, or an audit of Bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

CONTINUING DISCLOSURE OF INFORMATION

The offering of the Bonds qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b) related to the District's continuing disclosure obligations, because the District does not currently have outstanding more than $10,000,000 in aggregate

principal amount of municipal securities (excluding securities offered in transactions that were exempt from the Rule). Pursuant to the exemption, in the Order, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified 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 August 31. Accordingly, it must provide updated information by the last day of February 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 Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District; (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 Bonds nor the Order 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.

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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 Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders and beneficial owners of the Bonds 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 Bonds in the primary offering of the Bonds 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 Bonds 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 Bonds. 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 Bonds in the primary offering of the Bonds. 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 Bonds in the primary offering of the Bonds.

Compliance with Prior Undertakings

The District has complied in all material respects with its continuing disclosure agreements pursuant to the Rule.

OTHER INFORMATION

Ratings

An application has been filed by the District with, and conditional approval has been received from, the Texas Education Agency for the Bonds to be guaranteed by the Texas Permanent School Fund Guarantee Program, and S&P Global Ratings, ("S&P") rates all bond issues (such as the Bonds) guaranteed by the Permanent School Fund of the State of Texas "AAA" (See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM"). In addition, S&P has assigned its underlying unenhanced rating of "A+" to the Bonds. 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 Bonds, 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 Bonds.

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 Bonds, 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 Bonds or that affects the payment and security of the Bonds or in any other manner questioning the issuance, sale, or delivery of said Bonds.

Legal Investments and Eligibility to Secure Public Funds in Texas

Under the Texas Public Security Procedures Act (Texas Government Code, Chapter 1201), the Bonds (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 Bonds 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 Bonds may have to be assigned a rating of "A" or its equivalent as

to investment quality by a national rating agency before such Bonds 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 Bonds 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 Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes. The District has made no review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

Registration and Qualification of Bonds for Sale

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

Legal Matters

The District will furnish a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinions of the Attorney General of the State of Texas to the effect that the Bonds 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 Bonds being issued in compliance with the provisions of applicable law and the interest on the Bonds 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 BONDS" (except under the subcaptions "Sources and Uses of Funds", "Permanent School Fund Guarantee", and "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 Bonds 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 Bonds 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 Bonds, such information conforms to the Order. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the definitive Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriter by its counsel, Sara Leon & Associates, LLC, Austin, Texas. The legal fee of such firm is contingent upon the sale and delivery of the Bonds.

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

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 Bonds. The fee of the Financial Advisor for services with respect to the Bonds is contingent upon the issuance and sale of the Bonds. 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

Knuckols, Duvall, Hallum & Co., 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. Knuckols, Duvall, Hallum & Co. also has not performed any procedures relating to this Official Statement.

Underwriting

Oppenheimer (the "Underwriter) has agreed, subject to certain conditions, to purchase the Bonds from the District for $5,568,870.57 (being the principal amount of the Bonds, plus a premium of $771,125.45 less an Underwriter's discount of $37,254.88). The Underwriter will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriter and other dealers depositing Bonds into investment trusts) at process lower than the public offering prices of such Bonds, 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 Order contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and the Order. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects. The Order authorizing the issuance of the Bonds 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 Bonds 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/*Charlotte Stanley*
President, Board of Trustees
Atlanta Independent School District

/s/*Joe Wall*
Secretary, Board of Trustees
Atlanta Independent School District

SCHEDULE I

SCHEDULE OF REFUNDED OBLIGATIONS

Series to be Refunded	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
Unlimited Tax School Building Bonds Taxable Series 2010C (Build America Bonds – Direct Subsidy)					
Term0001	8/15/2025	4.315%	$1,330,000	8/17/2020	100.000
Term0002	8/15/2030	5.044%	1,905,000	8/17/2020	100.000
Term0003	8/15/2035	5.194%	2,250,000	8/17/2020	100.000

APPENDIX A

TABLE 1 - VALUATION, EXEMPTIONS, AND TAX SUPPORTED DEBT

District Direct Debt

2019-2020 Certified Taxable Assessed Valuation[1] (100% of Estimated Market Value)	$583,301,813
Outstanding Debt	11,525,500
Plus: The Unlimited Tax Refunding Bonds, Series 2020	4,835,000
Less: Refunded Obligations	5,485,000
Total Direct Debt	$10,875,500
As a % of 2019-2020 Certified Taxable Assessed Valuation	1.86%

[1] Provided by Cass County Appraisal District.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Tax Year 2019	Tax Year 2018	Tax Year 2017	Tax Year 2016	Tax Year 2015
Real Property	$793,773,934	$779,282,086	$747,293,376	$717,486,318	$712,544,919
Non Real Property	165,335,904	158,761,644	188,234,029	202,079,802	208,241,311
Gross Value	$959,109,838	$938,043,730	$935,527,405	$919,566,120	$920,786,230
Less Exemptions	375,808,025	376,761,335	379,044,166	364,075,109	367,978,389
Net Taxable Value	$583,301,813	$561,282,395	$556,483,239	$555,491,011	$552,807,841

TABLE 3 - VALUATION AND TAX SUPPORTED DEBT HISTORY

Fiscal Year Ended 8/31	Estimated Population[1]	Taxable Assessed Valuation[2]	Taxable Assessed Valuation Per Capita	Tax Supported Debt Outstanding[3]	Ratio of Tax Supported Debt to Assessed Valuation	Tax Supported Debt Per Capita
2016	9,282	$552,807,841	$59,557	$10,452,500	1.89%	$1,126
2017	8,972	555,491,011	61,914	9,814,500	1.77%	1,094
2018	8,891	556,483,239	62,589	9,157,500	1.65%	1,030
2019	9,135	561,282,395	61,443	11,820,500	2.11%	1,294
2020	9,135	583,301,813	63,854	10,875,500[4]	1.86%	1,191

[1] Source: Municipal Advisory Council of Texas.
[2] Established by Cass County Appraisal District, subject to change during the ensuing year.
[3] Source: District's audited financial statements.
[4] Includes the Bonds and excludes the Refunded Obligations.

TABLE 4 - TAX RATE, LEVY, AND COLLECTION HISTORY

Fiscal Year Ended 8/31	Tax Year	Taxable Assessed Valuation[1]	Tax Rate	Tax Levy[2]	Percent Collected	
					Current	Total
2016	2015	$552,807,841	$1.2700	$6,546,623	96.52%	98.76%
2017	2016	555,491,011	1.2700	6,529,740	96.63%	98.32%
2018	2017	556,483,239	1.2700	6,529,362	95.40%	97.53%
2019	2018	561,282,395	1.2700	6,567,779	95.74%	95.74%
2020	2019	583,301,813	1.1684	6,621,809	(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	2019/20 Net Taxable Assessed Valuations	% of Total 2019/20 Assessed Valuation
1. Midcontinent Express	Pipeline	$ 52,073,960	8.93%
2. Gulf Crossing Pipeline Co.	Pipeline	$ 26,192,250	4.49%
3. Natural Gas Pipeline Co of America	Pipeline	$ 11,695,190	2.00%
4. AEP Southwestern Electric Power Co.	Electric Utility	$ 8,183,130	1.40%
5. Union Pacific Railroad Co	Railroad	$ 7,680,240	1.32%
6. Wal-mart Stores Inc.	Retail	$ 7,603,020	1.30%
7. Newark Paperboard Products Inc	Container/Packing Materials	$ 4,604,340	0.79%
8. Clements Construction & Realty	Construction	$ 4,520,810	0.78%
9. Wal-mart / Sam's Club	Retail	$ 3,919,660	0.67%
10. Bowie Cass Electric Coop Inc	Electric Utility	$ 3,356,660	0.58%
Total		$ 129,829,260	22.26%

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[(a)]	Estimated % Overlapping	Overlapping Debt
Atlanta, City of	05/31/20	$ 5,904,292	93.78%	$ 5,537,045
Cass County	05/31/20	4,515,000	32.32%	1,459,248
Estimated (Net) Overlapping Debt				$ 6,996,293
Atlanta ISD[(b)]		10,875,500		10,875,500
Total Direct & Estimated Overlapping Debt				$17,871,793
As a % of Certified 2019-20 Taxable Assessed Valuation				3.06%

[(a)] Gross Debt
[(b)] Includes the Bonds, excludes Refunded Obligations.

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DEBT INFORMATION

TABLE 7 - TAX SUPPORTED DEBT SERVICE REQUIREMENTS[1]

Period Ending 8/31	Outstanding Debt Service Requirements	Less: Refunded Bonds	Debt Service Requirements Unlimited Tax Refunding Bonds, Series 2020 Principal	Interest	Total	Total Debt Service Requirements
2021	$ 647,765.45	$ 181,305.34	$ -	$ 162,989.44	$ 162,989.44	$ 629,449.55
2022	650,565.45	501,305.34	270,000	163,900.00	433,900.00	583,160.11
2023	646,757.45	502,045.00	285,000	153,100.00	438,100.00	582,812.45
2024	637,517.95	497,495.28	295,000	141,700.00	436,700.00	576,722.67
2025	6,368,562.71	497,800.86	300,000	135,800.00	435,800.00	6,306,561.85
2026	567,953.20	497,817.06	310,000	123,800.00	433,800.00	503,936.14
2027	565,047.00	500,808.28	325,000	111,400.00	436,400.00	500,638.72
2028	556,384.20	498,292.06	340,000	98,400.00	438,400.00	496,492.14
2029	552,217.00	500,437.58	350,000	84,800.00	434,800.00	486,579.42
2030	542,293.20	497,075.68	365,000	70,800.00	435,800.00	481,017.52
2031	536,865.00	498,375.52	375,000	59,850.00	434,850.00	473,339.48
2032	530,050.20	498,745.42	385,000	48,600.00	433,600.00	464,904.78
2033	522,456.30	498,592.82	400,000	37,050.00	437,050.00	460,913.48
2034	514,083.30	497,917.72	410,000	25,050.00	435,050.00	451,215.58
2035	504,931.20	496,720.10	425,000	12,750.00	437,750.00	445,961.10
Total	$14,343,449.61	$7,164,734.06	$4,835,000	$1,429,989.44	$6,264,989.44	$13,443,704.99

Estimated Average Annual Debt Service Requirements ..... $ 895,580.33
Estimated Maximum Annual Debt Service Requirement $6,306,561.85

TABLE 8 - AUTHORIZED BUT UNISSUED UNLIMITED TAX BONDS

After the issuance of the Bonds, the District will have no authorized but unissued unlimited tax bonds. The District does not anticipate issuing additional debt this fiscal year.

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TABLE 9 – GENERAL FUND REVENUES AND EXPENDITURES[(a)]

For Fiscal Year Ended August 31st	2019	2018	2017	2016	2015
REVENUES:					
Local and Intermediate Sources	$ 6,450,220	$ 6,328,949	$ 6,305,595	$ 6255,536	$ 5,956,068
State Program Revenues	9,007,831	8,868,099	8,780,873	9,561,176	8,473,869
Federal Program Revenues	133,350	91,691	97,901	123,060	80,683
Total Revenues	15,591,401	15,288,739	15,184,369	15,939,772	14,510,620
EXPENDITURES:					
Current:					
Instruction	7,627,818	7,653,175	8,012,361	7,755,665	7,860,041
Instructional Resources & Media Services	252,063	307,680	337,024	377,061	402,271
Curriculum & Instructional Staff Development	118,024	143,662	113,004	64,757	48,790
Instructional Leadership	24,600	48,559	106,700	124,734	54,709
School Leadership	1,002,821	932,288	959,528	952,102	1,025,640
Guidance, Counseling & Evaluation Services	354,558	396,957	403,564	326,520	317,013
Health Services	202,586	201,229	200,898	201,429	198,540
Student (Pupil) Transportation	697,021	705,505	660,732	700,419	690,434
Food Services	26,686	26,557	24,147	27,423	27,314
Extracurricular Activities	1,203,572	1,036,542	1,039,215	1,112,608	1,007,886
General Administration	658,613	674,985	639,187	630,442	628,399
Facilities Maintenance and Operations	1,825,684	1,779,198	1,711,999	1,688,961	1,536,909
Security and Monitoring Services	85,203	67,698	47,184	36,438	35,796
Data Processing Services	320,499	313,097	353,213	339,990	348,359
Community Services	-	48	-	-	-
Debt Service:					
Principal on Long-Term Debt	226,128	219,106	223,810	191,439	186,950
Interest on Long-Term Debt	7,256	14,278	9,574	4,667	9,156
Capital Outlay:					
Facilities Acquisition and Construction	-	24,300	-	27,050	155,184
Intergovernmental:					
Paymts to Fiscal Agent/Member Districts of SSA	129,076	135,396	148,132	140,915	129,561
Other Intergovernmental Charges	141,414	138,912	136,494	135,260	121,061
Total Expenditures	14,903,622	14,819,172	15,126,766	14,837,880	14,784,013
Excess (Deficiency) of Revenues Over (Under) Expenditures	687,779	469,567	57,603	1,101,892	(273,393)
OTHER FINANCING SOURCES (USES):					
Sale of Real and Personal Property	1,638	43,522	79,164	100	5,838
Non-Current Loans	-	-	459,200	-	-
Capital Leases	-	-	-	-	365,631
Transfers In	-	-	-	138	-
Transfers Out (Use)	(2,060,250)	(408,067)	(2,162,273)	(396,036)	-
Total Other Financing Sources (Uses)	(2,058,612)	(364,545)	(1,623,909)	(395,798)	371,469
Net Change in Fund Balances	(1,370,833)	105,022	(1,566,306)	706,094	98,076
Fund Balance – September 1 (Beginning)	6,632,395	6,527,373	8,093,679	7,387,585	7,289,509
Fund Balance – August 31 (Ending)	$ 5,261,562	$ 6,632,395	$ 6,527,373	$ 8,093,679	$ 7,387,585

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

TABLE 10 - GENERAL OPERATING FUND COMPARATIVE BALANCE SHEET

For Fiscal Year Ended August 31st

	2019	2018	2017	2016	2015
ASSETS					
Cash and Cash Equivalents	$5,103,628	$6,405,771	$6,608,860	$8,030,364	$6,380,814
Property Taxes – Delinquent	943,272	904,467	800,028	783,590	752,067
Allowance for Uncollectible Taxes (Credit)	(66,029)	(63,313)	(56,002)	(54,851)	(52,645)
Receivables from Other Governments	1,489,724	772,613	414,922	335,800	773,714
Due from Other Funds	3,402	368,813	171,051	405,330	684,098
Other Receivables	-	2,238	1,064	1,125	15,119
Inventories	14,152	11,160	13,658	8,471	14,504
Total Assets	$7,488,149	$8,401,749	$7,953,581	$9,509,829	$8,567,671
LIABILITIES					
Accounts Payable	$ 117,906	$ 365,492	$ 152,573	$ 252,240	$ 156,975
Payroll Deductions and Withholdings Payable	(10,513)	1,036	141	-	537
Accrued Wages Payable	514,437	448,812	388,502	291,960	213,061
Due to Other Funds	756,765	143,461	129,685	150,129	132,573
Due to Other Governments	-	-	26,660	14,383	-
Accrued Expenditures	10,593	9,303	8,399	5,209	3,915
Total Liabilities	1,389,188	968,104	705,960	713,921	507,061
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue – Property Taxes	837,399	801,250	720,248	702,229	673,025
Total Deferred Inflows of Resources	837,399	801,250	720,248	702,229	673,025
FUND BALANCES					
Nonspendable Fund Balance:					
Inventories	14,512	13,658	13,658	8,471	14,504
Restricted Fund Balance					
Other Restricted Fund Balance	2,250,000	2,250,000	2,250,000	4,330,000	4,330,000
Unassigned Fund Balance	2,997,410	4,368,737	4,263,715	3,755,208	3,043,081
Total Fund Balances	5,261,562	6,632,395	6,527,373	8,093,679	7,387,585
Total Liabilities, Deferred Inflows & Fund Balances	$7,488,149	$8,401,749	$7,953,581	$9,509,829	$8,567,671

Source: The District's audited financial statements.

[Remainder of page intentionally left blank]

TABLE 11 – CURRENT INVESTMENTS

As of May 31, 2020, the District's investable funds are set forth below. The following summary itemizes the District's investment portfolio by type of security:

	Value
General and Special Revenue Funds: [1]	
Money Market Account – State Bank	$2,362,580
Certificate of Deposit – State Bank	$2,067,283
First Public – Loan Star Investment Pool – Gov't Overnight Fund	$931,401
Debt Service Fund:	
Held in required Sinking Fund – Southside Bank Trust Dept – Retirement of Debt Only/U.S. Treasury Notes	$3,121,910
Federated Government Obligations Fund	$1,067,644
Total	**$9,550,818**

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

No funds of the District are invested in derivative securities, i.e., securities whose rate of return is determined by reference to another instrument, index or commodity.

APPENDIX B

ANNUAL FINANCIAL REPORT

ATLANTA INDEPENDENT SCHOOL DISTRICT
ATLANTA, TEXAS

Annual Financial Report
For the Year Ended
August 31, 2019

ATLANTA INDEPENDENT SCHOOL DISTRICT
ATLANTA, TEXAS

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2019

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ATLANTA INDEPENDENT SCHOOL DISTRICT
ATLANTA, TEXAS

MEMBERS OF THE BOARD OF EDUCATION
YEAR ENDED AUGUST 31, 2019

NAME	ADDRESS	PRINCIPAL OCCUPATION OR BUSINESS
Spencer Hale	109 Avalon Atlanta, TX 75551	Self-Employed/Timber
Keri Richardson	1768 Hwy 43 Atlanta, TX 75551	Owner/Heritage Insurance
Gus Schuhmann	1003 Brookhaven Atlanta, TX 75551	Retired School Principal
Charlotte Stanley	P. O. Box 1148 Atlanta, TX 75551	Retired School Teacher/ Owner of Stanco, Inc.
Joel Stegar	314 Woodland Lake Dr. Atlanta, TX 75551	Manager/Offenhauser Insurance
Randall Thomason	P. O. Box 781 Atlanta, TX 75551	Clements Construction
Joe Wall	75 CR 4231 Atlanta, TX 75551	Retired (Self-Employed Pinckard's Plant Farm)

OFFICERS AND SUPERINTENDENT

Charlotte Stanley.....President

Keri Richardson.....Vice President

Joe Wall.....Secretary

Sidney Harrist.....Superintendent

CERTIFICATE OF BOARD

Atlanta Independent School District	Cass	034-901
Name of School District	County	Co.-Dist. Number

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

Signature of Board Secretary

Signature of Board President

KNUCKOLS · DUVALL · HALLUM & CO. *A Professional Corporation*
CERTIFIED PUBLIC ACCOUNTANTS

204 S. WELLINGTON STREET
POST OFFICE BOX 1315
MARSHALL, TEXAS 75670
(903) 938-0331 • FAX (903) 938-0334

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Atlanta Independent School District
106 W. Main St.
Atlanta, Texas 75551

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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 Atlanta Independent School District, as of August 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedules of the District's Proportionate Share of the Net Pension Liability and Net OPEB Liability, and Schedules of District's Pension Contributions and District's Contributions for OPEB identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it 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 inquires 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 Atlanta Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Texas Education Agency requires school districts to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulations of the State of Texas. This information is in Exhibits identified in the Table of Contents as H-1 through H-3 and Schools First Questionnaire. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2020, on our consideration of Atlanta Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Atlanta Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Atlanta Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

KNUCKOLS, DUVALL, HALLUM & CO.

Knuckols, Duvall, Hallum & Co.
Certified Public Accountants

Marshall, Texas

January 13, 2020

-UNAUDITED-

In this section of the Annual Financial and Compliance Report, we, the managers of Atlanta Independent School District, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2019. Please read it in conjunction with the independent auditors' report on page 3, and the District's Basic Financial Statements, which begin on page 14.

FINANCIAL HIGHLIGHTS

The District's net position increased by $350,141 as a result of this year's operations. Program revenues accounted for $6,701,332 or 30.38% of total revenue, and general revenues accounted for $15,353,468 or 69.62%.

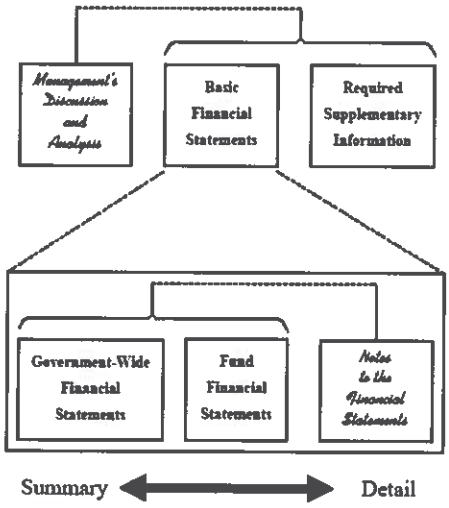
During the year, the District had expenses that were $350,141 less than the $22,054,800 generated in tax and other revenues for governmental programs (before special items).

On Exhibit C-1, the general fund reported a positive fund balance of $5,261,562.

USING THIS ANNUAL REPORT

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.

Figure A-1: Required Components of
The District's Annual Financial Information



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.

-UNAUDITED-

The notes to the financial statements (starting on page 26) 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.

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

Type of Statements	Government-Wide	Fund Statements: Governmental Funds	Fund Statements: Proprietary Funds	Fund Statements: Fiduciary Funds
Scope	Entire District's Governmental (except Fiduciary Funds) and the District's Component Units	The activities of the District that are not proprietary or fiduciary	Activities the District operates similar to private businesses: such as self-insurance	Instances in which the District is the trustee or agent for someone else's resources
Required Financial Statements	*Statement of Net Position	*Balance Sheet	*Statement of Net Position	*Statement of Fiduciary Net Position
		*Statement of revenues, expenditures and changes in fund balances	*Statement of revenues, expenditures and changes in fund balances	*Statement of Changes in Fiduciary Net Position
	*Statement of Activities		*Statement of cash flows	
Accounting Basis And Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	All assets and liabilities, both financial and capital, short-term and long-term	Accrual accounting and economic resources focus.
Type of Asset/Liability Information	All asset and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term, the Agency's funds do not currently contain capital assets, but they can
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is 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 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 plus deferred outflows and liabilities plus deferred inflows) 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.

-UNAUDITED-

In the Statement of Net Position and the Statement of Activities, the District's activities are presented as:

Governmental activities–most of the District's basic services are reported here, including 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.

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 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). The District's two kinds of funds–governmental and proprietary–use different accounting approaches.

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

Proprietary funds–the internal service funds report activities that provide supplies and services for the District's other programs and activities–such as the District's Print Shop.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities and alumnae scholarship programs. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 24 and 25. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Net position of the District's governmental activities increased from $7,488,352 to $7,838,493 (an increase due to operations of $350,141. 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 – totaled a deficit of ($9,540,562) at August 31, 2019.

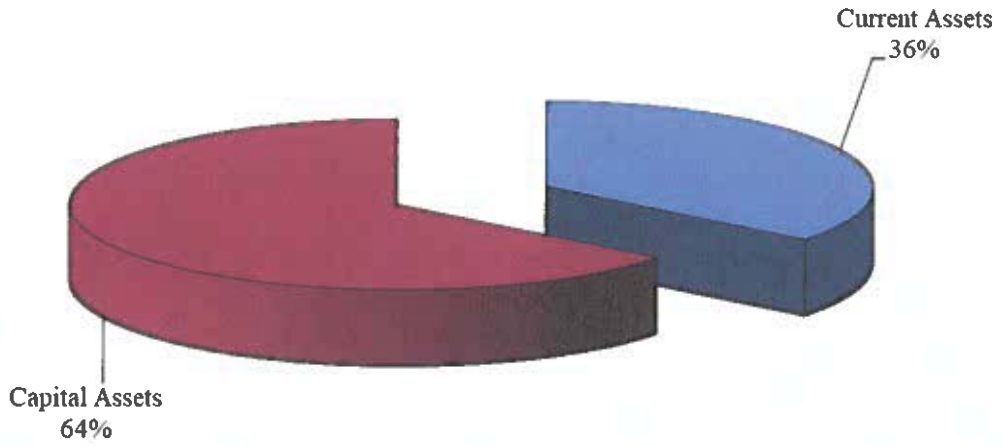
-UNAUDITED-

Table I
Atlanta Independent School District

NET POSITION

		Governmental Activities	
	% Change	*2018	2019
Current and other assets	(1.21)	12,293,081	12,143,217
Capital assets	(0.002)	22,009,901	22,009,351
Total assets	**(0.43)**	**34,302,982**	**34,152,568**
Deferred Outflows	190.71	1,076,152	3,128,532
Long-term liabilities	4.50	23,015,843	24,053,416
Other liabilities	(2.50)	938,321	914,781
Total liabilities	**4.23**	**23,954,164**	**24,968,197**
Deferred Inflows	13.66	3,936,618	4,474,410
Net Position:			
Invested in capital assets net of related debt		9,557,174	10,036,238
Restricted for Federal, State Programs and Other		742,223	1,476,715
Restricted for Retirement of LT Debt		3,091,180	3,616,102
Restricted for Other Purposes		2,250,000	2,250,000
Unrestricted		(8,152,225)	(9,540,562)
Total net position	**4.67**	**7,488,352**	**7,838,493**

*As restated for prior period adjustment. (See Note U)



-UNAUDITED-

Table II
Atlanta Independent School District

CHANGES IN NET POSITION

	% Change	Governmental Activities 2018	Governmental Activities 2019
Revenues:			
Program Revenues:			
Charges for Services	(1.61)	638,437	628,167
Operating grants and contributions	675.46	783,164	6,073,165
General Revenues:			
Maintenance and operations taxes	0.99	6,004,086	6,063,230
Debt service taxes	10.31	509,841	562,425
Grants and contributions – not restricted	(8.58)	9,029,779	8,254,353
Investment Earnings	157.76	124,154	320,022
Miscellaneous	(4.44)	160,577	153,438
Total Revenue	**27.85**	**17,250,038**	**22,054,800**
Expenses:			
Instruction, curriculum and media services	52.89	7,673,990	11,575,859
Instructional and school leadership	96.11	880,588	1,726,923
Student support services	36.92	737,315	1,009,571
Transportation	70.19	480,107	817,102
Child nutrition	31.19	867,878	1,138,598
Co-curricular activities	40.44	959,943	1,348,177
General administration	26.98	670,348	851,252
Plant maintenance, security & data processing	32.93	1,755,018	2,332,982
Debt services	(1.03)	304,710	301,542
Payments to Related SSA and Miscellaneous	226.58	184,530	602,653
Total Expenses	**49.53**	**14,514,427**	**21,704,659**
Increase in net position before transfers and special items		2,735,611	350,141
Prior Period Adjustment		(12,688,519)	-
Net position at 9/1		17,441,260	7,488,352
Net position at 8/31	**54.67**	**7,488,352**	**7,838,493**

-UNAUDITED-

TABLE II
CHART A - REVENUES

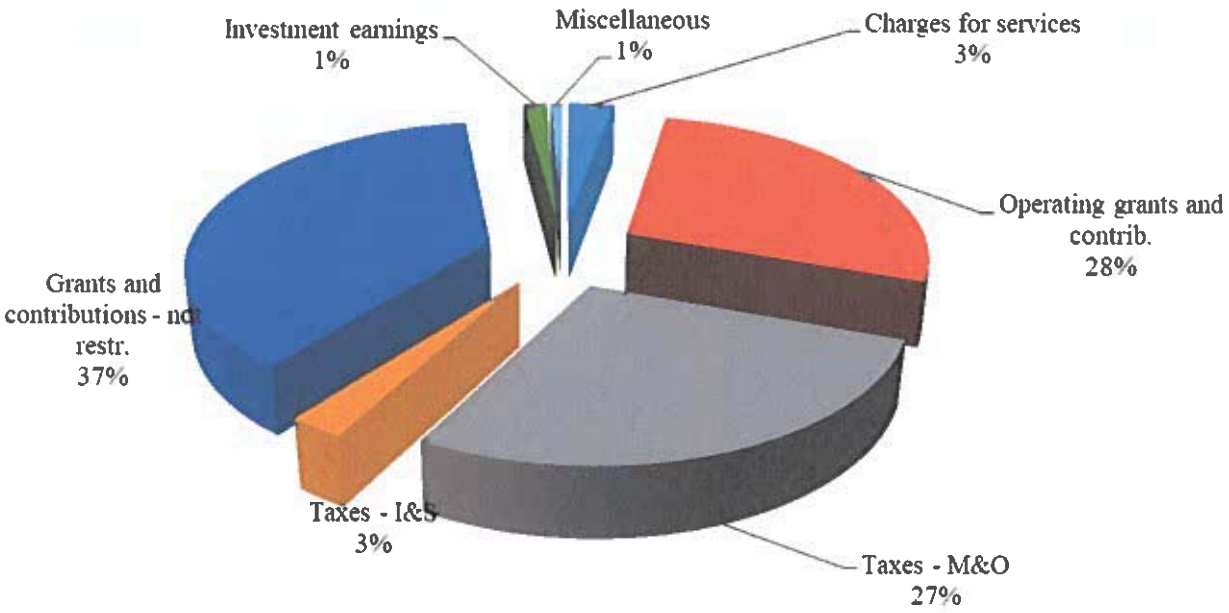
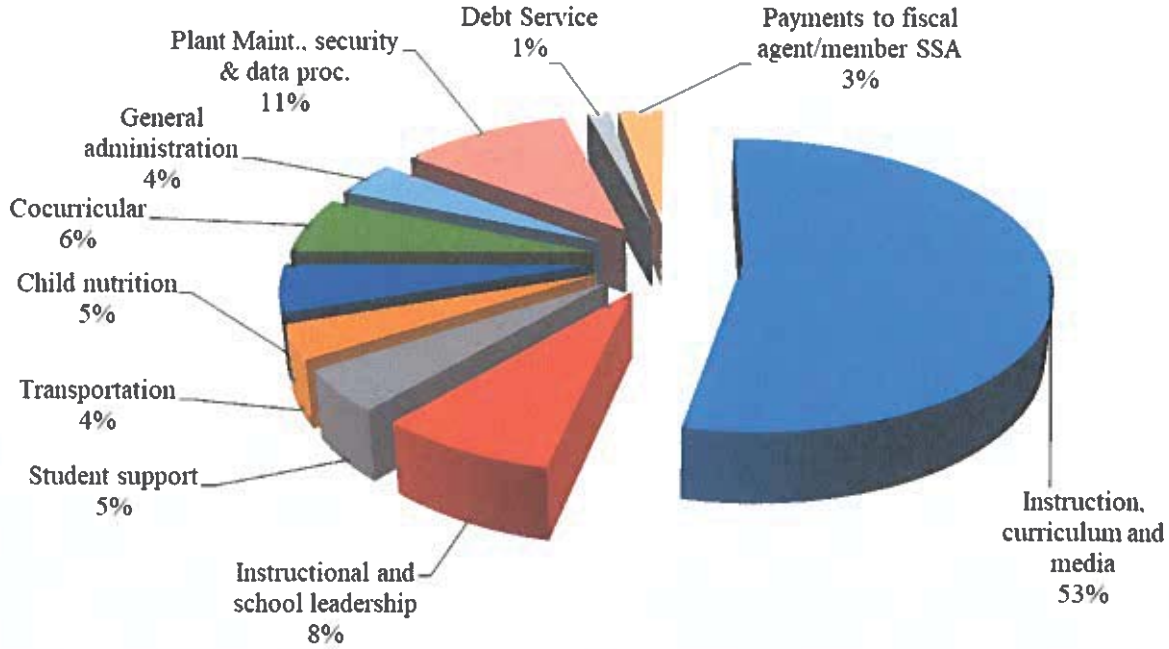


TABLE II
CHART B - EXPENSES



-UNAUDITED-

During the year ended August 31, 2019, the District's total revenues increased by 27.85%. The total cost of all programs and services increased by 49.53%.

The cost of all governmental activities this year was $21,704,659. 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 $6,625,655 because some of the costs were paid by those who directly benefited from the programs ($628,167) or by other governments and organizations that subsidized certain programs with grants and contributions ($6,073,165) or by unrestricted grants, other revenue or usage of fund balance ($8,727,813).

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on pages 16) reported a combined fund balance of $10,354,379, which is less than last year's adjusted total of $10,506,884. Included in this year's total change in fund balance is a decrease of ($1,370,833) in the District's General Fund.

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments fall into two categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in August 2018). The second category involved 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 $5,261,562 reported on pages 18 differs from the General Fund's budgetary fund balance of $5,014,100 reported in the budgetary comparison schedule on page 20.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2019, the District had $38,153,920 invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. There was a net increase in capital assets of $1,066,442 over last year.

Debt

At year-end, the District had outstanding bonds and loans (or leases) in the amount of $11,973,113, which was a net decrease of $583,650 or (4.64%).

-UNAUDITED-

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal-year 2020 budget and tax rates.

These indicators were taken into account when adopting the General Fund budget for 2020. Amounts available for appropriation in the General Fund budget are $17.1 million, an increase of 9.0 percent over the final 2019 budget of $15.5 million. Budgeted expenditures are expected to increase 15% in 2020, and revenues are estimated to increase 14%.

If these estimates are realized, the District's budgetary General Fund balance is expected to increase by $272,364 as of the close of 2020.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to 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 Atlanta Independent School District, 106 West Main Street, Atlanta, Texas 75551.

BASIC FINANCIAL STATEMENTS

EXHIBIT A-1

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

Data Control Codes		Primary Government: Governmental Activities
ASSETS		
1110	Cash and Cash Equivalents	$ 4,841,400
1220	Property Taxes - Delinquent	1,033,097
1230	Allowance for Uncollectible Taxes	(72,317)
1240	Due from Other Governments	2,629,516
1290	Other Receivables, Net	1,412
1300	Inventories	51,699
	Capital Assets:	
1510	Land	826,737
1520	Buildings, Net	19,031,754
1530	Furniture and Equipment, Net	1,340,004
1550	Leased Property Under Capital Leases, Net	81,866
1560	Library Books and Media, Net	114,927
1580	Construction in Progress	614,063
1990	Other Assets-Investments	3,658,410
1000	Total Assets	34,152,568
DEFERRED OUTFLOWS OF RESOURCES		
1705	Deferred Outflow Related to TRS Pension	2,519,548
1706	Deferred Outflow Related to TRS OPEB	608,984
1700	Total Deferred Outflows of Resources	3,128,532
LIABILITIES		
2110	Accounts Payable	261,440
2140	Interest Payable	39,782
2150	Payroll Deductions and Withholdings	(10,513)
2160	Accrued Wages Payable	607,046
2200	Accrued Expenses	17,026
	Noncurrent Liabilities:	
2501	Due Within One Year	341,983
2502	Due in More Than One Year	11,631,130
2540	Net Pension Liability (District's Share)	4,898,605
2545	Net OPEB Liability (District's Share)	7,181,698
2000	Total Liabilities	24,968,197
DEFERRED INFLOWS OF RESOURCES		
2605	Deferred Inflow Related to TRS Pension	951,530
2606	Deferred Inflow Related to TRS OPEB	3,522,880
2600	Total Deferred Inflows of Resources	4,474,410
NET POSITION		
3200	Net Investment in Capital Assets	10,036,238
3820	Restricted for Federal and State Programs	688,705
3850	Restricted for Debt Service	3,616,102
3860	Restricted for Capital Projects	726,894
3870	Restricted for Campus Activities	61,116
3890	Restricted for Other Purposes	2,250,000
3900	Unrestricted	(9,540,562)
3000	Total Net Position	$ 7,838,493

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

EXHIBIT B-1

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

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	$ 11,177,673	$ 124,074	$ 3,119,458	$ (7,934,141)
12	Instructional Resources and Media Services	272,675	2,999	16,802	(252,874)
13	Curriculum and Instructional Staff Development	125,511	-	4,109	(121,402)
21	Instructional Leadership	392,031	212,203	154,103	(25,725)
23	School Leadership	1,334,892	1,999	370,919	(961,974)
31	Guidance, Counseling and Evaluation Services	796,070	5,573	449,340	(341,157)
33	Health Services	213,501	4,999	22,055	(186,447)
34	Student (Pupil) Transportation	817,102	-	163,056	(654,046)
35	Food Services	1,138,598	163,565	1,025,816	50,783
36	Extracurricular Activities	1,348,177	96,972	70,873	(1,180,332)
41	General Administration	851,252	15,783	168,240	(667,229)
51	Facilities Maintenance and Operations	1,866,222	-	88,689	(1,777,533)
52	Security and Monitoring Services	124,972	-	40,466	(84,506)
53	Data Processing Services	341,788	-	34,900	(306,888)
61	Community Services	50,148	-	49,240	(908)
72	Debt Service - Interest on Long-Term Debt	298,242	-	13,084	(285,158)
73	Debt Service - Bond Issuance Cost and Fees	3,300	-	-	(3,300)
93	Payments Related to Shared Services Arrangements	411,091	-	282,015	(129,076)
99	Other Intergovernmental Charges	141,414	-	-	(141,414)
[TP]	TOTAL PRIMARY GOVERNMENT:	$ 21,704,659	$ 628,167	$ 6,073,165	(15,003,327)

Data Control Codes	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	6,063,230
DT	Property Taxes, Levied for Debt Service	562,425
SF	State Aid - Formula Grants	8,254,353
IE	Investment Earnings	320,022
MI	Miscellaneous Local and Intermediate Revenue	153,438
TR	Total General Revenues	15,353,468
CN	Change in Net Position	350,141
NB	Net Position - Beginning	7,488,352
NE	Net Position--Ending	$ 7,838,493

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

EXHIBIT C-1

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

Data Control Codes		10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
	ASSETS				
1110	Cash and Cash Equivalents	$ 5,103,628	$ (51,570)	$ (210,658)	$ 4,841,400
1220	Property Taxes - Delinquent	943,272	89,825	-	1,033,097
1230	Allowance for Uncollectible Taxes	(66,029)	(6,288)	-	(72,317)
1240	Due from Other Governments	1,489,724	5,567	1,134,225	2,629,516
1260	Due from Other Funds	3,402	-	756,765	760,167
1290	Other Receivables	-	-	1,412	1,412
1300	Inventories	14,152	-	37,547	51,699
1900	Other Assets - Investments	-	3,658,410	-	3,658,410
1000	Total Assets	$ 7,488,149	$ 3,695,944	$ 1,719,291	$ 12,903,384
	LIABILITIES				
2110	Accounts Payable	$ 117,906	$ -	$ 143,534	$ 261,440
2150	Payroll Deductions and Withholdings Payable	(10,513)	-	-	(10,513)
2160	Accrued Wages Payable	514,437	-	92,609	607,046
2170	Due to Other Funds	756,765	-	-	756,765
2200	Accrued Expenditures	10,593	-	6,433	17,026
2000	Total Liabilities	1,389,188	-	242,576	1,631,764
	DEFERRED INFLOWS OF RESOURCES				
2601	Unavailable Revenue - Property Taxes	837,399	79,842	-	917,241
2600	Total Deferred Inflows of Resources	837,399	79,842	-	917,241
	FUND BALANCES				
	Nonspendable Fund Balance:				
3410	Inventories	14,152	-	37,547	51,699
	Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	-	651,158	651,158
3480	Retirement of Long-Term Debt	-	3,616,102	-	3,616,102
3490	Other Restricted Fund Balance	2,250,000	-	-	2,250,000
	Committed Fund Balance:				
3510	Construction	-	-	726,894	726,894
3545	Other Committed Fund Balance	-	-	61,116	61,116
3600	Unassigned Fund Balance	2,997,410	-	-	2,997,410
3000	Total Fund Balances	5,261,562	3,616,102	1,476,715	10,354,379
4000	Total Liabilities, Deferred Inflows & Fund Balances	$ 7,488,149	$ 3,695,944	$ 1,719,291	$ 12,903,384

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

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

EXHIBIT C-2

	Total Fund Balances - Governmental Funds	$	10,354,379
1	The District uses internal service funds to charge the costs of certain activities, such as printing, to appropriate functions in other funds. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.		43,113
2	Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was $37,087,478 and the accumulated depreciation was ($15,077,577). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.		9,557,174
3	Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2019 capital outlays and debt principal payments is to increase net position.		1,649,864
4	Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. The net position related to TRS included a deferred resource outflow in the amount of $2,519,548, a deferred resource inflow in the amount of $951,530, and a net pension liability in the amount of $4,898,605. This resulted in an (decrease) in net position.		(3,330,587)
5	Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of $608,984, a deferred resource inflow in the amount of $3,522,880, and a net OPEB liability in the amount of $7,181,698. This resulted in a (decrease) in net position.		(10,095,594)
6	The 2019 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to (decrease) net position.		(1,139,287)
7	Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		799,431
19	**Net Position of Governmental Activities**	$	7,838,493

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

EXHIBIT C-3

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

Data Control Codes		10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 6,450,220	$ 690,812	$ 530,844	$ 7,671,876
5800	State Program Revenues	9,007,831	13,084	375,564	9,396,479
5900	Federal Program Revenues	133,350	-	4,189,580	4,322,930
5020	Total Revenues	15,591,401	703,896	5,095,988	21,391,285
	EXPENDITURES:				
	Current:				
0011	Instruction	7,627,818	-	2,374,060	10,001,878
0012	Instructional Resources and Media Services	252,063	-	-	252,063
0013	Curriculum and Instructional Staff Development	118,024	-	-	118,024
0021	Instructional Leadership	24,600	-	351,763	376,363
0023	School Leadership	1,002,821	-	276,007	1,278,828
0031	Guidance, Counseling and Evaluation Services	354,558	-	416,931	771,489
0033	Health Services	202,586	-	-	202,586
0034	Student (Pupil) Transportation	697,021	-	116,533	813,554
0035	Food Services	26,686	-	1,060,790	1,087,476
0036	Extracurricular Activities	1,203,572	-	31,615	1,235,187
0041	General Administration	658,613	-	138,630	797,243
0051	Facilities Maintenance and Operations	1,825,684	-	912	1,826,596
0052	Security and Monitoring Services	85,203	-	30,980	116,183
0053	Data Processing Services	320,499	-	-	320,499
0061	Community Services	-	-	49,240	49,240
	Debt Service:				
0071	Principal on Long-Term Debt	226,128	285,000	-	511,128
0072	Interest on Long-Term Debt	7,256	277,212	-	284,468
0073	Bond Issuance Cost and Fees	-	3,300	-	3,300
	Capital Outlay:				
0081	Facilities Acquisition and Construction	-	-	946,818	946,818
	Intergovernmental:				
0093	Payments to Fiscal Agent/Member Districts of SSA	129,076	-	282,015	411,091
0099	Other Intergovernmental Charges	141,414	-	-	141,414
6030	Total Expenditures	14,903,622	565,512	6,076,294	21,545,428
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	687,779	138,384	(980,306)	(154,143)
	OTHER FINANCING SOURCES (USES):				
7912	Sale of Real and Personal Property	1,638	-	-	1,638
7915	Transfers In	-	386,538	1,750,542	2,137,080
8911	Transfers Out (Use)	(2,060,250)	-	(76,830)	(2,137,080)
7080	Total Other Financing Sources (Uses)	(2,058,612)	386,538	1,673,712	1,638
1200	Net Change in Fund Balances	(1,370,833)	524,922	693,406	(152,505)
0100	Fund Balance - September 1 (Beginning)	6,632,395	143,180	783,309	7,558,884
1300	Prior Period Adjustment - (See Note U)	-	2,948,000	-	2,948,000
3000	Fund Balance - August 31 (Ending)	$ 5,261,562	$ 3,616,102	$ 1,476,715	$ 10,354,379

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

ATLANTA 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 AUGUST 31, 2019

Total Net Change in Fund Balances - Governmental Funds	$	(152,505)
The District uses internal service funds to charge the costs of certain activities, such as printing, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net position by depreciation expense claimed in the internal service fund.		53,502
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2019 capital outlays and debt principal payments is to increase net position.		1,649,864
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.		(1,139,287)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		45,203
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by $353,468. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in net positiontotaling $299,062. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by $258,671. The net result is a (decrease) in the change in net position.		(204,265)
GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by $106,751. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net OPEB liability. This caused a decrease in net position totaling $100,056. Finally, the proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense decreased the change in net position by ($90,934). The net result is an increase in the change in net position.		97,629
Change in Net Position of Governmental Activities	$	350,141

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

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

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 6,434,980	$ 6,444,980	$ 6,450,220	$ 5,240
5800	State Program Revenues	8,831,740	9,434,587	9,007,831	(426,756)
5900	Federal Program Revenues	70,000	70,000	133,350	63,350
5020	Total Revenues	15,336,720	15,949,567	15,591,401	(358,166)
	EXPENDITURES:				
	Current:				
0011	Instruction	7,517,040	7,876,805	7,627,818	248,987
0012	Instructional Resources and Media Services	252,165	255,508	252,063	3,445
0013	Curriculum and Instructional Staff Development	148,708	148,094	118,024	30,070
0021	Instructional Leadership	27,058	31,279	24,600	6,679
0023	School Leadership	999,976	1,019,542	1,002,821	16,721
0031	Guidance, Counseling and Evaluation Services	416,193	422,315	354,558	67,757
0033	Health Services	204,840	209,376	202,586	6,790
0034	Student (Pupil) Transportation	739,536	776,161	697,021	79,140
0035	Food Services	23,661	31,165	26,686	4,479
0036	Extracurricular Activities	1,054,159	1,230,077	1,203,572	26,505
0041	General Administration	715,729	704,649	658,613	46,036
0051	Facilities Maintenance and Operations	1,710,830	1,875,054	1,825,684	49,370
0052	Security and Monitoring Services	82,103	85,341	85,203	138
0053	Data Processing Services	331,691	338,790	320,499	18,291
	Debt Service:				
0071	Principal on Long-Term Debt	226,128	226,128	226,128	-
0072	Interest on Long-Term Debt	7,258	7,258	7,256	2
	Intergovernmental:				
0093	Payments to Fiscal Agent/Member Districts of SSA	129,076	129,076	129,076	-
0099	Other Intergovernmental Charges	141,994	141,994	141,414	580
6030	Total Expenditures	14,728,145	15,508,612	14,903,622	604,990
1100	Excess of Revenues Over Expenditures	608,575	440,955	687,779	246,824
	OTHER FINANCING SOURCES (USES):				
7912	Sale of Real and Personal Property	1,000	1,000	1,638	638
8911	Transfers Out (Use)	(386,538)	(2,060,250)	(2,060,250)	-
7080	Total Other Financing Sources (Uses)	(385,538)	(2,059,250)	(2,058,612)	638
1200	Net Change in Fund Balances	223,037	(1,618,295)	(1,370,833)	247,462
0100	Fund Balance - September 1 (Beginning)	6,632,395	6,632,395	6,632,395	-
3000	Fund Balance - August 31 (Ending)	$ 6,855,432	$ 5,014,100	$ 5,261,562	$ 247,462

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

EXHIBIT D-1

ATLANTA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
AUGUST 31, 2019

	Governmental Activities - Internal Service Fund
ASSETS	
Noncurrent Assets:	
Capital Assets:	
Leased Property Under Capital Leases	$ 214,007
Depreciation on Capital Leases	(132,141)
Total Noncurrent Assets	81,866
Total Assets	81,866
LIABILITIES	
Current Liabilities:	
Capital Leases Payable	46,985
Due to Other Funds	3,402
Total Current Liabilities	50,387
Noncurrent Liabilities:	
Other Long-Term Debt - Due in More than One Year	27,600
Total Noncurrent Liabilities	27,600
Total Liabilities	77,987
NET POSITION	
Unrestricted Net Position	3,879
Total Net Position	$ 3,879

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

EXHIBIT D-2

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

	Governmental Activities - Internal Service Fund
OPERATING REVENUES:	
Local and Intermediate Sources	$ 131,975
Total Operating Revenues	131,975
OPERATING EXPENSES:	
Payroll Costs	46,802
Supplies and Materials	17,096
Other Operating Costs	13,601
Depreciation Expense	53,502
Debt Service	974
Total Operating Expenses	131,975
Operating Income	-
Total Net Position - September 1 (Beginning)	3,879
Total Net Position - August 31 (Ending)	$ 3,879

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

EXHIBIT D-3

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

	Governmental Activities - Internal Service Fund
Cash Flows from Operating Activities:	
Cash Received from User Charges	$ 131,975
Cash Payments to Employees for Services	(46,802)
Cash Payments for Suppliers	(38,658)
Net Cash Provided by Operating Activities	46,515
Cash Flows from Non-Capital Financing Activities:	
Increase(decrease) in Capital Leases Payable	(46,515)
Net Increase in Cash and Cash Equivalents	-
Cash and Cash Equivalents at Beginning of Year	-
Cash and Cash Equivalents at End of Year	$ -
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:	
Operating Income (Loss):	$ -
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	53,502
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (decrease) in Accounts Payable	(6,698)
Increase (decrease) in Due to Other Funds	(289)
Net Cash Provided by Operating Activities	$ 46,515

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

EXHIBIT E-1

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

	Private Purpose Trust Funds	Agency Fund
ASSETS		
Cash and Cash Equivalents	$ 13,361	$ 89,420
Total Assets	13,361	$ 89,420
LIABILITIES		
Due to Student Groups	-	$ 89,420
Total Liabilities	-	$ 89,420
NET POSITION		
Restricted for Scholarships	13,361	
Total Net Position	$ 13,361	

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

EXHIBIT E-2

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

	Private Purpose Trust Funds
ADDITIONS:	
Local and Intermediate Sources	$ 1,270
Total Additions	1,270
DEDUCTIONS:	
Other Operating Costs	2,189
Total Deductions	2,189
Change in Net Position	(919)
Total Net Position - September 1 (Beginning)	14,280
Total Net Position - August 31 (Ending)	$ 13,361

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Pensions. 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.

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

Other more significant accounting and reporting policies and practices used by the District are described below.

A. REPORTING ENTITY:

The Board of Trustees (the "Board") is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB"). There are no component units included within the reporting entity.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Atlanta Independent School District's non-fiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, state foundation funds, grants, and other intergovernmental revenues.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

the District, school lunch charges, etc. The "grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes are always general revenues.

Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due froms on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position. All interfund transactions between governmental funds and between governmental funds and internal service funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations. Operating expenses can be tied specifically to the production of the goods and services. All other revenues and expenses are non-operating.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION:

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year-end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the "susceptible-to-accrual" concept, that is, when they are both measurable and available. The District considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included in the Statement of Net Position. The fund equity is segregated into net investment in capital assets, restricted net position, and unrestricted net position.

Agency Funds utilize the accrual basis of accounting but do not have a measurement focus as they report only assets and liabilities.

D. FUND ACCOUNTING:

The District reports the following major governmental funds:

1. **The General Fund** - The general fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

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

Additionally, the District reports the following fund type(s):

Governmental Funds:

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2. **Capital Projects Fund** - The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

Proprietary Fund:

Internal Service Fund - Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis are accounted for in an internal service fund. The District's Internal Service Fund is the Print Shop.

Fiduciary Funds:

1. **Agency Funds** - The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Funds are Student Activities.

2. **Private Purpose Trust Funds** - The District accounts for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District's Private Purpose Trust Funds are the Grumbles Trust Fund, Garrison Trust Fund, and the Campus Trust Fund.

E. OTHER ACCOUNTING POLICIES:

1. For purposes of the statement of cash flows for proprietary fund-types, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

2. In the government-wide financial statements long-term debt is reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year that the bonds are issued.

   In the fund financial statements, governmental fund types recognized 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

3. Personal time off ("PTO") is to be taken within the same year it is earned, and any unused days at the end of the year are forfeited. Therefore, no liability has been accrued in the accompanying general-purpose financial statements. Employees of the District are entitled to PTO based on category/class of employment. PTO - sick leave is allowed to be accumulated but does not vest. Therefore, a liability for unused PTO - sick leave has not been recorded in the accompanying general-purpose financial statements.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

To encourage attendance and longevity with the District, employees who have state and/or local days remaining at the time of retirement will receive a Retirement Incentive benefit payment upon retirement as follows:

- At-will employees will receive $50 per unused leave day
- Contract employees will receive $100 per unused leave pay

To be eligible for this benefit, the employee must have been employed by the District for the five consecutive years leading up to retirement. At August 31, 2019, the District was contingently liable for payment to eligible employees in the amount of $107,800. Due to the contingent nature of this liability, it is not included in the financial statements at year end.

4. The District reports inventories of supplies at cost including consumable maintenance, instructional, office, and food items. Supplies are recorded as expenditures when they are consumed. Inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and unearned revenue when received.

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

6. 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.

7. Capital assets, which include land, buildings, furniture, and equipment are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Assets	Years
Buildings and Improvements	20-50
Buses	5-10
Other Vehicles	5-8
Furniture	5-8
Computer Equipment	3-5

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

9. In the governmental funds financial statements, fund balances are classified into various categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;

Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;

Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;

Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;

Unassigned fund balance - amounts that are available for any purpose; positive amounts are reported only in the General Fund.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The Board shall approve all commitments by formal action. The action to commit funds must occur prior to fiscal year-end in order to report such commitments in the balance sheet of the respective period, even though the amount may be determined subsequent to fiscal year-end. A commitment can only be modified or removed by the same formal action.

When it is appropriate for fund balance to be assigned, the board delegates the responsibility to assign funds to the Superintendent or his designee. Assignments may occur subsequent to fiscal year-end.

The Board will utilize the funds in the following order:

- Restricted
- Committed
- Assigned
- Unassigned

10. In addition to assets, the statement of financial position (the government-wide Statement of Net Position) and governmental funds balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Also, in addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and therefore, will not be recognized as an inflow of resources (revenue) until that time.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION:

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the beginning of the year were as follows:

Capital Assets at the Beginning of the Year	Historic Cost	Accumulated Depreciation	Net Value at the Beginning of the Year	Change in Net Position
Land	826,737	-	826,737	
Buildings and Improvements	29,169,673	9,761,451	19,408,222	
Furniture and Equipment	5,779,829	4,265,123	1,514,706	
Leased Equipment	214,007	78,639	135,368	
Library Books and Media	1,097,232	972,364	124,868	
Change in Net Position				22,009,901

Long-Term Liabilities at the Beginning of the Year	Payable at the Beginning of the Year	
Capital Leases	192,613	
Loan Payable	154,614	
Bonds Payable	12,105,500	
Change in Net Position		(12,452,727)
Net Adjustment to Net Position		9,557,174

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS *(Continued)*

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES:

Exhibit C-4 provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net position of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net position balance and the change in net position. The details of this adjustment are as follows:

Current Year Capital Outlay	Amount	Adjustments to Changes in Net Position	Adjustments to Net Position
Construction in Progress	614,063		
Buildings	322,255		
Furniture and Equipment	176,801		
Library Books and Media	25,618		
Total Capital Outlay	1,138,737	1,138,737	1,138,737
Debt Principal Payments			
Bond Principal	285,000		
Capital Lease Payments	71,513		
Loan Payments	154,614		
Total Principal Payments	511,127	511,127	511,127
Total Adjustment to Net Position		1,649,864	1,649,864

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS *(Continued)*

Another element of the reconciliation on Exhibit C-4 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

Adjustments to Revenue and Unearned Revenue	Amount	Adjustments to Changes in Net Position	Adjustments to Net Position
Taxes Collected from Prior Year Levies	(227,254)	(227,254)	-
Uncollected Taxes (assumed collectible) from Current Year Levy	219,079	219,079	219,079
Uncollected Taxes (assumed collectible) from Prior Year Levy	698,162	-	698,162
Prior Year Tax Collection Adjustment	67,152	67,152	-
Recognizing Assets and Liabilities Associated with Long-Term Debt			
Interest Accrual on Long-Term Debt	(39,782)	-	(39,782)
Premium on Bonds	(78,028)	-	(78,028)
Adjustments to Assets and Liabilities Associated with Long-Term Debt			
Current Year Change in Interest Accrual	(39,782)	(39,782)	-
Current Year Change in Premium on Bonds	26,008	26,008	-
Total	625,555	45,203	799,431

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA:

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund, and the National Breakfast and Lunch Program Fund (which is included in the Special Revenue Funds). The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit C-5 and the other two reports are in Exhibit H-2 and H-3.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY *(Continued)*

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

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

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

3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. There were several significant budget amendments in the General Fund. These amendments were: Function 11 - Instruction for $359,765, Function 34 - Student (Pupil) Transportation for $36,625, Function 36 - Extracurricular Activities for $175,918, and Function 51 - Facilities Maintenance and Operations for $164,224 for additional expenditures. Also, Transfers Out budget was amended for $1,673,712.

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

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

	August 31, 2019 Fund Balance
Appropriated Budget Funds - National Breakfast and Lunch Program	321,678
Non-appropriated Budget Funds	428,143
All Special Revenue Funds	749,821

IV. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS:

Legal and Contractual Provisions Governing Deposits and 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.

Policies Governing Deposits and Investments

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

1. Custodial Credit Risk For Deposits - In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's policy regarding types of deposits allowed and collateral requirements is:

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

   The District is exposed to custodial credit risk for its deposits as follows:

   At August 31, 2019, the carrying amount of the District's deposits (cash, interest-bearing checking accounts, and certificates of deposit) was $4,022,374 and the bank balances were $4,496,587. The District's cash deposits at August 31, 2019, and during the year were entirely covered by FDIC insurance or by pledged securities held by the pledging financial institution's agent in the District's name and letters of credit with Federal Home Loan Bank.

IV. DETAILED NOTES ON ALL FUNDS *(Continued)*

At August 31, 2019, the District had $250,000 of deposits, which were fully insured by the FDIC. The remaining deposit balances at the bank of $4,246,587 were collateralized with securities held by the pledging financial institution's trust department or agent in the District's name and secured by letters of credit with Federal Home Loan Bank.

2. Custodial Credit Risk For Investments - To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party, the District requires counterparties to register the securities in the name of the District and hand them over to the District or its designated agent. This includes securities in securities lending transactions. All of the securities are in the District's name and held by the District or its agent.

3. Interest Rate Risk - Interest rate risk occurs when potential purchasers of debt securities do not agree to pay face value for those securities if interest rates rise. The District's investment policy states that the investment officer shall monitor the investment portfolio and shall keep the Board informed of significant declines in the market value of the District's investment portfolio. To reduce exposure to changes in interest rates that could adversely affect the value of investments, the District shall use final and weighted-average-maturity limits and diversification. The District shall monitor interest rate risk using weighted average maturity and specific identification. The District has investments in Lone Star Investment Pool - Government Overnight Fund, which is classified as a 2a-7 like pool and is not subject to reporting interest rate risk.

4. Credit Risk Exposure - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's main goal of their investment program is to ensure its safety and maximize financial returns within current market conditions in accordance with policy. Investments shall be made in a manner that ensures the preservation of capital in the overall portfolio, and offsets during a 12-month period any market price losses resulting from interest-rate fluctuations by income received from the balance of the portfolio. The District has investments in Lone Star Investment Pool - Government Overnight Fund, which is rated AAA and U.S. Government obligations that are rated AA+.

5. Concentration Risk - The District's investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity, or specific issuer.

6. Foreign Currency Risk - This is the risk that exchange rates will adversely affect the fair value of an investment. At year-end and during the year, the District was not exposed to foreign currency risk.

IV. DETAILED NOTES ON ALL FUNDS *(Continued)*

As of August 31, 2019, the District had the following investments:

Investment Type	Interest Rate	Rating	Concentration Of Credit Risk	Investment Maturities (Callable) (In Years) Market Value	Less Than 1	1-6
Certificate of Deposit	2.03%	N/A	31%	2,036,699	2,036,699	-
Lone Star Investment Pool - Government Overnight Fund	2.16%	AAAm	13%	921,807	921,807	-
Subtotal (Included in Cash and Cash Equivalents)				2,958,506	2,958,506	-
Debt Securities - Federated Government Oblig.	1.500%	AAAm	4%	278,327	278,327	-
U.S. Treasury Note	1.750%	AAA	6%	385,683	385,683	-
Treasury Note	1.250%	AAA	5%	352,881	352,881	-
U.S. Treasury NTS	1.125%	AAA	6%	379,335	379,335	-
U.S. Treasury NTS Note	2.000%	AAA	6%	366,600	366,600	-
U.S. Treasury	2.000%	AAA	6%	364,736	-	364,736
U.S. Treasury Note	1.875%	AAA	6%	387,253	-	387,253
Treasury Note	2.500%	AAA	6%	390,484	-	390,484
Treasury Note	2.125%	AAA	6%	393,907	-	393,907
Treasury Note	2.250%	AAA	5%	359,204	-	359,204
Subtotal (Included in Debt Service Fund - Other Assets - Investments)				3,658,410	1,762,826	1,895,584
TOTALS			100%	6,616,916	4,721,332	1,895,584

The investments of the District are reported at amortized cost and fair market value based upon type of security held in accordance with Governmental Accounting Standards Board Statement (GASB) No. 31, ***Accounting and Financial Reporting for Certain Investments and for External Investment Pools***. Under GASB Statement No. 31, investments are accounted for at fair market value and all investment income, including changes in the fair market value of investments, are reported as revenue on the District's operating statement. The market values of investments are based on values provided by Southside Bank Wealth Management and Trust and Lone Star Investment Pool at August 31, 2019. GASB Statement No. 31 provides an exception to the fair value reporting for investments in an external pool if the pool operates as a "2a7-like" pool. This exception applies to Lone Star Investment Pool and allows the funds to report its investments at amortized cost rather than fair value.

The Lone Star Investment Governing Board exercises oversight responsibility over Lone Star Investment Pool Funds. Additionally, its oversight agency reviews its investment policies and management fee structure. Also, it operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Lone Star Investment Pool - Government Overnight Fund uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in Lone Star Investment Pool Funds is the same as the value of Lone Star Investment Pool Fund shares.

IV. DETAILED NOTES ON ALL FUNDS *(Continued)*

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; and 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 judgment and considers factors specific to each asset or liability.

At August 31, 2019, all of the District's investments were classified as Level 2.

B. PROPERTY TAXES:

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

C. DELINQUENT TAXES RECEIVABLE:

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

D. INTERFUND BALANCES AND TRANSFERS:

Interfund balances at August 31, 2019, consisted of the following amounts:

Due to General Fund (Major Governmental Fund) From:	
(Internal Service Fund)	3,402
Total Due to General Fund	3,402
Due to Capital Projects (Non-major Governmental Fund) From:	
General Fund (Major Governmental Fund)	756,765
Total Due to Capital Projects Fund	756,765

IV. DETAILED NOTES ON ALL FUNDS *(Continued)*

Interfund transfers for the year ended August 31, 2019, consisted of the following amounts:

Transfers to Debt Service Fund From (Major Governmental Fund):	
General Fund (Major Governmental Fund)	386,538
Total Transfers to Debt Service Fund (Major Governmental Fund)	386,538
Transfers to Capital Projects Fund (Non-major Governmental Fund):	
General Fund (Major Governmental Fund)	1,673,712
Total Transfers to Capital Projects Fund	1,673,712
Transfers to Other SSA Special Revenue Funds (Non-major Governmental Funds):	
SSA - Special Education Fund (Non-major Governmental Fund)	76,830
Total Transfers to Other SSA Special Revenue Funds	76,830

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES:

Receivables at August 31, 2019, were as follows:

	Property Taxes	Other Governments	Due From Other Funds	Other	Total Receivables
Governmental Activities:					
General Fund (Major Gov. Fund)	943,272	1,489,724	3,402	-	2,436,398
Debt Service Fund (Major Gov. Fund)	89,825	5,567	-	-	95,392
Nonmajor Gov. Funds	-	1,134,225	756,765	1,412	1,892,402
Total - Gov. Activities	1,033,097	2,629,516	760,167	1,412	4,424,192
Amounts Not Scheduled for Collection During the Subsequent Year	72,317	-	-	-	72,317

Payables at August 31, 2019, were as follows:

	Accounts	Salaries and Benefits	Due to Other Funds	Other	Total Payables
Governmental Activities:					
General Fund (Major Gov. Funds)	117,906	503,924	756,765	10,593	1,389,188
Nonmajor Gov. Funds	143,534	92,609	-	6,433	242,576
Internal Service Fund	-	-	3,402	-	3,402
Total - Gov. Activities	261,440	596,533	760,167	17,026	1,635,166

IV. DETAILED NOTES ON ALL FUNDS *(Continued)*

F. CAPITAL ASSET ACTIVITY:

Capital asset activity for the District for the year ended August 31, 2019, was as follows:

	Primary Government			
	Beginning Balance	Additions	Retirements or Reclassifications	Ending Balance
Governmental Activities:				
Construction in Progress	-	614,063	-	614,063
Land	826,737	-	-	826,737
Buildings and Improvements	29,169,673	322,255	-	29,491,928
Furniture and Equipment	5,779,829	189,241	(84,735)	5,884,335
Library Books and Media	1,097,232	25,618	-	1,122,850
Leased Equipment	214,007	-	-	214,007
Totals at Historic Cost	37,087,478	1,151,177	(84,735)	38,153,920
Less Accumulated Depreciation for:				
Buildings and Improvements	9,761,451	698,723	-	10,460,174
Furniture and Equipment	4,265,123	351,503	(72,295)	4,544,331
Library Books and Media	972,364	35,559	-	1,007,923
Leased Equipment	78,639	53,502	-	132,141
Total Accumulated Depreciation	15,077,577	1,139,287	(72,295)	16,144,569
Governmental Activities Capital Assets, Net	22,009,901	11,890	(12,440)	22,009,351

Depreciation expense was charged to governmental functions as follows:

Instruction	809,640
Instruction Resources and Media Services	37,972
Curriculum and Instructional Staff Dev.	5,168
Instructional Leadership	3,499
Student (Pupil) Transportation	102,858
Food Services	23,907
Extracurricular Activities	82,787
General Administration	32,563
Facilities Maintenance and Operations	33,041
Security and Monitoring Services	3,539
Data Processing Services	4,313
Total Depreciation Expense	1,139,287

IV. DETAILED NOTES ON ALL FUNDS *(Continued)*

G. COMMITMENTS UNDER LEASES:

Commitments under operating (noncapitalized) lease agreements for equipment provide for minimum future rental payments as of August 31, 2019, as follows:

Year Ended August 31,	Requirements
2020	22,836
2021	20,341
2022	10,642
2023	1,842
Total	55,661
Rental expenditures in 2019	35,103

Capital Leases

Governmental Funds -
During the year ending August 31, 2015, the District entered into a long-term (capital) lease related to a computer server and workstation improvements. The costs for these items totaled $365,631 with annual payments of $73,126 and 0% interest rate. This lease was fully paid during 2019.

Internal Service Fund -
The District has, in various years, entered into several long-term (capital leases) pertaining to copiers of various models. The capitalized cost for these items totaled $214,007. Required lease payments are:

Year Ended August 31,	Principal	Interest	Total Requirements
2020	46,983	531	47,514
2021	21,941	154	22,095
2022	5,661	12	5,673
Total	74,585	697	75,282

H. BONDS AND NOTE PAYABLE:

Long-term debt includes one note payable and several general obligation serial bonds. Bond premiums and discounts are amortized using the straight line interest method. At August 31, 2019, the District's debt limitation under local policies, which represents 10% of the District's total assessed property value for school tax purposes, is $52,140,228.

Tax Note and bonded indebtedness' current requirements for principal and interest expenditures are accounted for in the Debt Service Fund.

IV. DETAILED NOTES ON ALL FUNDS *(Continued)*

There are a number of limitations and restrictions contained in the various general obligation bonds indentures. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2019.

Note Payable

During the year ending August 31, 2017, the District entered into a debt agreement (note payable) with Government Capital Corporation for the purpose of purchasing laptop computers for student enrichment. The original debt incurred was $459,200 with an interest rate of 3.65% and annual payments totaling (including interest) $160,257. This loan was fully paid off in 2019.

Unlimited Tax School Building Bonds, Series 2010A (QSCB)

During the year ending August 31, 2010, the District issued AISD Unlimited Tax School Building Bonds, Series 2010 (QSCB). These bonds have a face value of $5,735,500 and has an issue close of $114,710. The effective yield per bond was calculated to be 1.047286%, with an average coupon rate of 1.05%. Final maturity of this series of bonds will be in 2025.

Required bond payments, including interest, are:

Year Ended August 31,	Principal	Interest	Total Requirements
2020	-	60,223	60,223
2021	-	60,223	60,223
2022	-	60,223	60,223
2023	-	60,223	60,223
2024	-	60,223	60,223
2025	5,735,500	60,223	5,795,723
Total	5,735,500	361,338	6,096,838

U/L Tax School Building Bond, Taxable Series 2010B

During the year ending August 31, 2011, the District issued AISD Unlimited Tax School Building Bonds, Taxable Series 2010B. These bonds have a face value of $2,595,000. The coupon yield per bond was stated as 3.315% (2011-2017 maturity), and 4.00% (2018-2021 maturity). Final maturity of this series of bonds will be in 2021.

Required bond payments, including interest, are:

Year Ended August 31,	Principal	Interest	Total Requirements
2020	295,000	24,000	319,000
2021	305,000	12,200	317,200
Total	600,000	36,200	636,200

IV. DETAILED NOTES ON ALL FUNDS *(Continued)*

U/L Tax School Building Bond, Taxable Series 2010C (Build America Bonds, Direct Subsidy)

During the year ending August 31, 2011, the District issued AISD Unlimited Tax School Building Bonds, Taxable Series 2010C. These bonds have a face value of $5,485,000. The initial yield per bond was calculated to be 4.315% (8/15/2025 maturity), 5.044% (8/15/2030 maturity) and 5.194% (8/15/2035 maturity). Final maturity of this series of bonds will be in 2035.

Required bond payments, including interest, are:

Year Ended August 31,	Principal	Interest	Total Requirements
2020	-	270,343	270,343
2021	-	270,342	270,342
2022	320,000	270,343	590,343
2023	330,000	256,535	586,535
2024	335,000	242,295	577,295
2025-2029	1,845,000	969,441	2,814,441
2030-2034	2,175,000	470,748	2,645,748
2035	480,000	24,932	504,932
Total	5,485,000	2,774,979	8,259,979

Aggregate Requirements for Bonds

Required bond payments (all bonded indebtedness), including interest, are:

Year Ended August 31,	Principal	Interest	Total Requirements
2020	295,000	354,566	649,566
2021	305,000	342,765	647,765
2022	320,000	330,566	650,566
2023	330,000	316,758	646,758
2024	335,000	302,518	637,518
2025-2029	7,580,500	1,029,664	8,610,164
2030-2034	2,175,000	470,748	2,645,748
2035	480,000	24,932	504,932
Total	11,820,500	3,172,517	14,993,017

IV. DETAILED NOTES ON ALL FUNDS *(Continued)*

I. 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 the year ended August 31, 2019, the District met its statutory workers' compensation obligation by contracting with Texas Political Subdivisions to provide full coverage for their workers' compensation insurance.

Since the District was partially self-insured during prior periods, anticipated claims made on incidents occurring during the period that they were self-insured were considered immaterial to the financial statements at August 31, 2019.

The District continues to carry commercial insurance for all other risks of loss, including commercial building and property, vehicle collision and comprehensive, and District personnel and school board errors and omissions insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three school years.

J. DEFINED BENEFIT PENSION PLAN:

Plan Description. Atlanta 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' 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 TRS 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. The 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.

IV. DETAILED NOTES ON ALL FUNDS *(Continued)*

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 salaried 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 to at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs, can be granted by the Texas Legislature, as noted in the Plan description above.

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

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

Contribution Rates

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

Atlanta ISD 2019 Employer Contributions	353,468
Atlanta ISD 2019 Member Contributions	813,858
Atlanta ISD 2018 NECE On-Behalf Contributions	557,960

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

IV. DETAILED NOTES ON ALL FUNDS *(Continued)*

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by the federal funding sources, 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 rolled forward to August 31, 2018, actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	6.907%
Long-term Expected Investment Rate of Return	7.25%
Inflation	2.30%
Salary Increases Including Inflation	3.05% to 9.05%
Payroll Growth Rate	3.00%
Benefit Changes During the Year	None
Ad hoc Post-Employment Benefit Changes	None

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

IV. DETAILED NOTES ON ALL FUNDS *(Continued)*

Discount Rate. The single discount rate used to measure the total pension liability was 6.907%. The single discount rate was based on the expected rate of return on the pension plan investments of 7.25 percent and a municipal bond rate of 3.69 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2018 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns*
Global Equity			
U.S.	18%	5.7%	1.0%
Non-U.S. Developed	13%	6.9%	0.9%
Emerging Markets	9%	8.9%	0.8%
Directional Hedge Funds	4%	3.5%	0.1%
Private Equity	13%	10.2%	1.3%
Stable Value			
U.S. Treasuries	11%	1.1%	0.1%
Absolute Return	0%	0.0%	0.0%
Hedge Funds (Stable Value)	4%	3.1%	0.1%
Cash	1%	-0.3%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	0.7%	0.0%
Real Assets	14%	5.2%	0.7%
Energy and Natural Resources	5%	7.5%	0.4%
Commodities	0%	0.0%	0.0%
Risk Parity			
Risk Parity	5%	3.7%	0.2%
Inflation Expectations	0%	0.0%	2.3%
Alpha	0%	0.0%	-0.8%
Total	100%		7.2%

IV. DETAILED NOTES ON ALL FUNDS *(Continued)*

** 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 (6.907%) in measuring the 2018 Net Pension Liability.

	1% Decrease in Discount Rate (5.907%)	Discount Rate (6.907%)	1% Increase in Discount Rate (7.907%)
AISD's Proportionate Share of the Net Pension Liability	7,393,169	4,898,605	2,879,107

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2019, Atlanta Independent School District reported a liability of $4,898,605 for its proportionate share of the TRS' net pension liability. This liability reflects a reduction for State pension support provided to Atlanta Independent School District. The amount recognized by Atlanta 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 Atlanta Independent School District were as follows:

District's Proportionate Share of the Collective Net Pension Liability	4,898,605
State's proportionate Share Associated with the District	9,122,270
Total	14,020,875

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

At August 31, 2018, the employer's proportion of the collective net pension liability was 0.0088996888% which was a decrease of 0.0011456932% from its proportion measured as of August 31, 2017.

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

The Total Pension Liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.

Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.

IV. DETAILED NOTES ON ALL FUNDS *(Continued)*

Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.

The discount rate changed from 8.0 percent as of August 31, 2017 to 6.907 percent as of August 31, 2018.

The long-term assumed rate of return changed from 8.0 percent to 7.25 percent.

The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the Net Pension Liability.

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

For the year ended August 31, 2019, Atlanta Independent School District recognized pension expense of $1,460,595 and revenue of $902,862 for support provided by the State.

At August 31, 2019, Atlanta Independent School District reported its proportionate share of the TRS' 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 actuarial economic experiences	30,534	120,192
Changes in actuarial assumptions	1,766,183	55,193
Difference between projected and actual investment earnings	-	92,948
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	369,363	683,197
Total as of August 31, 2018 measurement date	2,166,080	951,530
Contributions paid to TRS subsequent to the measurement date	353,468	-
Total	**2,519,548**	**951,530**

The net amounts of the employer's balances of deferred outflows and inflows of resources to pensions will be recognized in pension expense as follows:

Year Ended August 31:	Pension Expense Amount
2020	385,565
2021	189,964
2022	134,507
2023	170,472
2024	179,876
Thereafter	154,166

IV. DETAILED NOTES ON ALL FUNDS *(Continued)*

K. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN:

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

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

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

Net OPEB Liability	Total
Total OPEB Liability	50,729,490,103
Less: plan fiduciary net position	798,574,633
Net OPEB liability	49,930,915,470
Net position as a percentage of total OPEB liability	1.57%

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 a retiree with and without Medicare coverage.

IV. DETAILED NOTES ON ALL FUNDS *(Continued)*

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

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

* or Surviving Spouse

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .75% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

Contribution Rates

	2018	2019
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding Remitted by Employers	1.25%	1.25%

District's 2019 FY Employer Contributions	106,751
District's 2019 FY Member Contributions	68,697
2018 Measurement Year NECE On-Behalf Contributions	116,540

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, employers are required to pay to TRS-Care, a monthly surcharge of $535 per retiree.

IV. DETAILED NOTES ON ALL FUNDS *(Continued)*

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of $182.6 million in fiscal year 2018. The 85th Texas Legislature, House Bill 30 provided an additional $212 million in one-time, supplemental funding for the FY2018-19 biennium to continue to support the program. This was also received in FY2018 bringing the total appropriations received in fiscal year 2018 to $394.6 million.

Actuarial Assumptions. The total OPEB liability in the August 31, 2017, actuarial valuation was rolled forward to August 31, 2018.

The actuarial valuation 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 rates of retirement, economic assumptions, including general inflation, salary increases, and general payroll growth, used in the OPEB valuation were identical to those used in the respective TRS pension valuation. Since the assumptions were based upon a recent actuarial experience study performed and they were reasonable for this OPEB valuation, they were employed in the 2018 CAFR for the Teacher Retirement System of Texas.

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2017, TRS pension actuarial valuation that was rolled forward to August 31, 2018:

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017, rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate*	3.69%*
Aging Factors	Based on Plan Specific Experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Payroll Growth Rate	3.00%
Projected Salary Increases	3.05% - 9.05%, including inflation
Healthcare Trend Rates**	8.50%**
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65.
Ad-hoc Post Employment Benefit Changes	None

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

***8.50% for 2019, decreasing 0.5% per year to 4.50% for 2027 and later years.*

IV. DETAILED NOTES ON ALL FUNDS *(Continued)*

Discount Rate. A single discount rate of 3.69% was used to measure the total OPEB liability. There was an increase of .27% in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net OPEB Liability:

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

	1% Decrease in Discount Rate (2.69%)	Discount Rate (3.69%)	1% Increase in Discount Rate (4.69%)
District's proportionate share of the Net OPEB Liability:	8,548,688	7,181,698	6,100,321

Healthcare Cost Trend Rates Sensitivity Analysis. The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one-percentage point 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:	5,964,517	7,181,698	8,784,752

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2019, Atlanta Independent School District reported a liability of $7,181,698 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 Atlanta Independent School District were as follows:

District's Proportionate share of the collective net OPEB liability	7,181,698
State's proportionate share that is associated with the District	8,447,078
Total	15,628,776

IV. DETAILED NOTES ON ALL FUNDS *(Continued)*

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

At August 31, 2018 the employer's proportion of the collective Net OPEB Liability was 0.0143832693% which was a decrease of 0.0022820151% from its proportion measured as of August 31, 2017.

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

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

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

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

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

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

For the year ended August 31, 2019, Atlanta Independent School District recognized OPEB expense of $316,376 and revenue of $307,254 for support provided by the State.

At August 31, 2019, Atlanta Independent School 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 actuarial experience	381,106	113,338
Changes in actuarial assumptions	119,843	2,157,688
Net Difference between projected and actual investment earnings	1,256	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	28	1,251,854
Total as of August 31, 2018 measurement date	502,233	3,522,880
Contributions paid to TRS subsequent to the measurement date	106,751	-
Total as of August 31, 2019	608,984	3,522,880

IV. DETAILED NOTES ON ALL FUNDS *(Continued)*

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

Year ended August 31:	OPEB Expense Amount
2020	(438,379)
2021	(438,379)
2022	(438,379)
2023	(438,616)
2024	(438,752)
Thereafter	(828,142)

L. MEDICARE PART D SUBSIDIES:

The Medicare Prescription Drug, Improvement, and Modernization Act 0f 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 Part D allows for the Texas Public School Retired Employee Group Insurance (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the current fiscal year ended August 31, 2019, the subsidy payment received by TRS-Care on behalf of the District was $40,725.

M. HEALTH CARE COVERAGE:

The District participates in TRS-Active Care sponsored by the Teacher Retirement System of Texas and administered through Aetna and Caremark (pharmacy). TRS-Active Care provides health care coverage to employees (and their dependents) of participating public education entities. Optional life and long-term care insurance are also provided to active members and retirees. Authority for the plan can be found in the Texas Insurance Code, Title 8, Subtitle H, Chapter 1579 and in the Texas Administrative Code, Title 34, Part 3, Chapter 41. The plan began operations on September 1, 2002. This is a premium-based plan. Payments are made on a monthly basis for all covered employees. The District contributes $225 per month per employee to the Plan and employees, at their option, authorized payroll withholdings to pay contributions of premiums for dependents.

Total annual premiums for health care for 2018/2019	511,473
Less dental insurance	-
Less short-term disability	-
2019/2020 Maintenance of Effort	511,473

IV. DETAILED NOTES ON ALL FUNDS *(Continued)*

N. CHANGES IN LONG-TERM LIABILITIES:

Long-term activity for the year ended August 31, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Capital Leases, Loans, and Bonds Payable:					
Capital Leases	192,613	-	(118,028)	74,585	46,983
Notes Payable	154,614	-	(154,614)	-	-
General Obligation Bonds	*12,105,500	-	(285,000)	11,820,500	295,000
Premium on Bonds	104,036	-	(26,008)	78,028	-
Other Liabilities:					
Net Pension Liability	3,211,972	1,986,441	(299,808)	4,898,605	-
Net OPEB Liability	7,247,107	33,815	(99,224)	7,181,698	-
Total Governmental Activities Long-Term Liabilities	23,015,842	2,020,256	(982,682)	24,053,416	341,983

*See Note U - Prior Period Adjustment.

O. 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 August 31, 2019, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

Fund	State Entitlements	Federal Grants	Total
General	1,489,724	-	1,489,724
Debt Service	5,567	-	5,567
Special Revenue	288,843	845,382	1,134,225
TOTAL	1,784,134	845,382	2,629,516

IV. DETAILED NOTES ON ALL FUNDS *(Continued)*

P. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES:

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

	General Fund	Special Revenue Funds	Debt Service Fund	Internal Service Fund	Private Purpose Trust Funds	Total
Property Taxes	6,035,883	-	499,627	-	-	6,535,510
Penalties, Interest and Other Tax-Related Income	134,769	-	10,428	-	-	145,197
Investment Income	128,739	15,734	180,757	-	-	325,230
Food Sales	-	156,567	-	-	-	156,567
Co-Curricular Student Activities	-	40,430	-	-	-	40,430
Athletic Activities	52,544	-	-	-	-	52,544
Other	89,085	39,458	-	131,975	1,270	261,788
Rent	9,200	-	-	-	-	9,200
SSA - Member Local Revenue	-	278,655	-	-	-	278,655
TOTAL	6,450,220	530,844	690,812	131,975	1,270	7,805,121

Q. LITIGATION:

At August 31, 2019, Atlanta Independent School District did not have any significant litigation pending.

R. OTHER SIGNIFICANT COMMITMENTS AND CONTINGENCIES:

Grant Programs

The District participates in numerous State and Federal grant programs, which are governed by the various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, return of any money received could be required and the collectibles of any related receivable could be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants.

IV. DETAILED NOTES ON ALL FUNDS *(Continued)*

S. JOINT VENTURE - SHARED SERVICE ARRANGEMENTS:

The District is the fiscal agent for a Shared Services Arrangement ("SSA") which provides special education services to member districts. In addition to Atlanta ISD, which contributed 46% of the total member contributions, other member districts include Bloomburg ISD, Hughes Springs ISD, McLeod ISD, and Avinger ISD. All services are provided by the fiscal agent. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in the following Special Revenue Funds:

Fund 313 - IDEA - Part B, Formula
Fund 314 - IDEA - Part B, Preschool
Fund 437 - Shared Service Arrangement – Special Education
Fund 459 - Medicaid (SHARS)

These are accounted for using Model 3 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized below:

Atlanta ISD	812,965
Avinger ISD	47,113
Bloomburg ISD	82,448
Hughes Springs ISD	575,410
McLeod ISD	141,339
TOTAL	1,659,275

T. SUBSEQUENT EVENTS:

The District has evaluated subsequent events through January 13, 2019, the date which the financial statements were available for issue.

U. PRIOR PERIOD ADJUSTMENT - DEBT SERVICE FUND:

In last year's audit report for the year ended August 31, 2018, in the Debt Service Fund, Other Assets-Investments were reported net of related debt service reserved for bond payments for Unlimited Tax School Building Bonds, Series 2010A that mature in 2025 as $143,653, with a fund balance of $143,180. The total of the investments were actually $3,091,653 with $2,948,000 in fund balance that is restricted for future principal payments. The Other Assets-Investments should have been reported at $3,091,653 and the $2,948,000 should have been reported as Restricted Fund Balance for Retirement of Long-Term Debt. Therefore, the fund balance in the Debt Service Fund should have been $3,091,180 at August 31, 2018, an increase of $2,948,000, as reflected in Exhibit C-3.

REQUIRED SUPPLEMENTARY INFORMATION

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

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016
District's Proportion of the Net Pension Liability (Asset)	0.008899689%	0.010045382%	0.011395755%
District's Proportionate Share of Net Pension Liability (Asset)	$ 4,898,605	$ 3,211,972	$ 4,306,287
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	9,122,270	5,551,432	6,586,049
Total	$ 14,020,875	$ 8,763,404	$ 10,892,336
District's Covered Payroll	$ 10,518,631	$ 10,539,825	$ 10,776,545
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	46.57%	30.47%	39.96%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.74%	82.17%	78.00%

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

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

	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
	0.0118693%	0.0085798%
$	4,195,640	$ 2,291,783
	6,612,459	5,736,491
$	10,808,099	$ 8,028,274
$	10,770,821	$ 10,872,980
	38.95%	21.08%
	78.43%	83.25%

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

	2019	2018	2017
Contractually Required Contribution	$ 353,468	$ 300,884	$ 329,148
Contribution in Relation to the Contractually Required Contribution	(353,468)	(300,884)	(329,148)
Contribution Deficiency (Excess)	$ -	$ -	$ -
District's Covered Payroll	$ 10,569,584	$ 10,518,631	$ 10,529,825
Contributions as a Percentage of Covered Payroll	3.34%	2.86%	3.13%

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

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

2016	2015
$ 362,071	$ 351,454
(362,071)	(351,454)
$ -	$ -
$ 10,776,545	$ 10,770,821
3.36%	3.26%

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

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.014383269%	0.016665284%
District's Proportionate Share of Net OPEB Liability (Asset)	$ 7,181,698	$ 7,247,107
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	8,447,078	7,740,066
Total	$ 15,628,776	$ 14,987,173
District's Covered Payroll	$ 10,518,631	$ 10,539,825
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	68.28%	68.76%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.57%	0.91%

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

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

EXHIBIT F-4

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

	2019	2018
Contractually Required Contribution	$ 106,751	$ 84,229
Contribution in Relation to the Contractually Required Contribution	(106,751)	(84,229)
Contribution Deficiency (Excess)	$ -0-	$ -0-
District's Covered Payroll	$ 10,569,584	$ 10,518,631
Contributions as a Percentage of Covered Payroll	1.01%	0.80%

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

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

COMBINING SCHEDULES

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

Data Control Codes		211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 Title II Part A- Support Effec
	ASSETS				
1110	Cash and Cash Equivalents	$ (145,940)	$ 285,829	$ (1,699)	$ (20,415)
1240	Due from Other Governments	162,503	54,044	1,699	20,415
1260	Due from Other Funds	-	-	-	-
1290	Other Receivables	-	220	-	-
1300	Inventories	-	37,547	-	-
1000	Total Assets	$ 16,563	$ 377,640	$ -	$ -
	LIABILITIES				
2110	Accounts Payable	$ -	$ 55,962	$ -	$ -
2160	Accrued Wages Payable	14,957	-	-	-
2200	Accrued Expenditures	1,606	-	-	-
2000	Total Liabilities	16,563	55,962	-	-
	FUND BALANCES				
	Nonspendable Fund Balance:				
3410	Inventories	-	37,547	-	-
	Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	284,131	-	-
	Committed Fund Balance:				
3510	Construction	-	-	-	-
3545	Other Committed Fund Balance	-	-	-	-
3000	Total Fund Balances	-	321,678	-	-
4000	Total Liabilities and Fund Balances	$ 16,563	$ 377,640	$ -	$ -

270 Ttl V,B, Sp 2 Rural & Low Income	289 Title IV, Part A, Subpart I	313 SSA IDEA, Part B Formula	314 SSA IDEA, Part B Preschool	315 SSA- Evaluation Program Fund	352 SSA - 21st Century Learning	410 State Textbook Fund	429 Miz Cycle 2 Year Fund
$ (1,371)	$ (3,678)	$ (124,617)	$ (22,337)	$ -	$ (367,158)	$ (224,190)	$ (64,653)
1,371	3,974	198,657	26,294	-	376,425	224,190	64,653
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
$ -	$ 296	$ 74,040	$ 3,957	$ -	$ 9,267	$ -	$ -
$ -	$ -	$ 31,978	$ 1,472	$ -	$ 9,267	$ -	$ -
-	267	38,262	2,242	-	-	-	-
-	29	3,800	243	-	-	-	-
-	296	74,040	3,957	-	9,267	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
$ -	$ 296	$ 74,040	$ 3,957	$ -	$ 9,267	$ -	$ -

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

Data Control Codes		437 SSA Special Education	459 Other SSA Special Revenue Funds	461 Campus Activity Funds	499 Foundation Grants Fund
	ASSETS				
1110	Cash and Cash Equivalents	$ 369,306	$ 45,120	$ 61,338	$ 3,807
1240	Due from Other Governments	-	-	-	-
1260	Due from Other Funds	-	-	-	-
1290	Other Receivables	-	-	-	1,192
1300	Inventories	-	-	-	-
1000	Total Assets	$ 369,306	$ 45,120	$ 61,338	$ 4,999
	LIABILITIES				
2110	Accounts Payable	$ 431	$ 9,332	$ 222	$ 4,999
2160	Accrued Wages Payable	1,809	35,072	-	-
2200	Accrued Expenditures	39	716	-	-
2000	Total Liabilities	2,279	45,120	222	4,999
	FUND BALANCES				
	Nonspendable Fund Balance:				
3410	Inventories	-	-	-	-
	Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	367,027	-	-	-
	Committed Fund Balance:				
3510	Construction	-	-	-	-
3545	Other Committed Fund Balance	-	-	61,116	-
3000	Total Fund Balances	367,027	-	61,116	-
4000	Total Liabilities and Fund Balances	$ 369,306	$ 45,120	$ 61,338	$ 4,999

Total Nonmajor Special Revenue Funds	699 Capital Projects Fund	Total Nonmajor Governmental Funds
$ (210,658)	$ -	$ (210,658)
1,134,225	-	1,134,225
-	756,765	756,765
1,412	-	1,412
37,547	-	37,547
$ 962,526	$ 756,765	$ 1,719,291
$ 113,663	$ 29,871	$ 143,534
92,609	-	92,609
6,433	-	6,433
212,705	29,871	242,576
37,547	-	37,547
651,158	-	651,158
-	726,894	726,894
61,116	-	61,116
749,821	726,894	1,476,715
$ 962,526	$ 756,765	$ 1,719,291

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

Data Control Codes		211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 Title II Part A- Support Effec
	REVENUES:				
5700	Total Local and Intermediate Sources	$ -	$ 161,776	$ -	$ -
5800	State Program Revenues	-	4,628	-	-
5900	Federal Program Revenues	510,061	967,174	25,410	68,087
5020	Total Revenues	510,061	1,133,578	25,410	68,087
	EXPENDITURES:				
	Current:				
0011	Instruction	510,061	-	25,410	68,087
0021	Instructional Leadership	-	-	-	-
0023	School Leadership	-	-	-	-
0031	Guidance, Counseling and Evaluation Services	-	-	-	-
0034	Student (Pupil) Transportation	-	-	-	-
0035	Food Services	-	1,060,790	-	-
0036	Extracurricular Activities	-	-	-	-
0041	General Administration	-	-	-	-
0051	Facilities Maintenance and Operations	-	-	-	-
0052	Security and Monitoring Services	-	-	-	-
0061	Community Services	-	-	-	-
	Capital Outlay:				
0081	Facilities Acquisition and Construction	-	-	-	-
	Intergovernmental:				
0093	Payments to Fiscal Agent/Member Districts of SSA	-	-	-	-
6030	Total Expenditures	510,061	1,060,790	25,410	68,087
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	72,788	-	-
	OTHER FINANCING SOURCES (USES):				
7915	Transfers In	-	-	-	-
8911	Transfers Out (Use)	-	-	-	-
7080	Total Other Financing Sources (Uses)	-	-	-	-
1200	Net Change in Fund Balance	-	72,788	-	-
0100	Fund Balance - September 1 (Beginning)	-	248,890	-	-
3000	Fund Balance - August 31 (Ending)	$ -	$ 321,678	$ -	$ -

270 Ttl V,B, Sp 2 Rural & Low Income	289 Title IV, Part A, Subpart I	313 SSA IDEA, Part B Formula	314 SSA IDEA, Part B Preschool	315 SSA- Evaluation Program Fund	352 SSA - 21st Century Comm. Learning	410 State Textbook Fund	429 Miz Cycle 2 Year Fund
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	253,585	117,351
31,869	38,120	828,580	49,716	36,000	1,260,953	-	-
31,869	38,120	828,580	49,716	36,000	1,260,953	253,585	117,351
31,869	7,140	396,021	49,716	25,625	432,745	253,585	45,343
-	-	30,691	-	-	-	-	71,738
-	-	-	-	-	276,007	-	-
-	-	374,739	-	10,375	-	-	-
-	-	-	-	-	116,533	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	131,542	-	270
-	-	-	-	-	-	-	-
-	30,980	-	-	-	-	-	-
-	-	-	-	-	49,240	-	-
-	-	-	-	-	-	-	-
-	-	27,129	-	-	254,886	-	-
31,869	38,120	828,580	49,716	36,000	1,260,953	253,585	117,351
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

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

Data Control Codes		437 SSA Special Education	459 Other SSA Special Revenue Funds	461 Campus Activity Funds	499 Foundation Grants Fund
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 293,267	$ -	$ 40,429	$ 35,372
5800	State Program Revenues	-	-	-	-
5900	Federal Program Revenues	-	373,610	-	-
5020	Total Revenues	293,267	373,610	40,429	35,372
	EXPENDITURES:				
	Current:				
0011	Instruction	68,537	427,187	-	32,734
0021	Instructional Leadership	220,371	28,963	-	-
0023	School Leadership	-	-	-	-
0031	Guidance, Counseling and Evaluation Services	6,517	25,300	-	-
0034	Student (Pupil) Transportation	-	-	-	-
0035	Food Services	-	-	-	-
0036	Extracurricular Activities	-	-	31,615	-
0041	General Administration	3,192	-	-	3,626
0051	Facilities Maintenance and Operations	912	-	-	-
0052	Security and Monitoring Services	-	-	-	-
0061	Community Services	-	-	-	-
	Capital Outlay:				
0081	Facilities Acquisition and Construction	-	-	-	-
	Intergovernmental:				
0093	Payments to Fiscal Agent/Member Districts of SSA	-	-	-	-
6030	Total Expenditures	299,529	481,450	31,615	36,360
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,262)	(107,840)	8,814	(988)
	OTHER FINANCING SOURCES (USES):				
7915	Transfers In	-	76,830	-	-
8911	Transfers Out (Use)	(76,830)	-	-	-
7080	Total Other Financing Sources (Uses)	(76,830)	76,830	-	-
1200	Net Change in Fund Balance	(83,092)	(31,010)	8,814	(988)
0100	Fund Balance - September 1 (Beginning)	450,119	31,010	52,302	988
3000	Fund Balance - August 31 (Ending)	$ 367,027	$ -	$ 61,116	$ -

Total Nonmajor Special Revenue Funds	699 Capital Projects Fund	Total Nonmajor Governmental Funds
$ 530,844	$ -	$ 530,844
375,564	-	375,564
4,189,580	-	4,189,580
5,095,988	-	5,095,988
2,374,060	-	2,374,060
351,763	-	351,763
276,007	-	276,007
416,931	-	416,931
116,533	-	116,533
1,060,790	-	1,060,790
31,615	-	31,615
138,630	-	138,630
912	-	912
30,980	-	30,980
49,240	-	49,240
-	946,818	946,818
282,015	-	282,015
5,129,476	946,818	6,076,294
(33,488)	(946,818)	(980,306)
76,830	1,673,712	1,750,542
(76,830)	-	(76,830)
-	1,673,712	1,673,712
(33,488)	726,894	693,406
783,309	-	783,309
$ 749,821	$ 726,894	$ 1,476,715

EXHIBIT G-3

ATLANTA INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2019

	BALANCE SEPTEMBER 1 2018	ADDITIONS	DEDUCTIONS	BALANCE AUGUST 31 2019
STUDENT ACTIVITY FUNDS				
Assets:				
Cash and Temporary Investments	$ 94,687	$ 46,495	$ 51,762	$ 89,420
Liabilities:				
Due to Student Groups	$ 94,687	$ 46,495	$ 51,762	$ 89,420
TOTAL AGENCY FUNDS				
Assets:				
Cash and Temporary Investments	$ 94,687	$ 46,495	$ 51,762	$ 89,420
Liabilities:				
Due to Student Groups	$ 94,687	$ 46,495	$ 51,762	$ 89,420

EXHIBIT G-4

ATLANTA INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF NET POSITION
PRIVATE PURPOSE TRUST FUNDS
AUGUST 31, 2019

	Grumbles Trust Fund	Garrison Trust Fund	Campus Trust Fund	Total Private Purpose Trust Funds
ASSETS				
Cash and Cash Equivalents	$ 3,040	$ 8,164	$ 2,157	$ 13,361
Total Assets	3,040	8,164	2,157	13,361
NET POSITION				
Restricted for Scholarships	3,040	8,164	2,157	13,361
Total Net Position	$ 3,040	$ 8,164	$ 2,157	$ 13,361

EXHIBIT G-5

ATLANTA INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PRIVATE PURPOSE TRUST FUNDS
FOR THE YEAR ENDED AUGUST 31, 2019

	Grumbles Trust Fund	Garrison Trust Fund	Campus Trust Fund	Total Private Purpose Trust Funds
ADDITIONS:				
Local and Intermediate Sources	$ -	$ 500	$ 770	$ 1,270
Total Additions	-	500	770	1,270
DEDUCTIONS:				
Other Operating Costs	500	500	1,189	2,189
Total Deductions	500	500	1,189	2,189
Change in Net Position	(500)	-	(419)	(919)
Total Net Position - September 1 (Beginning)	3,540	8,164	2,576	14,280
Total Net Position - August 31 (Ending)	$ 3,040	$ 8,164	$ 2,157	$ 13,361

REQUIRED TEA SCHEDULES

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

Last 10 Years Ended August 31		(1) Tax Rates Maintenance	(2) Tax Rates Debt Service	(3) Assessed/Appraised Value for School Tax Purposes
2010	and prior years	Various	Various	$ Various
2011		1.040000	0.151806	534,421,553
2012		1.040000	0.147440	524,313,228
2013		1.040000	0.160000	544,188,258
2014		1.040000	0.169000	524,334,622
2015		1.040000	0.163940	543,766,550
2016		1.170000	0.100000	514,152,761
2017		1.170000	0.100000	514,123,013
2018		1.170000	0.100000	517,147,953
2019	(School year under audit)	1.170000	0.100000	521,402,283
1000	TOTALS			

(10) Beginning Balance 9/1/2018	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2019
$ 194,642	$ -	$ 8,279	$ 309	$ (7,119)	$ 178,935
33,302	-	2,280	333	(420)	30,269
37,576	-	2,238	317	(712)	34,309
48,575	-	4,122	634	(1,730)	42,089
57,548	-	5,772	938	(2,298)	48,540
76,229	-	13,563	2,138	3,325	63,853
97,987	-	20,273	1,895	4,852	80,671
140,956	-	29,574	2,763	977	109,596
302,310	-	120,559	11,267	(8,034)	162,450
-	6,621,809	5,797,593	541,831	-	282,385
$ 989,125	$ 6,621,809	$ 6,004,253	$ 562,425	$ (11,159)	$ 1,033,097

EXHIBIT H-2

ATLANTA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - NATIONAL BREAKFAST AND LUNCH PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 160,500	$ 160,500	$ 161,776	$ 1,276
5800	State Program Revenues	4,800	4,800	4,628	(172)
5900	Federal Program Revenues	863,800	903,764	967,174	63,410
5020	Total Revenues	1,029,100	1,069,064	1,133,578	64,514
	EXPENDITURES:				
	Current:				
0035	Food Services	1,029,100	1,069,064	1,060,790	8,274
6030	Total Expenditures	1,029,100	1,069,064	1,060,790	8,274
1200	Net Change in Fund Balances	-	-	72,788	72,788
0100	Fund Balance - September 1 (Beginning)	248,890	248,890	248,890	-
3000	Fund Balance - August 31 (Ending)	$ 248,890	$ 248,890	$ 321,678	$ 72,788

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

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 531,206	$ 531,206	$ 690,812	$ 159,606
5800	State Program Revenues	32,458	32,458	13,084	(19,374)
5020	Total Revenues	563,664	563,664	703,896	140,232
	EXPENDITURES:				
	Debt Service:				
0071	Principal on Long-Term Debt	671,000	671,000	285,000	386,000
0072	Interest on Long-Term Debt	277,212	316,152	277,212	38,940
0073	Bond Issuance Cost and Fees	1,990	3,300	3,300	-
6030	Total Expenditures	950,202	990,452	565,512	424,940
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(386,538)	(426,788)	138,384	565,172
	OTHER FINANCING SOURCES (USES):				
7915	Transfers In	386,538	386,538	386,538	-
1200	Net Change in Fund Balances	-	(40,250)	524,922	565,172
0100	Fund Balance - September 1 (Beginning)	143,180	143,180	143,180	-
1300	Prior Period Adjustment - (See Note U)	2,948,000	2,948,000	2,948,000	-
3000	Fund Balance - August 31 (Ending)	$ 3,091,180	$ 3,050,930	$ 3,616,102	$ 565,172

FEDERAL AWARD SECTION

KNUCKOLS · DUVALL · HALLUM & CO. *A Professional Corporation*
CERTIFIED PUBLIC ACCOUNTANTS

204 S. WELLINGTON STREET
POST OFFICE BOX 1315
MARSHALL, TEXAS 75670
(903) 938-0331 • FAX (903) 938-0334

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
Atlanta Independent School District
106 W. Main St.
Atlanta, Texas 75551

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Atlanta Independent School District, as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise Atlanta Independent School District's basic financial statements, and have issued our report thereon dated January 13, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Atlanta Independent School 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 Atlanta Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Atlanta Independent School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 Atlanta Independent School 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 an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

KNUCKOLS, DUVALL, HALLUM & CO.

Knuckols, Duvall, Hallum & Co.

Certified Public Accountants

Marshall, Texas

January 13, 2020

KNUCKOLS · DUVALL · HALLUM & CO. *A Professional Corporation*
CERTIFIED PUBLIC ACCOUNTANTS

204 S. WELLINGTON STREET
POST OFFICE BOX 1315
MARSHALL, TEXAS 75670
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
Atlanta Independent School District
106 W. Main St.
Atlanta, Texas 75551

Report on Compliance for Each Major Federal Program

We have audited Atlanta Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Atlanta Independent School District's major federal programs for the year ended August 31, 2019. Atlanta Independent School District's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

Report On Internal Control Over Compliance

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

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

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

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

Respectfully submitted,

KNUCKOLS, DUVALL, HALLUM & CO.

Knuckols, Duvall, Hallum & Co.

Certified Public Accountants

Marshall, Texas

January 13, 2020

ATLANTA INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2019

I. Summary of the Auditors' Results:

a) The type of report issued on the financial statements of the Atlanta Independent School District was an unmodified opinion.

b) No deficiencies in internal control over financial reporting that we considered to be a material weakness relating to the audit of financial statements were reported in the 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*.

c) No instance of noncompliance or other matters which is material to the financial statements of Atlanta Independent School District were disclosed during the audit.

d) No deficiencies in internal control over compliance that we considered to be a material weakness relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required By the Uniform Guidance.

e) The type of report Atlanta Independent School District received on compliance for major programs was an unmodified opinion on all major federal programs.

f) The audit did not disclose any audit findings which the auditor is required to report in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200.

g) The major programs for Atlanta Independent School District as listed in the Schedule of Expenditures of Federal Awards, Exhibit I-1, were:

1) Child Nutrition Cluster, that consisted of School Breakfast Program, CFDA No. 10.553, National School Lunch Program - Cash Assistance, CFDA No. 10.555, National School Lunch Program - Non-Cash Assistance, CFDA No. 10.555, and Summer Feeding Program - Cash Assistance, CFDA No. 10.559.

2) SSA - 21st Century Community Learning Centers, CFDA No. 84.287.

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

i) Atlanta Independent School District qualified as a low-risk auditee for the 2019 fiscal year.

II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with *Generally Accepted Government Auditing Standards.*

NONE

III. Findings and Questioned Costs for Federal Awards Including Audit Findings as Described in I.f Above.

NONE

ATLANTA INDEPENDENT SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2019

N/A

ATLANTA INDEPENDENT SCHOOL DISTRICT

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2019

N/A

EXHIBIT I-1

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

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed Through State Department of Education			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	19610101034901	$ 516,654
ESEA, Title I, Part A - Improving Basic Programs	84.010A	20610101034901	16,564
Total CFDA Number 84.010A			533,218
*SSA - IDEA - Part B, Formula	84.027	186600010349016600	27,093
*SSA - IDEA - Part B, Formula	84.027	196600010349016600	791,404
*SSA - IDEA - Part B, Formula	84.027	206600010349016600	42,061
Total CFDA Number 84.027			860,558
*Evaluation Capacity Program Grant	84.027A	034901	36,000
*SSA - IDEA - Part B, Preschool	84.173	186610010349016610	26,797
*SSA - IDEA - Part B, Preschool	84.173	196610010349016610	20,433
*SSA - IDEA - Part B, Preschool	84.173	206610010349016610	2,486
Total CFDA Number 84.173			49,716
Total Special Education Cluster (IDEA)			946,274
Career and Technical - Basic Grant	84.048	19420006034901	26,523
SSA - 21st Century Community Learning Centers	84.287	196950267110003	1,243,402
SSA - 21st Century Community Learning Centers	84.287	206950267110003	54,678
Total CFDA Number 84.287			1,298,080
Title V, Sp 2, Rural & Low-Income School	84.358B	19696001034901	31,869
Title II, Part A-Supporting Effective Instruction	84.367A	19694501034901	68,954
Title IV, Part A, Subpart I	84.424A	19680101034901	37,823
Title IV, Part A, Subpart I	84.424A	20680101034901	297
Total CFDA Number 84.424A			38,120
Total Passed Through State Department of Education			2,943,038
TOTAL U.S. DEPARTMENT OF EDUCATION			2,943,038
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through TX Health and Human Services Comm.			
Med Assistance Programs - SHARS	93.778	034901	373,610
Total Passed Through TX Health and Human Services Comm.			373,610
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			373,610
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through the State Department of Agriculture			
*School Breakfast Program	10.553	7141901	229,499
*National School Lunch Program - Cash Assistance	10.555	71301901	551,429
*National School Lunch Prog. - Non-Cash Assistance	10.555	71401901	64,857
Total CFDA Number 10.555			616,286
*Summer Feeding Program - Cash Assistance	10.559	71401901	28,784
Total Child Nutrition Cluster			874,569
Child & Adult Care Food Program - Cash Assistance	10.558	00165	131,711
Total Passed Through the State Department of Agriculture			1,006,280
TOTAL U.S. DEPARTMENT OF AGRICULTURE			1,006,280
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 4,322,928

*Clustered Programs

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

ATLANTA INDEPENDENT SCHOOL DISTRICT

NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2019

1. For all Federal programs, the District uses the fund types specified in Texas Education Agency's ***Financial Accountability System Resource Guide***. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.

2. Expenditures reported on the Schedule of Expenditures of Federal Awards are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

   The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

3. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

4. Nonmonetary assistance is reported in the schedule at fair market value of commodities received and disbursed.

SCHOOLS FIRST QUESTIONNAIRE

Atlanta Independent School District — Fiscal Year 2019

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	--
SF11	Net Pension Assets (1920) at fiscal year-end.	--
SF12	Net Pension Liabilities (2540) at fiscal year-end.	4,898,605
SF13	Pension Expense (6147) at fiscal year-end.	

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

August 17, 2020

Atlanta Independent School District
Unlimited Tax School Refunding Bonds, Series 2020

(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Atlanta Independent School District (the "District") in connection with the issuance of $4,835,000 aggregate principal amount of bonds designated as "Atlanta Independent School District Unlimited Tax School Refunding Bonds, Series 2020" (the "Bonds"). The Bonds are authorized by an order adopted by the Board of Trustees of the District (the "Board") on June 23, 2020 (the "Order"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Order.

In such connection, we have reviewed the Order, 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 Bonds 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 Order 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 Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Order 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. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

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

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

2. The Board has power and is obligated to levy an annual ad valorem tax, without legal limit as to rate or amount, upon taxable property located within the District, which taxes have been pledged irrevocably to pay the principal of and interest on the Bonds.

3. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. 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 Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP