

OFFICIAL STATEMENT

Dated August 15, 2019

NEW ISSUE – Book-Entry-Only

Enhanced/Unenhanced Ratings: Moody's: "Aaa"/"Aa2"

S&P: "AAA"/"AA"

PSF Guaranteed

(See "OTHER INFORMATION - Ratings" and

"THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein)

In the opinion of Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and the Bonds are not "private activity bonds". See "TAX MATTERS" for a discussion of the opinion of Bond Counsel.

\$176,000,000

CORPUS CHRISTI INDEPENDENT SCHOOL DISTRICT

(A political subdivision of the State of Texas located in Nueces and San Patricio Counties, Texas)

UNLIMITED TAX SCHOOL BUILDING AND REFUNDING BONDS, SERIES 2019

Dated: August 1, 2019

Due: August 15, as shown on page 2

Interest Accrues from Date of Initial Delivery (defined below)

AUTHORITY FOR ISSUANCE . . . The Bonds are issued by the Corpus Christi Independent School District (the "Issuer" or the "District") pursuant to the Constitution and the laws of the State of Texas, including Section 45.001 and Section 45.003(b)(1), Texas Education Code, as amended ("Chapter 45"), Chapter 1207, Texas Government Code, as amended ("Chapter 1207"), Chapter 1371, Texas Government Code, as amended ("Chapter 1371"), an election held on November 6, 2018 (the "Election") and an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Trustees (the "Board") of the District on May 20, 2019. As permitted by Chapter 1207 and Chapter 1371, the Board, in the Bond Order, authorized certain designated officers of the District (each a "Pricing Officer") to execute a pricing certificate (the "Pricing Certificate") establishing the terms of sale of the Bonds and finalizing certain characteristics thereof related to final pricing of the Bonds and refunding of the Refunded Bonds (defined below) (the Bond Order and the Pricing Certificate are collectively referred to herein as the "Order"). The Pricing Certificate was executed by a Pricing Officer on August 15, 2019.

PAYMENT TERMS . . . Interest on the \$176,000,000 Corpus Christi Independent School District Unlimited Tax School Building and Refunding Bonds, Series 2019 (the "Bonds") will accrue from their delivery date (the "Date of Initial Delivery") to the underwriters identified below (collectively, the "Underwriters"), will be due on February 15, 2020, and each August 15 and February 15 thereafter until stated maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be issued only in fully registered form in any integral multiple of \$5,000 in principal amount for any one maturity. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the owners thereof. Debt service 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 "BOOK-ENTRY-ONLY SYSTEM" herein). The initial Paying Agent/Registrar is UMB Bank, N.A., Houston, Texas (see "THE BONDS - Paying Agent/Registrar").

PURPOSE . . . Proceeds from the sale of the Bonds will be used for the purposes of (i) acquiring, constructing, renovating, and equipping school buildings in the District and the purchase of the necessary sites for school buildings; (ii) providing funds to refund certain outstanding debt of the District as disclosed in Schedule I hereto (the "Refunded Bonds") to achieve debt service savings; and, (iii) paying the costs of issuing the Bonds. (See "PLAN OF FINANCING," and "SOURCES AND USES OF PROCEEDS," herein).

CONCURRENT ISSUE . . . On August 15, 2019, the District remarketed its \$59,755,000 Variable Rate Unlimited Tax School Building Bonds, Series 2017A (the "Series 2017A Bonds") into a fixed interest rate period (the "Remarketing"). As a result of the Remarketing and the redemption of \$685,000 of the Series 2017A Bonds, the outstanding principal amount of the Series 2017A Bonds was reduced to \$59,070,000 (see "INTRODUCTION – Contemporaneous Remarketing" herein).

CUSIP PREFIX: 220147

SEE FOLLOWING PAGE FOR STATED MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL YIELDS, REDEMPTION PROVISIONS, AND CUSIP NUMBERS FOR THE BONDS

AS SHOWN ON PAGE 2

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the Underwriters and subject to the approving opinion of the Attorney General of Texas and the opinion of Bracewell LLP, Bond Counsel, San Antonio, Texas, (see "APPENDIX C - Form of Bond Counsel's Opinion"). Certain matters will be passed upon for the Underwriters by their Co-Counsel, Winstead PC, San Antonio, Texas and Mahomes Bolden PC, Dallas, Texas.

DATE OF INITIAL DELIVERY . . . It is expected that the Bonds will be available for delivery through the facilities of DTC on or about August 29, 2019.

FTN FINANCIAL CAPITAL MARKETS

HUTCHINSON SHOCKEY ERLEY & Co.

UBS

CITIGROUP

\$176,000,000
CORPUS CHRISTI INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Nueces and San Patricio Counties, Texas)
UNLIMITED TAX SCHOOL BUILDING AND REFUNDING BONDS, SERIES 2019

CUSIP Prefix ⁽¹⁾: 220147

MATURITY SCHEDULE

\$138,005,000 SERIAL BONDS

<u>Maturity August 15</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Yield</u>	<u>CUSIP Suffix⁽¹⁾</u>
2020	\$6,715,000	5.000%	0.960%	5N8
2021	1,495,000	5.000%	0.980%	5P3
2022	1,665,000	5.000%	1.000%	5Q1
2023	1,755,000	5.000%	1.010%	5R9
2024	1,365,000	5.000%	1.020%	5S7
2025	1,135,000	5.000%	1.060%	5T5
2026	6,845,000	4.000%	1.170%	5U2
2026	4,440,000	5.000%	1.170%	6M9
2027	4,950,000	4.000%	1.250%	5V0
2027	7,035,000	5.000%	1.250%	6N7
2028	2,200,000	4.000%	1.330%	5W8
2028	10,550,000	5.000%	1.330%	6P2
2029	13,620,000	5.000%	1.400% ⁽²⁾	5X6
2030	14,535,000	5.000%	1.460% ⁽²⁾	5Y4
2031	17,065,000	4.000%	1.630% ⁽²⁾	5Z1
2032	18,085,000	4.000%	1.730% ⁽²⁾	6A5
2033	2,725,000	4.000%	1.830% ⁽²⁾	6B3
2034	2,835,000	3.000%	2.130% ⁽²⁾	6C1
2035	2,920,000	3.000%	2.190% ⁽²⁾	6D9
2036	3,010,000	3.000%	2.250% ⁽²⁾	6E7
2037	3,100,000	3.000%	2.290% ⁽²⁾	6F4
2038	3,190,000	4.000%	2.060% ⁽²⁾	6G2
2039	3,320,000	4.000%	2.100% ⁽²⁾	6H0
2040	3,450,000	4.000%	2.140% ⁽²⁾	6J6

\$37,995,000 TERM BONDS

\$15,250,000 4.000% Term Bond due August 15, 2044 and priced to yield 2.220%⁽²⁾ – CUSIP Suffix 6K3⁽¹⁾

\$22,745,000 4.000% Term Bond due August 15, 2049 and priced to yield 2.290%⁽²⁾ – CUSIP Suffix 6L1⁽¹⁾

(Interest accrues from the Date of Initial Delivery)

REDEMPTION . . . The Bonds having stated maturities on and after August 15, 2029, are subject to redemption, 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, 2028 or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE BONDS – Optional Redemption”). The Bonds maturing on August 15 in each of the years in 2044 and 2049 (the “Term Bonds”) are also subject to mandatory sinking fund redemption prior to stated maturity. (See “THE BONDS – Mandatory Sinking Fund Redemption” herein.)

⁽¹⁾CUSIP data is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. None of the District, the Financial Advisor, or the Underwriters take any responsibility for the accuracy of CUSIP numbers.

⁽²⁾Yield calculated based on the assumption that the Bonds denoted and sold at a premium will be redeemed on August 15, 2028, the first optional call date for the Bonds, at a redemption price of par plus accrued interest to the redemption date.

DISTRICT OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

<u>Name</u>	<u>Years Served</u>	<u>Term Expires</u>	<u>Occupation</u>
Ms. Catherine G. Susser President	4	November 2022	Community Volunteer
Ms. Jane D. Bell Vice President	6	November 2020	Civic Leader and Community Leader
Ms. Alice Upshaw Hawkins Secretary	2	November 2020	Del Mar College Professor
Dr. Tony C. Diaz Assistant Secretary	4	November 2022	Retired Educator
Mr. Stuart Marty Bell Trustee	2	November 2020	Retired Educator
Mr. John Longoria Trustee	12	November 2022	AEP Texas Executive
Mr. S. Jaime Arredondo Trustee	*	November 2020	Retired Educator

**Elected November 2018.*

SELECTED ADMINISTRATIVE STAFF

<u>Name</u>	<u>Position</u>	<u>Years of Service with the District</u>	<u>Years of Service in Present Position</u>
Dr. Roland Hernandez	Superintendent	9	5
Ms. Karen Griffith	Deputy Superintendent	*	*
Ms. Donna Hohn	Comptroller	22	17

**Employed as of July 22, 2019.*

CONSULTANTS AND ADVISORS

Bond Counsel Bracewell LLP
San Antonio, Texas

Auditors Collier, Johnson & Woods, P.C.
Corpus Christi, Texas

Financial Advisor Specialized Public Finance Inc.
San Antonio, Texas

For additional information regarding the District, please contact:

Ms. Donna Hohn Comptroller Corpus Christi Independent School District <u>Mailing:</u> P.O. Box 110 Corpus Christi, Texas 78403 Phone: (361) 695-7331 Facsimile: (361) 886-9888 donna.hohn@ccisd.us	or	Mr. Victor Quiroga, Jr. Managing Director Specialized Public Finance Inc. 13300 Old Blanco Road, Suite 310 San Antonio, Texas 78216 Phone: (210) 239-0204 Fax: (210) 239-0126 victor@spfmuni.com
--	----	--

USE OF INFORMATION IN THE OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized by the District or the Underwriters to give any information, or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the District or the Underwriters. This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer buy Bonds 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.

Certain information set forth herein has been obtained from the District and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Financial Advisor or the Underwriters. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM - PSF Continuing Disclosure Undertaking" and "CONTINUING DISCLOSURE INFORMATION" for a description of the undertakings of the Texas Education Agency (the "TEA") and the District, respectively, to provide certain information on a continuing basis.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE "SEC") 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 THE BONDS HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

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

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

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES 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.

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

The cover page contains certain information for general reference only and is not intended as a summary of this offering. Investors should read the entire Official Statement, including the schedule and all appendices attached hereto, to obtain information essential to making an informed investment decision.

TABLE OF CONTENTS

COVER PAGE	1	CURRENT PUBLIC SCHOOL FINANCE SYSTEM ..	31
DISTRICT OFFICIALS, STAFF AND CONSULTANTS	3	THE SCHOOL FINANCE SYSTEM AS APPLIED	
USE OF INFORMATION IN THE OFFICIAL STATEMENT	4	TO THE DISTRICT.....	34
OFFICIAL STATEMENT SUMMARY	5	TAX RATE LIMITATIONS	35
INTRODUCTION.....	7	AD VALOREM TAX PROCEDURES.....	37
PLAN OF FINANCING	7	INVESTMENTS	41
THE BONDS	9	EFFECTS OF SEQUESTRATION ON	
BOOK-ENTRY-ONLY SYSTEM	12	CERTAIN OBLIGATIONS.....	43
SOURCES AND USES OF PROCEEDS	13	TAX MATTERS	44
THE PERMANENT SCHOOL FUND GUARANTEE		CONTINUING DISCLOSURE INFORMATION.....	46
PROGRAM	14	LEGAL MATTERS	48
STATE AND LOCAL FUNDING OF SCHOOL		OTHER INFORMATION	49
DISTRICTS IN TEXAS	30		
TABLE OF REFUNDED BONDS		SCHEDULE I	
FINANCIAL INFORMATION OF THE DISTRICT.....		APPENDIX A	
GENERAL INFORMATION REGARDING THE DISTRICT		APPENDIX B	
FORM OF BOND COUNSEL'S OPINION		APPENDIX C	
EXCERPTS FROM THE DISTRICT'S ANNUAL FINANCIAL REPORT.....		APPENDIX D	

The cover page hereof, this page, the schedule and 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 Corpus Christi Independent School District (the “District”) is a political subdivision of the State of Texas primarily located in Nueces County with some portion of its territory located in San Patricio County, and includes a major portion of the City of Corpus Christi, Texas, the county seat of Nueces County, a trade center and shipping point located on the Gulf Coast. The District’s 2019 population is approximately 233,376 (see “INTRODUCTION - Description of District” herein).

The District was created under State law and is governed by an elected seven-member Board of Trustees (the “Board”) of which each member serves a staggered three-year term. (See “APPENDIX B - General Information Regarding the Corpus Christi Independent School District, the City of Corpus Christi, Texas and Nueces and San Patricio Counties, Texas” herein.)

THE BONDS

The \$176,000,000 Corpus Christi Independent School District Unlimited Tax School Building and Refunding Bonds, Series 2019 (the “Bonds”) will be dated August 1, 2019 (“Dated Date”). The Bonds will be issued as serial bonds maturing August 15 in the years 2020 through 2040, and in part as term bonds maturing on August 15, 2044 and August 15, 2049 in the principal amounts shown on page 2 thereof (see “THE BONDS - Description of the Bonds” herein).

PAYMENT OF INTEREST

Interest on the Bonds will accrue from their delivery date (the “Date of Initial Delivery”) and will be due on February 15, 2020, and each August 15 and February 15 thereafter until stated maturity or prior redemption. The Bonds will be issued only in fully registered form in any integral multiple of \$5,000 in principal amount for any one maturity (see “THE BONDS - Description of the Bonds” and “THE BONDS - Redemption” herein).

AUTHORITY FOR ISSUANCE

The Bonds are being issued by the Corpus Christi Independent School District (the “Issuer” or the “District”) pursuant to the Constitution and the laws of the State of Texas, including Section 45.001 and Section 45.003(b)(1), Texas Education Code, as amended (“Chapter 45”), Texas Chapter 1207, Government Code, as amended (“Chapter 1207”), Chapter 1371, Texas Government Code, as amended (“Chapter 1371”), an election held on November 6, 2018, (the “Election”), and an order authorizing the issuance of the Bonds (the “Bond Order”) adopted by the Board of Trustees (the “Board”) of the District on May 20, 2019. As permitted by Chapter 1207 and Chapter 1371, the Board, in the Bond Order, will authorize certain designated officers of the District (each, a “Pricing Officer”) to execute a pricing certificate (the “Pricing Certificate”) establishing the terms of sale of the Bonds and finalizing certain characteristics thereof related to final pricing and refunding the Refunded Bonds (defined below). (See “THE BONDS - Authority for Issuance” herein.) (The Bond Order and the Pricing Certificate are collectively referred to herein as the “Order”). The Pricing Certificate was executed by a Pricing Officer on August 15, 2019. On August 15, 2019, the District remarketed its \$59,755,000 Variable Rate Unlimited Tax School Building Bonds, Series 2017A (the “Series 2017A Bonds”) into a fixed interest rate period (the “Remarketing”). As a result of the Remarketing and the redemption of \$685,000 of the Series 2017A Bonds, the outstanding principal amount of the Series 2017A Bonds was reduced to \$59,070,000 (see “INTRODUCTION – Contemporaneous Remarketing” herein). The Remarketing was accomplished pursuant to a separate offering document.

PAYING AGENT/REGISTRAR

The initial Paying Agent/Registrar is UMB Bank, N.A., Houston, Texas.

SECURITY FOR THE BONDS

The Bonds constitute direct obligations of the District, payable from a continuing direct annual ad valorem tax levied by the District, without legal limit as to rate or amount, on all taxable property within the District, as provided in the Order. Additionally, the payment of the Bonds is expected to be guaranteed by the corpus of the Permanent School Fund of Texas (see “THE BONDS - Security and Source of Payment” and “THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” herein).

PERMANENT SCHOOL FUND GUARANTEE	The District has received conditional approval from the Texas Education Agency for the Bonds to be guaranteed under the State of Texas Permanent School Fund Guarantee Program, which guarantee will automatically become effective when the Attorney General of Texas approves the Bonds (see “THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” herein).
REDEMPTION PROVISIONS	The District reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, 2029, in whole or from time to time in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. (See “THE BONDS – Optional Redemption” herein). The Bonds maturing on August 15 in each of the years in 2044 and 2049 (the “Term Bonds”) are also subject to mandatory sinking fund redemption prior to stated maturity. (See “THE BONDS – Mandatory Sinking Fund Redemption” herein.)
TAX EXEMPTION	In the opinion of Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and the Bonds are not “private activity bonds”. See “TAX MATTERS” herein for a discussion of the opinion of Bond Counsel.
USE OF PROCEEDS	Proceeds from the sale of the Bonds will be used for the purposes of (i) acquiring, constructing, renovating, and equipping school buildings in the District and the purchase of the necessary sites for school buildings; (ii) providing funds to refund certain outstanding debt of the District as disclosed in Schedule I hereto (the “Refunded Bonds”) to achieve debt service savings; and, (iii) paying the costs of issuing the Bonds. (See “PLAN OF FINANCING” and “SOURCES AND USES OF PROCEEDS,” herein).
RATING	Moody’s Investors Service, Inc. (“Moody’s”) and S&P Global Ratings, a Standard & Poor’s Financial Services LLC business (“S&P”), have rated the Bonds “Aaa” and “AAA”, respectively, based on payment being guaranteed by the State of Texas Permanent School Fund Guarantee Program. (See “THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” herein). The unenhanced, underlying ratings of the District’s tax-supported indebtedness, are affirmed as “Aa2” and “AA” (stable outlook) by Moody’s and S&P, respectively. (See “OTHER INFORMATION – Ratings” herein.)
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. Beneficial ownership of the Bonds may be acquired in principal denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar, UMB Bank, N.A., Houston, Texas, 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 “BOOK-ENTRY-ONLY SYSTEM” herein).
PAYMENT RECORD	The District has never defaulted in payment of its tax-supported debt.
FUTURE BOND ISSUES	Other than the issuance of the Bonds and the remarketing of the Series 2017A Bonds, the District does not anticipate the issuance of additional ad valorem tax supported debt in 2019. (See “INTRODUCTION – Contemporaneous Remarketing” herein.)
DELIVERY	When issued, anticipated on or about August 29, 2019.
LEGALITY	Delivery of the Bonds is subject to the approval by the Attorney General of the State of Texas and the legal opinion of Bracewell LLP, San Antonio, Texas, Bond Counsel.

**OFFICIAL STATEMENT
RELATING TO**

**\$176,000,000
CORPUS CHRISTI INDEPENDENT SCHOOL DISTRICT
UNLIMITED TAX SCHOOL BUILDING AND REFUNDING BONDS, SERIES 2019**

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by the Corpus Christi Independent School District (the “District” or “Issuer”) of its \$176,000,000 Unlimited Tax School Building and Refunding Bonds, Series 2019 (the “Bonds”) identified on the inside cover page hereof. The District is a body corporate and a political subdivision of the State of Texas (the “State”) duly organized and existing under the laws of the State. The Bonds are issued pursuant to the Constitution and general laws of the State of Texas, including Section 45.001 and Section 45.003(b)(1), Texas Education Code, as amended (“Chapter 45”), Chapter 1207, Texas Government Code, as amended (“Chapter 1207”), Chapter 1371, Texas Government Code, as amended (“Chapter 1371”), an election held on November 6, 2018 (the “Election”), and an order authorizing the issuance of the Bonds (the “Bond Order”) adopted by the Board of Trustees (the “Board”) of the District on May 20, 2019. As permitted by Chapter 1207 and Chapter 1371, the Board, in the Bond Order, authorized certain designated officers of the District (each, a “Pricing Officer”) to execute a pricing certificate (the “Pricing Certificate”) establishing the terms of sale of the Bonds and finalizing certain characteristics thereof related to final pricing of the Bonds and refunding of the Refunded Bonds (as defined below) (the Bond Order and Pricing Certificate are collectively referred to as the “Order”). The Pricing Certificate was executed by a Pricing Officer on August 15, 2019.

There follows in this Official Statement, descriptions of the Bonds and certain information regarding 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 from the District's Financial Advisor, Specialized Public Finance Inc., San Antonio, Texas.

DESCRIPTION OF THE DISTRICT . . . The District is a political subdivision located in Nueces and San Patricio Counties, Texas. The District is governed by a seven-member Board, the members of which serve staggered three-year terms with elections being held in November 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 who is the chief administrative officer of the District. Support services are supplied by consultants and advisors. The District covers approximately 167.61 square miles in Nueces County with a small amount of its territory in San Patricio County, and includes a major portion of the City of Corpus Christi, Texas. For additional information regarding the District, see “APPENDIX B – General Information Regarding the District”.

CONTEMPORANEOUS REMARKETING . . . On August 15, 2019, the District remarketed its \$59,755,000 Variable Rate Unlimited Tax School Building Bonds, Series 2017A (the “Series 2017A Bonds”) into a fixed interest rate period (the “Remarketing”). As a result of the Remarketing and the redemption of \$685,000 of the Series 2017A Bonds, the outstanding principal amount of the Series 2017A Bonds was reduced to \$59,070,000. The Remarketing was accomplished pursuant to a separate offering document.

PLAN OF FINANCING

PURPOSE OF BONDS . . . The Bonds are being issued for the purposes of acquiring, constructing, renovating, and equipping school buildings in the District and the purchase of the necessary sites for school buildings, refunding a portion of the District’s currently outstanding debt as shown on Schedule I hereto (the “Refunded Bonds”) to achieve debt service savings, and paying the costs of issuance of the Bonds. The Refunded Bonds represent the District's outstanding Unlimited Tax School Building Bonds, Taxable Series 2010B. See Schedule I for a detailed listing of the Refunded Bonds and the redemption date at par.

REFUNDED BONDS . . . The Refunded Bonds, and interest due thereon, are to be paid on the scheduled redemption date therefor from funds to be deposited with UMB Bank, N.A., Houston, Texas (the “Escrow Agent”) pursuant to an Escrow Agreement (the “Escrow Agreement”) between the District and the Escrow Agent. The Order provides that from the proceeds of the sale of the Bonds to the Underwriters, the District will deposit with the Escrow Agent an amount which, when added to the investment earnings thereon, will be sufficient to accomplish the discharge and final payment of the Refunded Bonds on their redemption date. Such funds will be held by the Escrow Agent in an escrow account (the “Escrow Fund”) and used to purchase direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by the United States (the “Federal Securities”). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Bonds, and such funds will not be available to pay the Bonds. Public Finance Partners LLC, (the “Verification Agent”) will verify at the time of delivery of the Bonds to the Underwriters that the Federal Securities deposited under the Escrow Agreement will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Escrow Fund established under the Escrow Agreement, will be sufficient to pay, when due, the principal of and interest on the Refunded Bonds addressed by such Escrow Agreement on their scheduled redemption date. Such maturing principal of and

interest on the Federal Securities will not be available to pay the debt service on the Bonds. See “OTHER INFORMATION – Verification of Mathematical Computations.” Simultaneously with the issuance of the Bonds, the District will give irrevocable instructions to the paying agent for the Refunded Bonds to provide notice to the owners of the Refunded Bonds that the Refunded Bonds will be redeemed prior to stated maturity on which date money will be made available to redeem the Refunded Bonds from funds held under the Escrow Agreement.

By the deposit of the cash and investments described above with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of the Refunded Bonds pursuant to the terms of the order authorizing the issuance of the Refunded Bonds, and the District will have no further responsibility with respect to amounts available in the Escrow Fund for the payment of the Refunded Bonds. It is the opinion of Bond Counsel that, as a result of such deposit and in reliance upon the Sufficiency Certificate, firm banking and financial arrangements for the discharge and final payment of the Refunded Bonds will have been made and, therefore, the Refunded Bonds will be deemed to be fully paid and no longer outstanding except for the purpose of receiving payments from the funds provided therefor in the Escrow Agreement.

Upon defeasance of the Refunded Bonds, the Permanent School Fund guarantee with respect thereto will terminate.

(Remainder of this page intentionally left blank.)

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds are dated August 1, 2019 and mature on August 15 in each of the years and in the amounts shown on page 2 hereof. Interest on the Bonds will accrue from their delivery date (the “Date of Initial Delivery”) and will be payable on February 15, 2020 and each August 15 and February 15 thereafter until stated maturity or prior redemption. Interest on the Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the Beneficial Owners (hereafter defined) thereof.** Principal of, premium, if any, 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 “BOOK-ENTRY-ONLY SYSTEM.”

AUTHORITY FOR ISSUANCE . . . The Bonds are being issued pursuant to the Constitution and general laws of the State, including, Chapter 45, Chapter 1207, Chapter 1371, the Election and the Order.

SECURITY AND SOURCE OF PAYMENT . . . The Bonds are payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, sufficient to provide for the payment of principal of and interest on the Bonds. The District has received conditional approval from the Texas Education Agency for the Bonds to be guaranteed by the Permanent School Fund Guarantee Program of the State of Texas, which guarantee will automatically become effective when the Attorney General of Texas approves the Bonds (see “THE BONDS – Permanent School Fund Guarantee” and “THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM”).

PERMANENT SCHOOL FUND GUARANTEE . . . In connection with the sale of the Bonds, the District has received conditional approval from the Commissioner of Education for guarantee of the Bonds under the Permanent School Fund Guarantee Program (Chapter 45, Subchapter C of the Texas Education Code). Subject to satisfying certain conditions discussed under the heading “THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” the payment of the Bonds will be absolutely and unconditionally guaranteed by the corpus of the Permanent School Fund of the State of Texas. In the event of default by the District in the scheduled payments of the Bonds, registered owners will receive all payments due from the corpus of the Permanent School Fund.

OPTIONAL REDEMPTION . . . The District reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, 2029, in whole or from time to time in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

If less than all of the Bonds are to be redeemed, the District may select the maturities of Bonds to be redeemed. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (defined below) (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed. If a Bond (or any portion of the principal amount thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

MANDATORY SINKING FUND REDEMPTION . . . The Bonds maturing on August 15 in each of the years in 2044 and 2049 (the “Term Bonds”) are also subject to mandatory sinking fund redemption prior to stated maturity in part, by lot or other customary method, at a price equal to the principal amount thereof plus accrued interest to the date of redemption, in the respective years and principal amounts shown below:

\$15,250,000 Term Bond Maturing on August 15, 2044

<u>Mandatory Redemption Dates</u>	<u>Principal Amounts</u>
August 15, 2041	\$3,590,000
August 15, 2042	3,735,000
August 15, 2043	3,885,000
August 15, 2044 (Stated Maturity)	4,040,000

\$22,745,000 Term Bond Maturing on August 15, 2049

<u>Mandatory Redemption Dates</u>	<u>Principal Amounts</u>
August 15, 2045	\$4,200,000
August 15, 2046	4,365,000
August 15, 2047	4,540,000
August 15, 2048	4,725,000
August 15, 2049 (Stated Maturity)	4,915,000

Prior to each mandatory redemption date that a Term Bond is to be mandatorily redeemed, the Paying Agent/Registrar shall select by lot or by other customary method that results in a random selection the numbers of the Term Bonds within the applicable stated maturity to be redeemed on the next following August 15 from money set aside for that purpose in the Bond Fund maintained for the payment of the Bonds. Any Term Bond not selected for prior redemption shall be paid on the date of its stated maturity.

The principal amount of the Term Bonds required to be redeemed pursuant to the operation of such mandatory redemption provisions may be reduced, at the option of the District, by the principal amount of the Term Bonds which, at least forty-five (45) days prior to the mandatory redemption date (i) shall have been acquired by the District and delivered to the Paying Agent/Registrar for cancellation, or (ii) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

DEFEASANCE OF OUTSTANDING BONDS . . . The Order provides that the Bonds may be defeased, refunded or discharged in any manner permitted by law. Defeasance will cancel the Permanent School Fund Guarantee with respect those defeased Bonds.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is UMB Bank, N.A., Houston, Texas. In the Order, the District retains the right to replace the Paying Agent/Registrar. The District covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of 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.

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 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 designated 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 or maturity amount as the Bonds surrendered for exchange or transfer. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

LIMITATION ON TRANSFER OF BONDS . . . Neither the District nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond during the period commencing at the close of business on the Record Date and ending at the opening of business on the next interest payment date.

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 preceding month.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("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 Owner of a Bond 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.

PAYMENT RECORD. . .The District has never defaulted in the payment of its tax-supported debt.

AMENDMENTS . . . The District may amend the Order without the consent of or notice to any registered owners as may be permitted by the provisions in the Order, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the District may, with the written consent of the holders of a majority in aggregate principal amount, as the case may be, of the Bonds then outstanding and affected thereby, amend, add to or rescind any of the provisions of the Order; except that, without the consent of the registered owners of all of the Bonds affected, no such amendment, addition or rescission may (i) extend the time or times of payment of the principal of and interest on the Bonds, (ii) reduce the principal amount thereof, the redemption price, or the rate of interest or yield to maturity thereon or in any other way modify the terms of payment of the principal of or interest on the Bonds, (iii) give any preference to any Bond over any other Bond, or (iv) reduce the aggregate principal amount of Bonds required for consent to any such amendment, change, modification, or rescission.

Reference is made to the Order for further provisions relating to the amendment of the Order.

BONDHOLDERS' REMEDIES . . . The Order does not establish specific events of default with respect to the Bonds. If the District (i) defaults in the payment of the principal, premium, if any, or interest on the Bonds, and the State fails to honor the Permanent School Fund Guarantee, (ii) defaults in the deposits and credits required to be made to the Interest and Sinking Fund, or (iii) defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in the Order (and only in connection with (iii), such default continues for 60 days after the District receives written notice from a registered owner of such default), the Order provides that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the District to make such payment or observe and perform such covenants, obligations, or conditions, as well as enforce rights of payment under the Permanent School Fund Guarantee. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Bonds or the Order and the District's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year.

The Order does not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the District to perform in accordance with the terms of the Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners.

The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006), that a waiver of governmental immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Chapter 1371, which pertains to the issuance of public securities by issuers such as the District, permits the District to waive sovereign immunity in the proceedings authorizing the issuance of the Bonds. Notwithstanding its reliance upon the provisions of Chapter 1371 in connection with the issuance of the Bonds, the District has not waived the defense of sovereign immunity with respect thereto. Because it is unclear whether the Texas legislature has effectively waived the District's governmental immunity from a suit for money damages, Bondholders may not be able to bring such a suit against the District for breach of the Bonds or covenants in the Order. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds.

In *Tooke*, the Court noted the enactment in 2005 of Sections 271.151 - 160, Texas Local Government Code (the "Local Government Immunity Waiver Act"), which, according to the Court, waives "immunity from suit for contract claims against most local governmental entities in certain circumstances." The Local Government Immunity Waiver Act covers school districts and relates to contracts entered into by school districts for providing goods or services to school districts. The District is not aware of any Texas court construing the Local Government Immunity Waiver Act in the context of whether contractual undertakings by local governments that relate to their borrowing powers are contracts covered by the Local Government Immunity Waiver Act.

As noted above, the Order provides that Bondholders may exercise the remedy of mandamus to enforce the obligations of the District under the Order. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether *Tooke* will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract).

Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein for a description of the procedures to be followed for payment of the Bonds by the Permanent School Fund in the event the District fails to make a payment on the Bonds when due. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

BOOK-ENTRY-ONLY SYSTEM

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

The District and the Underwriters cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or 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 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 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 securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of each such maturity, and will be deposited with DTC.

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

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

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

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

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on payable dates 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 in 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 or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment 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, Bond certificates 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 system has been obtained from sources that the District and the Underwriters believe to be reliable, but the District and the Underwriters take no responsibility for the accuracy thereof.

EFFECT OF TERMINATION OF BOOK-ENTRY-ONLY SYSTEM . . . In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the District, printed Bonds will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Order and summarized under “THE BONDS – Transfer, Exchange and Registration”.

SOURCES AND USES OF PROCEEDS

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

SOURCES OF FUNDS:	
Par Amount	\$176,000,000.00
Reoffering Premium	<u>33,842,235.10</u>
Total Sources of Funds	\$209,842,235.10
SOURCES OF FUNDS:	
Construction Fund Deposit	\$105,385,000.00
Escrow Fund Deposit	102,645,722.26
Interest & Sinking Fund Deposit	2,639.94
Underwriters’ Discount	931,291.65
Cost of Issuance	<u>877,581.25</u>
Total Uses of Funds	\$209,842,235.10

(Remainder of this page intentionally left blank.)

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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

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

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

HISTORY AND PURPOSE . . . The PSF was created with a \$2,000,000 appropriation by the Texas Legislature (the “Legislature”) in 1854 expressly for the benefit of the public schools of Texas. The Constitution of 1876 stipulated that certain lands and all proceeds from the sale of these lands should also constitute the PSF. Additional acts later gave more public domain land and rights to the PSF. In 1953, the U.S. Congress passed the Submerged Lands Act that relinquished to coastal states all rights of the U.S. navigable waters within state boundaries. If the state, by law, had set a larger boundary prior to or at the time of admission to the Union, or if the boundary had been approved by Congress, then the larger boundary applied. After three years of litigation (1957-1960), the U. S. Supreme Court on May 31, 1960, affirmed Texas’ historic three marine leagues (10.35 miles) seaward boundary. Texas proved its submerged lands property rights to three leagues into the Gulf of Mexico by citing historic laws and treaties dating back to 1836. All lands lying within that limit belong to the PSF. The proceeds from the sale and the mineral-related rental of these lands, including bonuses, delay rentals and royalty payments, become the corpus of the Fund. Prior to the approval by the voters of the State of an amendment to the constitutional provision under which the Fund is established and administered, which occurred on September 13, 2003 (the “Total Return Constitutional Amendment”), and which is further described below, the PSF had as its main sources of revenues capital gains from securities transactions and royalties from the sale of oil and natural gas. The Total Return Constitutional Amendment provides that interest and dividends produced by Fund investments will be additional revenue to the PSF. The State School Land Board (“SLB”) maintains the land endowment of the Fund on behalf of the Fund and is generally authorized to manage the investments of the capital gains, royalties and other investment income relating to the land endowment. The SLB is a three member board, the membership of which consists of the Commissioner of the Texas General Land Office (the “Land Commissioner”) and two citizen members, one appointed by the Governor and one by the Texas Attorney General (the “Attorney General”). (But see “2019 Texas Legislative Session” for a description of legislation that is expected to change the composition of the SLB). As of August 31, 2018, the General Land Office (the “GLO”) managed approximately 23% 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 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 2018 distributions to the ASF amounted to an estimated \$247 per student and the total amount distributed to the ASF was \$1,235.8 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, 2018, 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, 2018 is derived from the audited financial statements of the PSF, which are included in the Annual Report when 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, 2018 and for a description of the financial results of the PSF for the year ended August 31, 2018, the most recent year for which audited financial information regarding the Fund is available. The 2018 Annual Report speaks only as of its date and the TEA has not obligated itself to update the 2018 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 proposes 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. That constitutional change is subject to approval at a State-wide referendum to be conducted on November 5, 2019.

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, should State voters approve the proposed constitutional amendment described above on November 5, 2019.

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

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

See “2011 Constitutional Amendment” 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 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 equities at 14% and emerging international 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.

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, 2018, the Fund's financial assets portfolio was invested as follows: 40.52% in public market equity investments; 13.25% in fixed income investments; 10.35% in absolute return assets; 9.16% in private equity assets; 7.47% in real estate assets; 6.78% in risk parity assets; 5.95% in real return assets; 6.21% in emerging market debt; and 0.31% in unallocated cash.

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

In accordance with the Texas Constitution, the SBOE views the PSF as a perpetual institution, and the Fund is managed as an endowment fund with a long-term investment horizon. Under the total-return investment objective, the Investment Policy provides that the PSF shall be managed consistently with respect to the following: generating income for the benefit of the public free schools of Texas, the real growth of the corpus of the PSF, protecting capital, and balancing the needs of present and future generations of Texas school children. As described above, the Total Return Constitutional Amendment restricts the annual payout 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 Constitutional Amendment” below.

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

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

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

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

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

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

At its September 2015 meeting, the SBOE voted to modify the SDBGP Rules and the CDBGP Rules to increase the State Law Capacity from 3 times the cost value multiplier to 3.25 times. At that meeting, the SBOE also approved a new 5% capacity reserve for the Charter District Bond Guarantee Program. The change to the State Law Capacity became effective on February 1, 2016. At its November 2016 meeting, the SBOE again voted to increase the State Law Capacity and, in accordance with applicable requirements for the modification of SDBGP and CDBGP Rules, a second and final vote to approve the increase in the State Law Capacity occurred on February 3, 2017. As a result, the State Law Capacity increased from 3.25 times the cost value multiplier to 3.50 times effective March 1, 2017. Based upon the cost basis of the Fund at August 31, 2018, the State Law Capacity increased from \$111,568,711,072 on August 31, 2017 to \$118,511,255,268 on August 31, 2018 (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 February 27, 2019 (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 5.85%. As of June 10, 2019, there were 181 active open-enrollment charter schools in the State and there were 764 charter school campuses operating under such charters (though as of such date, 15 of such campuses have not begun 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 purposes 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 CDBG Capacity include Fund investment performance, future increases in the Guarantee Program multiplier, changes in State law that govern the calculation of the CDBG Capacity, as described below, growth in the relative percentage of students enrolled in open-enrollment charter schools to the total State scholastic census, legislative and administrative changes in funding for charter districts, changes in level of school district or charter district participation in the Program, or a combination of such circumstances.

2017 LEGISLATIVE CHANGES TO THE CHARTER DISTRICT BOND GUARANTEE PROGRAM . . . The CDBG Capacity is established by the Act. During the 85th Texas Legislature, which concluded on May 29, 2017, Senate Bill 1480 (“SB 1480”) was enacted. The complete text of SB 1480 can be found at <http://www.capitol.state.tx.us/tlodocs/85R/billtext/pdf/SB01480F.pdf#navpanes=0>. SB 1480 modified how the CDBG Capacity will be established under the Act effective as of September 1, 2017, and made other substantive changes to the Act that affects the Charter District Bond Guarantee Program. Prior to the enactment of SB 1480, the CDBG Capacity was calculated as the State Capacity Limit less the amount of outstanding bond guarantees under the Guarantee Program multiplied by the percentage of charter district scholastic population relative to the total public school scholastic population. As of April 30, 2019, the amount of outstanding bond guarantees represented 69.90% of the IRS Limit (which is currently the applicable capacity limit) for the Guarantee Program (based on unaudited data). SB 1480 amended the CDBG Capacity calculation so that the State Capacity Limit is multiplied by the percentage of charter district scholastic population relative to the total public school scholastic population prior to the subtraction of the outstanding bond guarantees, thereby potentially substantially increasing the CDBG Capacity. However, certain provisions of SB 1480, described below, and other additional factors described herein, could result in less than the maximum amount of the potential increase provided by SB 1480 being implemented by the SBOE or otherwise used by charter districts. Still other factors used in determining the CDBG Capacity, such as the percentage of the charter district scholastic population to the overall public school scholastic population, could, in and of itself, increase the CDBG Capacity, as that percentage has grown from 3.53% in September, 2012 to 5.85% in February 2019. TEA is unable to predict how the ratio of charter district students to the total State scholastic population will change over time.

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

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

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

Since the initial authorization of the Charter District Bond Guarantee Program, the Act has established a bond guarantee reserve fund in the State treasury (the “Charter District Reserve Fund”). Formerly, the Act provided that each charter district that has a bond guaranteed must annually remit to the Commissioner, for deposit in the Charter District Reserve Fund, an amount equal to 10 percent of the savings to the charter district that is a result of the lower interest rate on its bonds due to the guarantee by the PSF. SB 1480 modified the Act insofar as it pertains to the Charter District Reserve Fund. Effective September 1, 2017, the Act provides that a charter district that has a bond guaranteed must remit to the Commissioner, for deposit in the Charter District Reserve Fund, an amount equal to 20 percent of the savings to the charter district that is a result of the lower interest rate on the bond due to the guarantee by the PSF. The amount due shall be paid on receipt by the charter district of the bond proceeds. However, the deposit requirement will not apply if the balance of the Charter District Reserve Fund is at least equal to three percent (3.00%) of the total amount of outstanding guaranteed bonds issued by charter districts. As of April 30, 2019, the Charter District Reserve Fund represented approximately 0.87% 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, under current law, open enrollment charter schools generally do not receive a dedicated funding allocation from the State to assist with the construction and acquisition of new facilities. However, during the 85th Regular Session of the Legislature in 2017, legislation was enacted that, for the first time, provided a limited appropriation in the amount of \$60 million for the 2018-2019 biennium for charter districts having an acceptable performance rating. A charter district that receives funding under this program may use the funds to lease or pay property taxes imposed on an instructional facility; to pay debt service on bonds that financed an instructional facility; or for any other purpose related to the purchase, lease, sale, acquisition, or maintenance of an instructional facility. 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. At April 30, 2019, the Charter District Reserve Fund contained \$14,743,830.

POTENTIAL IMPACT OF HURRICANE HARVEY ON THE PSF . . . Hurricane Harvey struck coastal Texas on August 26, 2017, resulting in historic levels of rainfall. The Governor designated the impacted area for disaster relief, and TEA believes that the storm impacted more than 1.3 million students enrolled in some 157 school districts, and approximately 58,000 students in 27 charter schools in the designated area. Many of the impacted school districts and two charter districts have bonds guaranteed by the PSF. It is possible that the affected districts will need to borrow to repair or replace damaged facilities, which could require increased bond issuance and applications to the TEA for PSF bond guarantees. In addition, the storm damage and any lingering economic damage in the area could adversely affect the tax base (for school districts) and credit quality of school districts and charter districts with bonds that are or will be guaranteed by the PSF.

Legislation was approved during the 86th Session that provides supplemental appropriations to the TEA in amounts of \$535,200,000 and \$636,000,000 for the fiscal biennia ending August 31, 2019 and August 31, 2021, respectively. Those appropriations are designated for use as an adjustment to school district property values and reimbursement for disaster remediation costs as a result of Hurricane Harvey. That legislation also included a reimbursement to the TEA in the amount of \$271,300,000 for costs previously incurred by the TEA for increased student costs, the reduction in school district property values and other disaster remediation costs stemming from Hurricane Harvey. For fiscal year 2018, TEA initiated programs designed to hold school districts and charter districts harmless for the loss of State funding associated with declines in average daily attendance. In the past, storm damage has caused multiple year impacts to affected schools with respect to both attendance figures and tax base (for school districts). In June 2018 TEA received results of a survey of tax appraisal districts in the area affected by the hurricane with respect to the impact of the hurricane on the tax rolls of affected school districts. In aggregate, the tax rolls of affected districts appear to have increased slightly for fiscal 2018 over 2017, but the increases were at a lower rate than had been anticipated in the State’s general appropriation act for the biennium. TEA notes that as of June 2018 the negative effect of the hurricane on the average daily attendance of districts in the affected area appears to have been less than TEA had initially anticipated.

Many of the school districts and two charter districts in the designated disaster area have bonds guaranteed by the PSF. TEA notes that no district has applied for financial exigency or failed to timely pay bond payments as a result of the hurricane or otherwise. The PSF is managed to maintain liquidity for any draws on the program. Moreover, as described under “The School District Bond Guarantee Program” and “The Charter District Bond Guarantee Program,” both parts of the Bond Guarantee Program operate in accordance with the Act as “intercept” programs, providing liquidity for guaranteed bonds, and draws on the PSF are required to be restored from the first State money payable to a school district or a charter district that fails to make a guaranteed payment on its bonds.

RATINGS OF BONDS GUARANTEED UNDER THE GUARANTEE PROGRAM . . . Moody’s Investors Service, Inc., S&P Global Ratings and Fitch Ratings, Inc. rate bonds guaranteed by the PSF “Aaa,” “AAA” and “AAA,” respectively. Not all districts apply for multiple ratings on their bonds, however. See “OTHER INFORMATION - Ratings” herein.

VALUATION OF THE PSF AND GUARANTEED BONDS

Permanent School Fund Valuations		
<u>Fiscal Year Ending 8/31</u>	<u>Book Value⁽¹⁾</u>	<u>Market Value⁽¹⁾</u>
2014	\$ 27,596,692,541	\$ 38,445,519,225
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 ⁽²⁾	33,860,358,647	44,074,197,940

⁽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, 2018, 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, \$238.8 million, \$2,983.3 million, \$7.5 million, and \$4,247.3 million, respectively, and market values of approximately \$2,022.8 million, \$661.1 million, \$3,126.7 million, \$4.2 million, and \$4,247.3 million, respectively. At April 30, 2019, the PSF had a book value of \$34,917,398,274 and a market value of \$44,978,512,134. April 30, 2019 values are based on unaudited data, which is subject to adjustment.

Permanent School Fund Guaranteed Bonds	
<u>At 8/31</u>	<u>Principal Amount⁽¹⁾</u>
2014	\$ 58,364,350,783
2015	63,955,449,047
2016	68,303,328,445
2017	74,266,090,023
2018	79,080,901,069 ⁽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, 2018 (the most recent date for which such data is available), the TEA expected that the principal and interest to be paid by school districts over the remaining life of the bonds guaranteed by the Guarantee Program was \$126,346,333,815, of which \$47,265,432,746 represents interest to be paid. As shown in the table above, at August 31, 2018, there were \$79,080,901,069 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), 97.35% of Program capacity was available to the School District Bond Guarantee Program and 2.65% was available to the Charter District Bond Guarantee Program.

Permanent School Fund Guaranteed Bonds by Category⁽¹⁾						
School District Bonds			Charter District Bonds			Totals
FYE 8/31	No. of Issues	Principal Amount	No. of Issues	Principal Amount	No. of Issues	Principal Amount
2014 ⁽²⁾	2,869	\$ 58,061,805,783	10	\$ 302,545,000	2,879	\$ 58,364,350,783
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⁾	3,249	77,647,966,069	44	1,432,935,000	3,293	79,080,901,069

⁽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⁾ Fiscal 2014 was the first year of operation of the Charter District Bond Guarantee Program.

⁽³⁾ At April 30, 2019 (based on unaudited data, which is subject to adjustment), there were \$82,005,532,177 of bonds guaranteed under the Guarantee Program, representing 3,269 school district issues, aggregating \$80,311,477,177 in principal amount and 46 charter district issues, aggregating \$1,694,055,000 in principal amount. At April 30, 2019, the capacity allocation of the Charter District Bond Guarantee Program was \$3,265,722,717 (based on unaudited data, which is subject to adjustment).

DISCUSSION AND ANALYSIS PERTAINING TO FISCAL YEAR ENDED AUGUST 31, 2018 . . . The following discussion is derived from the Annual Report for the year ended August 31, 2018, 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, when filed, 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, 2018, 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 2018, the Fund balance was \$44.0 billion, an increase of \$2.6 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. 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, 2018, were 7.23%, 7.68% and 6.92%, 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) real assets, including cash, were 8.69%, 7.78%, and 4.23%, 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, 2018, 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, 2018, the SBOE has approved and the Fund made capital commitments to externally managed real estate investment funds in a total amount of \$4.2 billion and capital commitments to private equity limited partnerships for a total of \$5.2 billion. Unfunded commitments at August 31, 2018, totaled \$1.5 billion in real estate investments and \$2.1 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, 2018, the remaining commitments totaled approximately \$2.6 billion.

The PSF(SBOE)'s investment in domestic large cap, domestic small/mid cap, international large cap, and emerging market equity securities experienced returns of 19.83%, 23.95%, 3.51%, and -1.07%, respectively, during the fiscal year ended August 31, 2018. The PSF(SBOE)'s investment in domestic fixed income securities produced a return of -0.78% during the fiscal year and absolute return investments yielded a return of 6.66%. The PSF(SBOE) real estate and private equity investments returned 12.01% and 15.94%, respectively. Risk parity assets produced a return of 3.43%, while real return assets yielded 0.70%. Emerging market debt produced a return of -11.40%. Combined, all PSF(SBOE) asset classes produced an investment return of 7.23% for the fiscal year ended August 31, 2018, out-performing the benchmark index of 6.89% by approximately 34 basis points. All PSF(SLB) real assets (including cash) returned 8.69% for the fiscal year ending August 31, 2018.

For fiscal year 2018, total revenues, inclusive of unrealized gains and losses and net of security lending rebates and fees, totaled \$4.0 billion, a decrease of \$1.4 billion from fiscal year 2017 earnings of \$5.4 billion. This decrease reflects the performance of the securities markets in which the Fund was invested in fiscal year 2018. In fiscal year 2018, 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 17.1% for the fiscal year ending August 31, 2018. 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 2017 and 2018, the distribution from the SBOE to the ASF totaled \$1.1 billion and \$1.2 billion, respectively. There were no contributions to the ASF by the SLB in fiscal years 2017 and 2018.

At the end of the 2018 fiscal year, PSF assets guaranteed \$79.1 billion in bonds issued by 858 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 7,242 school district and charter district bond issues totaling \$176.4 billion in principal amount. During the 2018 fiscal year, the number of outstanding issues guaranteed under the Guarantee Program remained flat at 3,293. The dollar amount of guaranteed school and charter bond issues outstanding increased by \$4.8 billion or 6.5%. The State Capacity Limit increased by \$6.9 billion, or 6.2%, during fiscal year 2018 due to continued growth in the cost basis of the Fund used to calculate that Program capacity limit. The effective capacity of the Program increased by only \$5.7 billion, or 5.2%, during fiscal year 2018 as the IRS Limit was reached during the fiscal year, and it is the lower of the two State and federal capacity limits for the Program.

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

The amendments approved at the referendum included an increase to the base used to calculate the Distribution Rate by adding to the calculation base certain discretionary real assets and cash in the Fund that is managed by entities other than the SBOE (at present, by the SLB). The value of those assets were already included in the value of the Fund for purposes of the Guarantee Program, but prior to the amendment had not been included in the calculation base for purposes of making transfers from the Fund to the ASF. While the amendment provided for an increase in the base for the calculation of approximately \$2 billion, no new resources were provided for deposit to the Fund. As described under "The Total Return Constitutional Amendment" the

SBOE is prevented from approving a Distribution Rate or making a pay out from the Fund if the amount distributed would exceed 6% of the average of the market value of the Fund, excluding real property in the Fund, but including discretionary real asset investments on the last day of each of the sixteen State fiscal quarters preceding the Regular Session of the Legislature that begins before that State fiscal biennium or if such pay out would exceed the Ten Year Total Return.

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

The Distribution Rates for the Fund were set at 3.5%, 2.5%, 4.2%, 3.3%, 3.5% and 3.7% for each of two year periods 2008-2009, 2010-2011, 2012-2013, 2014-2015, 2016-2017 and 2018-2019, respectively. In November 2018, the SBOE approved a \$2.2 billion distribution to the ASF for State fiscal biennium 2020-2021, to be made in equal monthly increments of \$92.2 million, which represents a 2.981% Distribution Rate for the biennium and a per student distribution of \$220.97, based on 2018 preliminary student average daily attendance of 5,004,998. In making the 2020-2021 biennium distribution decision, the SBOE took into account a commitment of the SLB 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 provide 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 Fund to determine whether to transfer an amount each year from Fund assets to the ASF revenue derived from such land or properties, with the amount transferred limited to \$300 million. Any amount transferred to the ASF by an entity other than the SBOE is excluded from the 6% Distribution Rate limitation applicable to SBOE transfers.

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

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

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

As of August 31, 2018, certain lawsuits were pending against the State and/or the GLO, which challenge the Fund's title to certain real property and/or past or future mineral income from that property, and other litigation arising in the normal course of the investment activities of the PSF. Reference is made to the Annual Report, when filed, for a description of such lawsuits that are pending, which may represent contingent liabilities of the Fund.

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

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

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

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

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

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

EVENT NOTICES . . . The TEA will also provide timely notices of certain events to the MSRB. Such notices will be provided not more than ten business days after the occurrence of the event. The TEA will provide notice of any of the following events with respect to the Guarantee Program: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if such event is material within the meaning of the federal securities laws; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax-exempt status of the Guarantee Program, or other material events affecting the tax status of the Guarantee Program; (7) modifications to rights of holders of bonds guaranteed by the Guarantee Program, if such event is material within the meaning of the federal securities laws; (8) bond calls, if such event is material within the meaning of the federal securities laws, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of bonds guaranteed by the Guarantee Program, if such event is material within the meaning of the federal securities laws; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the Guarantee Program (which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Guarantee Program in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Guarantee Program, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision

and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Guarantee Program); (13) the consummation of a merger, consolidation, or acquisition involving the Guarantee Program or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) the appointment of a successor or additional trustee with respect to the Guarantee Program or the change of name of a trustee, if such event is material within the meaning of the federal securities laws; (15) the incurrence of a financial obligation of the Guarantee Program, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Program, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Guarantee Program, any of which reflect financial difficulties. (Neither the Act nor any other law, regulation or instrument pertaining to the Guarantee Program make any provision with respect to the Guarantee Program for bond calls, debt service reserves, credit enhancement, liquidity enhancement, early redemption or the appointment of a trustee with respect to the Guarantee Program.) In addition, the TEA will provide timely notice of any failure by the TEA to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

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

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

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

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

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

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

(Remainder of this page intentionally left blank.)

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

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

(Remainder of this page intentionally left blank.)

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 its 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 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 is 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 2020-2021 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 2020-2021 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 students who attain post-secondary education or workforce credentials. 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 to the Basic Allotment for the 2020-2021 State fiscal biennium multiplied by 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 produce 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.

THE SCHOOL FINANCE SYSTEM AS APPLIED TO THE DISTRICT

The District's wealth per student for the 2018-2019 school year is more than the equalized wealth value. Accordingly, the District has been required to exercise one of the permitted wealth equalization options. As a District with wealth per student in excess of the equalized wealth value, the District has reduced its wealth per student by sending payments directly to the State to purchase weighted average daily attendance credits (Option 3) under Chapter 41, Texas Education Code for the purpose of achieving property wealth equalization. As a so-called "Chapter 41 district", the District does not receive any State funding to pay debt service requirements on its outstanding indebtedness, including the Bonds. For a detailed discussion of State funding for school districts, see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Funding for School Districts."

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

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 May 25, 1959 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. For purposes of calculation of such limit, 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 its 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 3.62% of the District’s current taxable assessed valuation of property. See “APPENDIX A – Table 1 Assessed Valuation” 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” herein. Furthermore, a school district cannot annually increase its tax rate in excess of the district’s “voter-approval tax rate” without approval by a majority of the voters voting at an election to be held on the next uniform election date. See “TAX RATE LIMITATIONS – Public Hearing and Voter-Approval Tax Rate” 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 for Payment” herein.

Section 45.0031, Texas Education Code, as amended (“Section 45.0031”), requires a district to demonstrate to the Texas Attorney General that it has the prospective ability to pay its maximum annual debt service on a proposed issue of bonds and all previously issued bonds, other than bonds approved by district voters at an election held on or before April 1, 1991 and issued before September 1, 1992 (or debt issued to refund such bonds, collectively, “exempt bonds”), from a tax levied at a rate of \$0.50 per \$100 of assessed valuation before bonds may be issued. In demonstrating the ability to pay debt service at a rate of \$0.50, a district may take into account EDA and IFA allotments to the district, which effectively reduces the district’s local share of debt service, and may also take into account Tier One funds allotted to the district. 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, in part, for school building purposes pursuant to Chapter 45, Texas Education Code as new debt and are subject to the threshold tax rate test.

The District has not used State assistance or projected property values to satisfy this threshold test.

PUBLIC HEARING AND VOTER-APPROVAL TAX RATE . . . *During the 2019 legislative session, the Texas Legislature made numerous changes to the requirements for the levy and collection of ad valorem taxes and the calculation of defined tax rates, including particularly those contained in HB 3 and Senate Bill 2 (“SB 2”). In some instances, the provisions of HB 3 and SB 2 will require further interpretation in connection with their implementation in order to resolve ambiguities contained in the bills. The District is still in the process of analyzing how the provisions of HB 3 and SB 2 will be implemented, and the information contained herein reflects the District’s understanding based on information available to the District as of the date of this Official Statement, which is subject to change. Reference is made to HB 3, SB 2 and the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the defined tax rates.*

A school district’s tax rate consists of two components: (1) its M&O tax rate for funding of maintenance and operations expenditures in the current year, and (2) its I&S tax rate for funding debt service in the current year. Under State law, the assessor for a district must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the district to the governing body of the district by August 1 or as soon as practicable thereafter.

In setting its tax rate for the 2019 tax year, the governing body of a school district generally cannot adopt a tax rate exceeding the district’s voter-approval tax rate without approval by a majority of the voters voting at an election to be held on the next uniform election date. Further, with certain exceptions, if a district’s voter-approval tax rate for tax year 2019 (excluding its I&S tax rate) is \$0.97 or more, the district may not adopt an M&O tax rate that exceeds its voter-approval tax rate (excluding its I&S tax rate) for tax year 2019. The “voter-approval tax rate” for a school district for the 2019 tax year is the sum of (A) the product of the district’s State Compression Percentage for that year multiplied by \$1.00, (B) the greater of (i) the district’s M&O tax rate for the 2018 tax year, less the sum of (a) \$1.00 and (b) any amount by which the district is required to reduce its Enrichment Tax Rate or (ii) the rate of \$0.04, and (C) the district’s I&S tax rate (see “CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Funding for School Districts” for a description of the “State Compression Percentage”).

For the 2020 tax year, the “voter-approval tax rate” shall be calculated as provided in the preceding paragraph, except that the amount in (B)(ii) above may be increased to the rate of \$0.05 upon a unanimous vote of the governing body of a school district to levy a M&O tax rate at least equal to the rate described in the next sentence. For the 2021 tax year and subsequent tax years, the “voter-approval tax rate” for a school district is the sum of (A) the product of the district’s State Compression Percentage for that year multiplied by \$1.00, (B) the greater of (i) the district’s Enrichment Tax Rate for the preceding tax year, less the rate (if any) by which it must compress its Copper Pennies for the current year, or (ii) the rate of \$0.05, and (C) the district’s I&S tax rate for the current tax year (see “CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Funding for School Districts” for a description of the “State Compression Percentage”, “Enrichment Tax Rate”, and compression of Copper Pennies). In setting its annual tax rate for tax year 2020 and any subsequent years, the governing body of a school district generally cannot adopt a tax rate exceeding the district’s voter-approval tax rate without approval by a majority of the voters voting at an election to be held on the next uniform election date. Further, subject to certain exceptions for areas declared disaster areas, State law requires the board of trustees of a district to conduct an efficiency audit before seeking voter approval to adopt a tax rate exceeding the voter-approval tax rate and sets certain parameters for conducting and disclosing the results of an efficiency audit. An election is not required for a tax increase to address increased expenditures resulting from certain natural disasters in the year following a year in which such disaster occurs; however, the amount by which the increased tax rate exceeds the district’s voter-approval tax rate for such year may not be considered by the school district in the calculation of its subsequent voter-approval tax rate.

The calculation of the voter-approval tax rate does not limit or impact the District’s ability to set a debt service tax rate in each year sufficient to pay debt service on all of the District’s tax-supported debt obligations, including the Bonds.

The governing body of a district must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a district fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the district for the preceding tax year. “No-new-revenue tax rate” means the rate that will produce the prior year’s total tax levy (adjusted) from the current year’s total taxable values (adjusted).

Before adopting its annual tax rate, a public meeting must be held for the purpose of adopting a budget for the succeeding year. A notice of public meeting to discuss the district’s budget and proposed tax rate must be published in the time, format and manner prescribed in Section 44.004 of the Texas Education Code. Section 44.004(e) of the Texas Education Code provides that a person who owns taxable property in a school district is entitled to an injunction restraining the collection of taxes by the district if the district has not complied with such notice requirements or the language and format requirements of such notice as set forth in Section 44.004(b), (c), (c-1), (c-2), and (d), and, if applicable, Subsection (i), and if such failure to comply was not in good faith. Section 44.004(e) further provides the action to enjoin the collection of taxes must be filed before the date the district delivers substantially all of its tax bills. A district may adopt its budget after adopting a tax rate for the tax year in which the fiscal year covered by the budget begins if the district elects to adopt its tax rate before receiving the certified appraisal roll. A district that adopts a tax rate before adopting its budget must hold a public hearing on the proposed tax rate followed by another public hearing on the proposed budget rather than holding a single hearing on the two items.

Beginning with the 2020 tax year, the District must annually calculate and prominently post on its internet website, and submit to the county tax assessor-collector for each county in which all or part of the District is located its voter-approval tax rate in accordance with forms prescribed by the State Comptroller.

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 Nueces and San Patricio County Appraisal Districts (each, an "Appraisal District"). Except as described below, each Appraisal District is required to appraise all property within the respective 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 (the "10% Homestead Cap"). The 10% increase is cumulative, meaning the maximum increase is 10% times the number of years since the property was last appraised. See "APPENDIX A - Table 1 Assessed Valuation" for the reduction in taxable valuation attributable to the 10% Homestead Cap.

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 ("Productivity Value"). The same land may not be qualified as both agricultural and open-space land. See "APPENDIX A - Table 1 Assessed Valuation" for the reduction in taxable valuation attributable to valuation by Productivity Value.

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

STATE-MANDATED HOMESTEAD EXEMPTIONS . . . State law grants, with respect to each school district in the State, (1) a \$25,000 exemption of the market value of all homesteads, (2) a \$10,000 exemption of the market 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 - Table 1 Assessed Valuation" for the reduction in taxable valuation attributable to State-mandated homestead exemptions.

LOCAL OPTION HOMESTEAD EXEMPTIONS . . . The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the market value of all homesteads (but not less than \$5,000) and (2) an additional exemption of the market 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. See "APPENDIX A - Table 1 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 homesteads of persons sixty-five (65) years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. For persons sixty-five (65) years of age or older, but not the disabled, this freeze is also transferable to a different homestead or, under certain circumstances, to the surviving spouse of a qualifying taxpayer. See "APPENDIX A - Table 1 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 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 to tax 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 outside the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or outside 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 motor vehicles or boats in a dealer’s retail inventory. A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property. See “APPENDIX A - Table 1 Assessed Valuation” for the reduction in taxable valuation, if any, attributable to Goods-in-Transit or Freeport Property exemptions.

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

TAX INCREMENT FINANCING ZONES . . . A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment financing zones (“TIRZ”) within its boundaries, and other overlapping taxing units may agree to contribute taxes levied against the “Incremental Value” in the TIRZ to finance or pay for project costs, as defined in Chapter 311, Texas Government Code, generally located within the TIRZ. 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 “Incremental Value,” and during the existence of the TIRZ, all or a portion of the taxes levied by each participating taxing unit against the Incremental Value in the TIRZ are restricted to paying 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 value lost due to TIRZ participation by the district. The ability of the school district to deduct the 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, school districts may not reduce their taxable property value to reflect losses for TIRZs created on or after May 31, 1999.

TAX LIMITATION AGREEMENTS. . . In 2001, the Legislature enacted legislation known as the Texas Economic Development Act (Chapter 313, Texas Tax Code), which allows school districts to grant limitations on appraised property values and provide ad valorem tax credits to certain corporations and limited liability companies to encourage economic development within the school district. Generally, during the last eight (8) years of the ten-year term of a tax limitation agreement, the school district may only levy and collect ad valorem taxes for maintenance and operation purposes on the agreed-to limited appraised property value. The taxpayer is entitled to a tax credit from the school district for the amount of taxes imposed during the first two (2) years of the tax limitation agreement on the appraised value of the property above the agreed-to limited value.

TAX ABATEMENT AGREEMENTS . . . Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

For a discussion of how the various exemptions described above are applied by the District, see “AD VALOREM TAX PROCEDURES – District Application of Tax Code” herein.

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

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

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

LEVY AND COLLECTION OF TAXES . . . The District is responsible for the collections of its taxes, unless it elects to transfer such functions to another governmental entity. By the later of September 30 or the 60th day after the certified appraisal rolls are received by the District, the Board must adopt a tax rate based upon the valuation of property within the District as of the preceding January 1. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty from six percent (6%) to twelve percent (12%) of the amount of the tax, depending on the time of payment, and accrued interest at the rate of one percent (1%) per month. If the tax is not paid by the following July 1, an additional penalty of up to twenty percent (20%) may under certain circumstances be imposed by the District. Certain taxpayers, including the disabled, persons 65 years or older, disabled veterans, and first responders who qualified for certain tax exemptions are permitted by State law to pay taxes on homesteads in four installments with the first due before February 1 of each year and the final installment due before August 1. The Property Tax Code also makes provision, on a local option basis, for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances.

DISTRICT’S RIGHTS IN THE EVENT OF TAX DELINQUENCIES . . . Taxes levied by the District are a personal obligation of the owner of the property. The District has no lien for unpaid taxes on personal property but does have a lien for unpaid taxes upon real property, which lien is discharged upon payment. On January 1 of each year, such tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The District’s tax lien is on a parity with the tax liens of other such taxing units. A tax lien on real property taxes takes priority over the claims of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

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

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

PENALTIES AND INTEREST . . . Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

<u>Cumulative Date</u>	<u>Cumulative Penalty</u>	<u>Interest⁽²⁾</u>	<u>Total</u>
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July	32 ⁽¹⁾ (12)	6	38 (18 +20%)

⁽¹⁾ An additional penalty of up to 20% may be assessed after July 1 in order to defray attorney collection expenses.

⁽²⁾ Interest continues to accrue after July 1 at the rate of 1% per month until paid.

DISTRICT APPLICATION OF TAX CODE . . . The District grants the state-mandated exemptions to the market value of all residence homesteads in the amount of \$25,000; an exemption to the market value of the residence homestead of persons who are at least 65 years of age or older, or disabled in the amount of \$10,000 (a taxpayer who qualifies for both the age 65 or older exemption and the disabled exemption must choose one of the options to claim); a local option residence homestead exemption for taxpayers who are at least 65 years of age or older in the amount of \$50,000; disabled veterans are granted exemptions ranging from \$5,000 to \$12,000.

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

The District's taxes are collected by the Nueces County Tax Assessor/Collector's Office (the "Tax Assessor Collector") only.

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

The Tax Assessor Collector does collect an additional 20% penalty to defray attorney costs in the collection of delinquent taxes over and above the tax, penalty, and interest automatically assessed under the Property Tax Code.

The District does not allow split payments of taxes.

The District does not allow for early payment of discounts.

The District does not participate in a tax increment-financing zone.

The District does not grant tax abatements.

The District does not grant a freeport exemption from taxation.

The District has entered into two Economic Development Agreements authorized under Chapter 313, each limiting the taxable appraised value to \$30,000,000, and each beginning in Tax Year 2015 and 2016, with voestalpine Texas LLC and Corpus Christi Liquefaction LLC, respectively, and each ending in Tax Year 2027 and 2028, respectively.

(Remainder of this page intentionally left blank)

INVESTMENTS

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

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE DISTRICT . . . 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; (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 of and interest on which is 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) obligations 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 the National Credit Union Share Insurance Fund or their respective successors; (8) certificates of deposit or share certificates (i) that are issued by an institution that has its main office or a branch office in the State of Texas 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 (7) or in any other manner and provided for by law for District deposits, or (ii) 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 of Texas 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 of Texas 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) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the District with respect to the certificates of deposit; (9) fully collateralized repurchase agreements that (i) have a defined termination date, (ii) are fully secured by a combination of cash and obligations described in clause (1) above, (iii) 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 (iv) are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State of Texas; (10) 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 under the program is either secured by (a) obligations that are described in clauses (1) through (7) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm of not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (7) above, clauses (12) through (14) 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 governmental body or a third party designated by the governmental body, (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas, and (iv) the agreement to lend securities obligations of the accepting bank or its parents are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (11) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that comply with Securities and Exchange Commission Rule 2a-7; and (14) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, and either have a duration of one year or more and invest exclusively in obligations described in this paragraph, or have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities.

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 or no lower than investment grade by at least one nationally recognized rating service with a weighted average maturity no greater than 90 days. The District may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance, or resolution. The District is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized

mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index. The District is also authorized to purchase, sell, and invest its funds in corporate bonds. "Corporate bond" is defined as a senior secured debt obligation issued by a domestic business entity and rated not lower than "AA-" or the equivalent by a nationally recognized investment rating firm (does not include convertible bonds or unsecured debt). The bonds must have a stated final maturity that is not later than 3 years of the date the corporate bonds were purchased. The District may not (1) invest more than 15 percent 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 percent of the funds invested in corporate bonds in any one domestic business entity, including subsidiaries and affiliates of the entity. The District must sell corporate bonds if they are rated "AA-" or its equivalent and are either downgraded or placed on negative credit watch. Corporate bonds are not an eligible investment for a public funds investment pool. As of the date of this Official Statement, the District has taken no such steps with respect to investment in corporate bonds, nor does it currently intend to do so.

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

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

ADDITIONAL PROVISIONS . . . Under State law, the District is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the District to disclose the relationship and file a statement with the Texas Ethics Commission and the Board 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 Treasurer, chief financial officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in no-load 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.

2019 LEGISLATIVE CHANGES. . . In addition to the authorized investments described above, effective September 1, 2019, Chapter 2256, Texas Government Code, as amended, the Public Funds Investment Act was revised to allow political subdivisions, including the District, to invest in repurchase agreements collateralized with commercial paper and in commercial paper with a stated maturity of up to 365 days. The reporting requirements for authorized investment pools were also changed, and investment pools that are authorized investments for school districts may now invest in corporate bonds.

CURRENT INVESTMENTS*

TABLE 1

As of April 30, 2019, the District had investable funds in the amount of \$314,604,467 invested in the following:

<u>Type of Investment</u>	<u>Amount</u>
Investment Pool	\$314,604,467

*Unaudited.

EFFECTS OF SEQUESTRATION ON CERTAIN OBLIGATIONS

Pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, certain automatic reductions in federal spending took effect as of March 1, 2013. These required reductions in federal spending include a reduction to refundable credits under section 6431 of the Internal Revenue Code of 1986, as amended (the “Code”) applicable to certain qualified bonds, including “qualified school construction bonds” issued pursuant to sections 54A and 54F of the Code and “build America Bonds” issued pursuant to section 54AA of the Code, for which an issuer elected to receive a direct credit subsidy payment pursuant to section 6431 of the Code.

For such qualified bonds eligible for the direct credit subsidy payment, the Office of Management and Budget (“OMB”) set a sequester percentage (i.e. reduction) of 5.1% (the annualized percentage was 8.7%) for FY 2013, 7.2% for FY 2014, 7.3% for FY 2015, 6.8% for FY 2016, and 6.9% for FY 2017, 6.6% for FY 2018, and 6.2% for FY 2019. For FY 2020, the OMB set the sequester percentage at 5.9%, which applies to any payments processed on or after October 1, 2019 and on or before September 30, 2020, unless and until a law is enacted that cancels or otherwise impacts the sequester. Sequestration may continue past September 30, 2020, and the sequestration percentage may increase or decrease in any fiscal year.

The District has previously issued its Unlimited Tax School Building Bonds, Taxable Series 2010B (Direct Subsidy – Build America Bonds) (the “Series 2010B Bonds”) and Unlimited Tax School Building Qualified School Construction Bonds, Taxable Series 2011 (Direct-Pay Subsidy Bonds) (collectively, the “Affected Bonds”). It is anticipated that the federal payments to the District for such Affected Bonds will be reduced as described above. Pursuant to the respective orders authorizing the issuance of the Affected Bonds, the District is required to make interest and principal payments on the Affected Bonds regardless of whether any federal funding is received. The reductions in the payments to be received by the District have not materially adversely affected the financial condition or operations of the District. However, the District can make no prediction as to the length or long-term effects of the sequestration. The Series 2010B Bonds are being refunded by the Bonds.

(Remainder of this page intentionally left blank.)

TAX MATTERS

The following discussion of certain federal income tax considerations is for general information only and is not tax advice. Each prospective purchaser of the Bonds should consult its own tax advisor as to the tax consequences of the acquisition, ownership and disposition of the Bonds.

TAX EXEMPTION

In the opinion of Bracewell LLP, Bond Counsel, under existing law, (i) interest on the Bonds is excludable from gross income for federal income tax purposes and (ii) the Bonds are not “private activity bonds” under the Code, and, as such, interest on the Bonds is not subject to the alternative minimum tax.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the “Service”). The District has covenanted in the Order that it will comply with these requirements.

Bond Counsel’s opinion will assume continuing compliance with the covenants of the Order pertaining to those sections of the Code that affect the excludability of interest on the Bonds from gross income for federal income tax purposes and, in addition, will rely on representations by the District, the District’s Financial Advisor, and the Underwriters with respect to matters solely within the knowledge of the District, the District’s Financial Advisor, and the Underwriters, respectively, which Bond Counsel has not independently verified. Bond Counsel will further rely on the report (the “Report”) of Public Finance Partners LLC, regarding the mathematical accuracy of certain computations. If the District fails to comply with the covenants in the Order or if the foregoing representations or the Report are determined to be inaccurate or incomplete, interest on the Bonds could become includable in gross income from the date of delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Bonds. Certain actions may be taken or omitted subject to the terms and conditions set forth in the Order upon the advice or with the approving opinion of Bond Counsel. Bond Counsel will express no opinion with respect to Bond Counsel’s ability to render an opinion that such actions, if taken or omitted, will not adversely affect the excludability of interest of the Bonds from gross income for federal income tax purposes.

Bond Counsel’s opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel’s knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel’s attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel’s opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel’s legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the District as the taxpayer and the Owners may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds regardless of the ultimate outcome of the audit.

ADDITIONAL FEDERAL INCOME TAX CONSIDERATIONS

COLLATERAL TAX CONSEQUENCES . . . Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the “branch profits tax” on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences. Prospective purchasers of the Bonds should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year.

TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE PREMIUM . . . The issue price of the Bonds exceeds the stated redemption price payable at maturity of such Bonds. Such Bonds (the “Premium Bonds”) are considered for federal income tax purposes to have “bond premium” equal to the amount of such excess. The basis of a Premium Bond in the hands of an initial owner is

reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Bond by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined using the yield to maturity on the Premium Bond based on the initial offering price of such Premium Bond.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Premium Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of amortized bond premium upon the redemption, sale or other disposition of a Premium Bond and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, and sale, redemption or other disposition of such Premium Bonds.

TAX LEGISLATIVE CHANGES . . . Public Law No. 115-97 (i.e., Tax Cuts and Jobs Act), which makes significant changes to the Code, including changing certain provisions affecting tax-exempt obligations, such as the Bonds, was signed into law on December 22, 2017. The changes include, among others, changes to the federal income tax rates for individuals and corporations and the alternative minimum tax for tax years beginning after December 31, 2017. Further, current law may change so as to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any recently-enacted, proposed, pending or future legislation.

(Remainder of this page intentionally left blank.)

CONTINUING DISCLOSURE INFORMATION

In the Order, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (“MSRB”).

As used in this section, the term “Financial Obligation” means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of a debt obligation or any such derivative instrument; provided that “financial obligation” shall not include municipal securities as to which a final official statement (as defined in Rule 15c2-12 (“Rule 15c2-12”) of the United States Securities and Exchange Commission (“SEC”)) has been provided to the MSRB consistent with Rule 15c2-12.

ANNUAL REPORTS . . . The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under Tables numbered 1 through 11 in APPENDIX A and in APPENDIX D, which is the District’s annual audited financial report. The District will update and provide the information in the numbered tables within six months after the end of each fiscal year ending in and after 2019. The District will additionally provide audited financial statements within 12 months after the end of each fiscal year ending in or after 2019. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the District will file unaudited financial information of the type described in the numbered tables above by the required time and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX D or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation.

All financial information, operating data, financial statements and notices required to be provided to the MSRB shall be provided in an electronic format and be accompanied by identifying information prescribed by the MSRB. Financial information and operating data to be provided as set forth above may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document) available to the public on the MSRB’s Internet Web site or filed with the SEC, as permitted by Rule 15c2-12.

The District’s current fiscal year end is August 31. Accordingly, it must provide updated financial and operating data by the last day of February of each year and financial statements by August 31 in each 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 notice (not in excess of ten (10) business days after the occurrence of the event) 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 trustee or change in the name of the 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, liquidity enhancement or credit enhancement, other than the Permanent School Fund Guarantee. As used above (A), the phrase “bankruptcy, insolvency, receivership or similar event” means the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court of governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if jurisdiction has been assumed by leaving the Board and officials or officers of the District in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District, and (B) the District intends the words used in the immediately preceding clauses (15) and (16) and in the definition of Financial Obligation above to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018. 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”. The District will provide each notice described in this paragraph to the MSRB.

AVAILABILITY OF INFORMATION FROM MSRB . . . The District has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org.

LIMITATIONS AND AMENDMENTS . . . The District has agreed to update information and to provide notices of specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell 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.

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if (1) the agreement, as amended would have permitted an underwriter to purchase or sell the Bonds in the offering made hereby 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 registered owners of a majority in aggregate principal amount (or any greater amount required by any other provisions of the Order that authorizes such amendment) of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the District (such as nationally recognized bond counsel) determine 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 provisions of Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of Rule 15c2-12 are invalid, but only if and to the extent that such amendment or repeal would not have prevented 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 operating data provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in type of information and data provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . During the last five years, the District has not failed to comply in any material respect with any continuing disclosure agreement made by it in accordance with the Rule.

(Remainder of this page intentionally left blank.)

LEGAL MATTERS

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS . . . Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments and investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of not less than “A” or its equivalent as to investment quality by a national rating agency. See “OTHER INFORMATION - Ratings” herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the District has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

LEGAL MATTERS . . . The District will furnish the Underwriters a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of Texas as to the Bonds 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 approving legal opinion of Bond Counsel with respect to the Bonds issued in compliance with the provisions of the Order, a form of which is attached to this Official Statement as APPENDIX C. Though it may represent the Financial Advisor and the Underwriters from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the District in connection with the issuance of the Bonds. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds which would affect the provision made for their payment or security or in any manner questioning the validity of said Bonds will also be furnished to the Underwriters. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under the captions and subcaptions “THE BONDS” (excluding the information under the subcaptions “Permanent School Fund Guarantee”, “Payment Record” and “Bondholder’s Remedies”), “STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS”, “CURRENT PUBLIC SCHOOL FINANCE SYSTEM”, “TAX RATE LIMITATIONS”, “TAX MATTERS”, “CONTINUING DISCLOSURE INFORMATION” (excluding the information under the subcaption “Compliance with Prior Undertakings”), “OTHER INFORMATION - Registration and Qualification of Bonds for Sale”, “OTHER INFORMATION - Legal Investments and Eligibility to Secure Public Funds In Texas”, and “LEGAL MATTERS” (excluding the last two sentences of the first paragraph under the subcaption “Legal Matters”) in the Official Statement and such firm is of the opinion that the information relating to the Bonds and the legal issues 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 provisions of 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. Certain legal matters will be passed upon for the Underwriters by Winstead PC, San Antonio, Texas and Mahomes Bolden PC, Dallas, Texas, as Co-Counsel to the Underwriters.

The 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 that 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.

(Remainder of this page intentionally left blank.)

OTHER INFORMATION

AUDITED FINANCIAL STATEMENTS . . . Collier, Johnson & Woods, P.C., Corpus Christi, Texas, the District's independent auditor (the "Independent Auditor"), has not reviewed, commented on, or approved, and is not associated with, this Official Statement. The report of the Independent Auditor relating to District's financial statements for the fiscal year ended August 31, 2018 is included in this Official Statement in APPENDIX D; however, the Independent Auditor has not performed any procedures on such financial statements since the date of such report, and has not performed any procedures on any other financial information of the District, including without limitation any of the information contained in this Official Statement, and has not been asked to consent to the inclusion of its report, or otherwise be associated with this Official Statement.

RATINGS . . . Moody's Investors Service, Inc. ("Moody's") and S&P Global Ratings, a Standard & Poor's Financial Services LLC business ("S&P"), have rated the Bonds "Aaa" and "AAA" respectively, based on the payment of the Bonds being guaranteed by the State of Texas Permanent School Fund Guarantee Program. See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM". The unenhanced, underlying ratings on the Bonds, together with the District's tax-supported indebtedness, are affirmed as "Aa2" and "AA" (stable outlook) by Moody's and S&P, respectively.

The ratings reflect only the respective views of such organizations and the District makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating companies, if in the judgment of such companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

LITIGATION . . . 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 condition of the District.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE . . . The sale of the Bonds has not been registered 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 qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. The District assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for 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 provisions.

FINANCIAL ADVISOR . . . Specialized Public Finance Inc. is employed as Financial Advisor to the District in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Specialized Public Finance Inc., in its capacity as Financial Advisor, has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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.

UNDERWRITING . . . The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the District at a price equal to the initial offering prices to the public, as shown on page 2 of this Official Statement, less an underwriting discount of \$931,291.65. The Underwriters 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 Underwriters and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds, and such public offering prices may be changed, from time to time, by the Underwriters.

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

Citigroup Global Markets Inc., an underwriter of the Bonds, has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, "Fidelity"). Under this distribution

agreement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, Citigroup Global Markets Inc. will compensate Fidelity for its selling efforts.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the District for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the District.

VERIFICATION OF MATHEMATICAL COMPUTATIONS . . . Public Finance Partners LLC will deliver to the District, on or before the settlement date of the Bonds, its verification report indicating that it has verified the mathematical accuracy of the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Federal Securities, to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Bonds.

Public Finance Partners LLC relied on the accuracy, completeness and reliability of all information provided to it by, and on all decisions and approvals of, the District. In addition, Public Finance Partners LLC has relied on any information provided to it by the District's retained advisors, consultants or legal counsel.

FORWARD-LOOKING STATEMENTS DISCLAIMER . . . 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. The District's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included 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 will prove to be accurate.

MISCELLANEOUS . . . The financial data and other information contained herein have been obtained from the District's records, audited financial statements and other sources which 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 orders contained in this Official Statement are made subject to all of the provisions of such statutes, documents and orders. 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.

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 reoffering of the Bonds by the Underwriters.

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

Ms. Catherine G. Susser
President, Board of Trustees
Corpus Christi Independent School District

ATTEST:

Ms. Alice Upshaw Hawkins
Secretary, Board of Trustees
Corpus Christi Independent School District

SCHEDULE I

TABLE OF REFUNDED BONDS

[This page is intentionally left blank.]

SCHEDULE I

TABLE OF REFUNDED BONDS

**Corpus Christi Independent School District
Unlimited Tax School Building Bonds Taxable, Series 2010B**

Issue	Original Issue Amount	Amount to be Refunded	Maturities Being Refunded	Redemption Date/Price
Unlimited Tax School Building Bonds Taxable, Series 2010B	\$98,500,000	\$11,465,000	8/15/2026	8/15/2020 @par
		12,085,000	8/15/2027	
		26,280,000	8/15/2029	
		<u>48,670,000</u>	8/15/2032	
		\$98,500,000		

[This page is intentionally left blank.]

APPENDIX A

FINANCIAL INFORMATION OF THE DISTRICT

[This page is intentionally left blank.]

FINANCIAL INFORMATION OF THE DISTRICT

ASSESSED VALUATION

TABLE 1

2018 Total Appraised Value	\$19,229,792,848 ⁽¹⁾
Less:	
Homestead Exemption Loss	\$1,116,869,827
Local - Over 65/Surviving Spouse Homestead Exemption	701,921,583
State - Over 65/Surviving Spouse Homestead Exemption	159,036,354
Disabled/Surviving Spouse	157,273,141
Disabled Veterans/Surviving Spouse Exemption	25,139,089
Disabled Veterans/Surviving Spouse Homestead Exemption	133,028,350
Pollution Control Exemption Loss	61,395,511
Solar Wind	974,306
Value Lost to Texas Economic Development	106,090,210
Productivity Loss	111,295,717
10% Residential Cap	105,363,997
2018 M&O Net Taxable Assessed Valuation	\$16,551,404,763
Value Lost to Texas Economic Development	106,090,210
2018 I&S Net Taxable Assessed Valuation⁽¹⁾	\$16,657,494,973

Note: The above figures were taken from the Nueces and San Patricio County Appraisal Districts which are compiled during the initial phase of the tax year and are subject to change. See "APPENDIX A - TABLE 5 - CLASSIFICATION OF ASSESSED VALUATION".

⁽¹⁾ The Texas Supreme Court in *In re Occidental Chemical Corp.*, 561 S.W.3d 146 (Tex. 2018), determined that certain property should be removed from Nueces County to San Patricio County. As a result of this determination, the San Patricio County Appraisal District has informed the District that this property totaling approximately \$170,000,000 in taxable value will be removed from the District. The District is reviewing these determinations and does not make any representations regarding the impact, if any, therefrom on the District's interest and sinking tax levy and collections in future years.

GENERAL OBLIGATION BONDED DEBT

[As of June 15, 2019]

General Obligation Debt Outstanding:

Unlimited Tax Debt⁽¹⁾⁽²⁾:

Unlimited Tax School Building Bonds, Series 2009	\$9,790,000
Unlimited Tax School Building Bonds, Series 2009A	1,465,000
Unlimited Tax School Building Bonds, Series 2010A	1,035,000
Unlimited Tax School Building Bonds Taxable Series 2010B (Direct Subsidy - Build America Bonds) ⁽²⁾	0
Unlimited Tax School Building Qualified Construction Bonds Taxable Series 2011 (Direct - Pay Subsidy Bonds)	25,000,000
Unlimited Tax School Building Bonds, Series 2015	94,480,000
Unlimited Tax Refunding Bonds, Series 2016	95,295,000
Unlimited Tax School Building Bonds, Series 2017	74,820,000
Unlimited Tax Refunding Bonds, Series 2017	9,480,000
Unlimited Tax School Building Bonds, Series 2018	57,315,000
The Bonds - Unlimited Tax School Building & Refunding Bonds, Series 2019	176,000,000
Variable Rate Unlimited Tax School Building Bonds, Series 2017A	59,070,000
Total Unlimited Tax Debt⁽¹⁾⁽²⁾	\$603,750,000
Total General Obligation Debt⁽²⁾	\$603,750,000
General Obligation Interest and Sinking Fund Balance as of August 31, 2018	\$17,087,298
2018 I&S Net Taxable Assessed Valuation ⁽³⁾	\$16,657,494,973
Ratio of Total General Obligation Debt to 2018 Net Taxable Assessed Valuation⁽¹⁾⁽²⁾	3.62%

⁽¹⁾ See "AD VALOREM TAX PROCEDURES" in the Official Statement for a description of the District's taxation procedures.

⁽²⁾ Excludes the Refunded Bonds

⁽³⁾ The Texas Supreme Court in *In re Occidental Chemical Corp.*, 561 S.W.3d 146 (Tex. 2018), determined that certain property should be removed from Nueces County to San Patricio County. As a result of this determination, the San Patricio County Appraisal District has informed the District that this property totaling approximately \$170,000,000 in taxable value will be removed from the District. The District is reviewing these determinations and does not make any representations regarding the impact, if any, therefrom on the District's interest and sinking tax levy and collections in future years.

Area of District: 168 Square Miles
 Estimated Population: 233,376 in Year 2019
 Per Capita Net Assessed Valuation: \$71,376
 Per Capita General Obligation Debt: \$2,587

DEBT OBLIGATIONS - CAPITAL LEASE AND NOTES PAYABLE**TABLE 2**

The District entered into a Tax-Exempt Lease Purchase Agreement dated July 8, 2016 that will be paid off by fiscal year 2032. The lease proceeds were deposited into an escrow account to partially finance the energy savings performance contracting project to be engineered, designed, constructed and commissioned by Johnson Controls, Inc. All proceeds in this escrow account must be fully expended by January 2018. The fixed interest rate is 2.29%. The future minimum lease payment requirements are as follows:

<u>Year Ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$310,331	\$175,815	\$486,146
2020	333,215	168,550	501,765
2021	377,677	160,635	538,312
2022	424,847	151,683	576,530
2023	455,459	141,741	597,200
2024-2028	2,868,993	529,155	3,398,148
2029-2032	2,954,081	157,455	3,111,536
	<u>\$7,724,603</u>	<u>\$1,485,034</u>	<u>\$9,209,637</u>

Note: The above information was taken from the District's 2018 Annual Financial Report.

(The remainder of this page has been intentionally left blank.)

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS⁽¹⁾

[Includes the Bonds and the Variable Rate Unlimited Tax School Building Bonds, Series 2017A and excludes the Refunded Bonds]

Year Ending 8/31	Current Total Debt Service ⁽¹⁾	Less: Refunded Debt Service	Unlimited Tax School Building & Refunding Bonds, Series 2019			Variable Rate Unlimited Tax School Building Bonds, Series 2017A			Combined Debt Service ⁽¹⁾
			Principal	Interest	Total	Principal	Interest	Total	
2019	\$35,014,148								\$35,014,148
2020	34,584,893	\$3,911,806	\$6,715,000	\$7,270,277	\$13,985,277	\$1,888,800	\$1,888,800	\$1,888,800	46,547,164
2021	35,161,193	3,911,806	1,495,000	7,228,700	8,723,700	1,888,800	1,888,800	1,888,800	41,861,887
2022	35,875,193	3,911,806	1,665,000	7,153,950	8,818,950	1,888,800	1,888,800	1,888,800	42,671,137
2023	36,428,843	3,911,806	1,755,000	7,070,700	8,825,700	1,888,800	1,888,800	1,888,800	43,231,537
2024	36,904,393	3,911,806	1,365,000	6,982,950	8,347,950	1,888,800	1,888,800	1,888,800	43,229,337
2025	37,201,643	3,911,806	1,135,000	6,914,700	8,049,700	1,888,800	1,888,800	1,888,800	43,228,337
2026	37,356,693	15,376,806	11,285,000	6,857,950	18,142,950	1,888,800	1,888,800	1,888,800	42,011,637
2027	37,354,938	15,579,754	11,985,000	6,362,150	18,347,150	1,888,800	1,888,800	1,888,800	42,011,134
2028	37,467,369	15,802,993	12,750,000	5,812,400	18,562,400	1,888,800	1,888,800	1,888,800	42,115,577
2029	37,449,636	16,056,047	13,620,000	5,196,900	18,816,900	1,888,800	1,888,800	1,888,800	42,099,289
2030	37,433,680	16,288,906	14,535,000	4,515,900	19,050,900	1,888,800	1,888,800	1,888,800	42,084,473
2031	37,210,687	18,092,007	17,065,000	3,789,150	20,854,150	1,888,800	1,888,800	1,888,800	41,861,629
2032	37,132,650	18,426,950	18,085,000	3,106,550	21,191,550	1,888,800	1,888,800	1,888,800	41,786,051
2033	31,210,013		2,725,000	2,383,150	5,108,150	1,888,800	1,888,800	1,888,800	38,206,963
2034	25,664,813		2,835,000	2,274,150	5,109,150	1,888,800	1,888,800	1,888,800	32,662,763
2035	21,318,013		2,920,000	2,189,100	5,109,100	1,888,800	1,888,800	1,888,800	28,315,913
2036	18,964,013		3,010,000	2,101,500	5,111,500	1,888,800	1,888,800	1,888,800	25,964,313
2037	18,291,550		3,100,000	2,011,200	5,111,200	1,888,800	1,888,800	1,888,800	25,291,550
2038	17,282,700		3,190,000	1,918,200	5,108,200	1,888,800	1,888,800	1,888,800	24,279,700
2039	11,636,700		3,320,000	1,790,600	5,110,600	1,888,800	1,888,800	1,888,800	24,356,100
2040	11,634,400		3,450,000	1,657,800	5,107,800	1,660,000	1,660,000	1,660,000	24,352,200
2041	11,467,800		3,590,000	1,519,800	5,109,800	1,422,000	1,422,000	1,422,000	24,184,600
2042	11,300,000		3,735,000	1,376,200	5,111,200	1,236,450	1,236,450	1,236,450	24,017,650
2043	11,129,000		3,885,000	1,226,800	5,111,800	1,045,350	1,045,350	1,045,350	23,851,150
2044	10,964,600		4,040,000	1,071,400	5,111,400	848,400	848,400	848,400	23,684,400
2045	10,796,200		4,200,000	909,800	5,109,800	645,600	645,600	645,600	23,516,600
2046	2,633,600		4,365,000	741,800	5,106,800	436,650	436,650	436,650	15,347,050
2047	2,631,200		4,540,000	567,200	5,107,200	221,550	221,550	221,550	15,344,950
2048			4,725,000	385,600	5,110,600	0	0	0	5,110,600
2049			4,915,000	196,600	5,111,600	0	0	0	5,111,600
	\$729,500,559	\$139,094,298	\$176,000,000	\$102,583,177	\$278,583,177	\$59,070,000	\$45,292,000	\$104,362,000	\$973,351,438

⁽¹⁾ Excludes that portion of interest payments on Current Total Debt Service offset by the refundable tax credit to be received by the District from the Department of Treasury as a result of the portion of the Affected Bonds styled as "Unlimited Tax School Building Bonds, Taxable Series 2010B (Direct Subsidy - Build America Bonds)" being designated as "build america bonds," and the portion of the Affected Bonds styled as "Unlimited Tax School Building Qualified School Construction Bonds, Taxable Series 2011 (Direct Pay Subsidy Bonds)" being designated as "qualified school construction bonds." (See "EFFECTS OF SEQUESTRATION ON CERTAIN OBLIGATIONS" herein.)

TAX ADEQUACY

2018 I&S Net Taxable Assessed Valuation ⁽¹⁾		\$16,657,494,973
Maximum Annual Debt Service Requirements for Year Ending:	8/31/2020	\$46,547,164
Less: Existing Debt Allotment		0
Less: Instructional Facilities Allotment		0
Net Debt Service Requirement		<u>\$46,547,164</u>
Indicated Interest and Sinking Fund Tax Rate		\$0.2852
Indicated Interest and Sinking Fund Tax Levy at the following Collections:	98%	\$46,555,061

Note: See "APPENDIX A - TABLE 6 TAX DATA" herein.

⁽¹⁾ The Texas Supreme Court in *In re Occidental Chemical Corp.*, 561 S.W.3d 146 (Tex. 2018), determined that certain property should be removed from Nueces County to San Patricio County. As a result of this determination, the San Patricio County Appraisal District has informed the District that this property totaling approximately \$170,000,000 in taxable value will be removed from the District. The District is reviewing these determinations and does not make any representations regarding the impact, if any, therefrom on the District's interest and sinking tax levy and collections in future years.

INTEREST AND SINKING FUND MANAGEMENT INDEX

General Obligation Interest and Sinking Fund Balance as of August 31, 2018	\$17,087,298
2018 Interest and Sinking Fund Tax Levy at 98% Collections Produces	32,648,690
Plus: Existing Debt Allotment	0
Plus: Instructional Facilities Allotment	0
Total Available for Debt Service	<u>\$49,735,988</u>
Less: General Obligation Debt Service Requirements, Year Ending: 8/31/2019 ⁽¹⁾	<u>35,014,148</u>
Estimated Balance at Year Ended 8/31/2019	<u><u>\$14,721,840</u></u>

⁽¹⁾ Includes the Bonds and excludes the portion of the District's outstanding bonds being refunded by the Bonds.

(The remainder of this page intentionally left blank.)

GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE

Year Ending 8/31	Currently Outstanding Obligations Principal Repayment Schedule	Less: Refunded Bonds Principal	Unlimited Tax School Building & Refunding Bonds, Series 2019 - Principal Repayment Schedule		Variable Rate Unlimited Tax School Building Bonds, Series 2017A - Principal Repayment Schedule		Combined Principal Repayment Schedule	Obligations Remaining Outstanding End of the Year	Percent of Principal Retired
2019	\$13,125,000						\$13,125,000	\$590,625,000	
2020	14,420,000		\$6,715,000				21,135,000	569,490,000	
2021	11,745,000		1,495,000				13,240,000	556,250,000	
2022	12,840,000		1,665,000				14,505,000	541,745,000	
2023	13,850,000		1,755,000				15,605,000	526,140,000	10.27%
2024	14,870,000		1,365,000				16,235,000	509,905,000	
2025	15,675,000		1,135,000				16,810,000	493,095,000	
2026	21,430,000	\$11,465,000	11,285,000				21,250,000	471,845,000	
2027	22,310,000	12,085,000	11,985,000				22,210,000	449,635,000	
2028	23,300,000	12,760,000	12,750,000				23,290,000	426,345,000	25.53%
2029	24,270,000	13,520,000	13,620,000				24,370,000	401,975,000	
2030	50,195,000	14,290,000	14,535,000				50,440,000	351,535,000	
2031	27,755,000	16,680,000	17,065,000				28,140,000	323,395,000	
2032	28,800,000	17,700,000	18,085,000				29,185,000	294,210,000	
2033	24,005,000		2,725,000				26,730,000	267,480,000	51.27%
2034	19,420,000		2,835,000				22,255,000	245,225,000	
2035	15,850,000		2,920,000				18,770,000	226,455,000	
2036	14,130,000		3,010,000				17,140,000	209,315,000	
2037	14,085,000		3,100,000				17,185,000	192,130,000	
2038	13,695,000		3,190,000				16,885,000	175,245,000	68.18%
2039	8,655,000		3,320,000		\$5,720,000		17,695,000	157,550,000	
2040	9,060,000		3,450,000		5,950,000		18,460,000	139,090,000	
2041	9,320,000		3,590,000		6,185,000		19,095,000	119,995,000	
2042	9,525,000		3,735,000		6,370,000		19,630,000	100,365,000	
2043	9,735,000		3,885,000		6,565,000		20,185,000	80,180,000	83.38%
2044	9,960,000		4,040,000		6,760,000		20,760,000	59,420,000	
2045	10,190,000		4,200,000		6,965,000		21,355,000	38,065,000	
2046	2,435,000		4,365,000		7,170,000		13,970,000	24,095,000	
2047	2,530,000		4,540,000		7,385,000		14,455,000	9,640,000	98.40%
2048			4,725,000				4,725,000	4,915,000	
2049			4,915,000				4,915,000	0	100.00%
	\$467,180,000	\$98,500,000	\$176,000,000		\$59,070,000		\$603,750,000		

Tax Year	Net Taxable Assessed Valuation	Change From Preceding Year	
		Amount (\$)	Percent (%)
2014 ⁽¹⁾	\$13,872,163,201	\$1,199,601,583	9.47%
2015 ⁽¹⁾	14,361,894,401	489,731,200	3.53%
2016 ⁽¹⁾	15,434,108,451	1,072,214,050	7.47%
2017 ⁽¹⁾	15,674,959,404	240,850,953	1.56%
2018 ⁽²⁾⁽³⁾	16,657,494,973	982,535,569	6.27%

⁽¹⁾ Source: District's 2018 Annual Financial Report.

⁽²⁾ Source: Nueces and San Patricio County Appraisal Districts.

⁽³⁾ The Texas Supreme Court in *In re Occidental Chemical Corp.*, 561 S.W.3d 146 (Tex. 2018), determined that certain property should be removed from Nueces County to San Patricio County. As a result of this determination, the San Patricio County Appraisal District has informed the District that this property totaling approximately \$170,000,000 in taxable value will be removed from the District. The District is reviewing these determinations and does not make any representations regarding the impact, if any, therefrom on the District's interest and sinking tax levy and collections in future years.

PRINCIPAL TAXPAYERS

Name	Type of Property	2018 Net Taxable Assessed Valuation ⁽¹⁾	% of Total 2018 Assessed Valuation
Valero Refining Texas LP (W)	Refinery	\$992,582,750	5.96%
Citgo Refining/Chemical Co. LP-PLT	Refinery	454,552,820	2.73%
Valero Marketing & Supply	Refinery	186,972,890	1.12%
Flint Hills Resources LLC-East Plant	Refinery	174,379,320	1.05%
Buckeye Texas HUB LLC	Marine Export Terminal	162,914,850	0.98%
AEP Texas Inc.	Electric Utility	155,476,730	0.93%
Nueces Bay Wyle LP	Electric Manufacturing	100,527,530	0.60%
Corpus Christi Retail Venture LP	Shopping Mall	96,736,271	0.58%
Corpus Christi Liquefaction LLC	Refinery	81,574,640	0.49%
Magellan Processing Company	Refinery	80,600,000	0.48%
Total (14.93% of 2018 Net Taxable Assessed Valuation)		\$2,486,317,801	14.93%

Note: The above information was taken from the Nueces and San Patricio County Appraisal Districts.

⁽¹⁾ As limited by Chapter 313, Texas Tax Code Value Limitation Agreements

The District's Maintenance and Operations Taxable value was decreased by Chapter 313, Texas Tax Code Value Limitation Agreements (the "Value Limitation Agreements") entered into with voestalpine Texas LLC and Corpus Christi Liquefaction LLC (the "Chapter 313 Participants"). The current tax roll levy reflects the District's taxable value which was decreased by the Value Limitation Agreements. These limitations apply only to the Maintenance and Operations taxable property value. The taxable value for Interest and Sinking purposes is not subject to the limitations. Commencing with the 2017 tax year, the taxable value for Maintenance and Operations tax purposes for the voestalpine Texas LLC Chapter 313 Participant was decreased to \$30,000,000 through the 2024 tax year after which there is no limitation on tax value for this purpose. Commencing the 2018 tax year, the taxable value for Maintenance and Operations tax purposes for the Corpus Christi Liquefaction LLC Chapter 313 Participant was decreased to \$30,000,000 through the 2025 tax year after which there is no limitation on tax value for this purpose. The Chapter 313 Participants will compensate the District to offset any loss to Maintenance and Operations revenue over the term of the Value Limitation Agreement. The payments made by Chapter 313 Participants pursuant to the Value Limitation Agreement contribute to the District's general fund above and beyond what is generated through the School Finance System. The Texas Supreme Court in *In re Occidental Chemical Corp.*, 561 S.W.3d 146 (Tex. 2018), determined that certain property should be removed from Nueces County to San Patricio County. As a result of this determination, the San Patricio County Appraisal District has informed the District that this property totaling approximately \$170,000,000 in taxable value will be removed from the District. The District is reviewing these determinations and does not make any representations regarding the impact, if any, therefrom on the District's interest and sinking tax levy and collections in future years.

(The remainder of this page intentionally left blank.)

CLASSIFICATION OF ASSESSED VALUATION

TABLE 5

	2018	% of Total	2017	% of Total	2016	% of Total
Real, Residential, Single-Family	\$9,514,350,750	49.48%	\$9,375,628,790	51.23%	\$9,118,361,786	50.36%
Real, Residential, Multi-Family	1,450,313,761	7.54%	1,393,224,330	7.61%	1,301,051,105	7.19%
Vacant Lots/Tracts & Colonia Lots/Tracts	315,565,429	1.64%	310,635,069	1.70%	303,957,121	1.68%
Qualified Open-Space Land	112,054,653	0.58%	121,154,994	0.66%	123,534,235	0.68%
Farm and Ranch Improvements	29,245	0.00%	26,086	0.00%	40,280	0.00%
Rural Land (Non Qualified)/Residential Improvements	31,355,122	0.16%	34,737,424	0.19%	36,220,077	0.20%
Commercial Real Property	2,880,040,722	14.98%	2,781,661,794	15.20%	2,686,555,936	14.84%
Industrial and Manufacturing Real Property	2,531,284,787	13.16%	2,112,215,550	11.54%	2,301,612,085	12.71%
Real, Minerals, Oil and Gas	19,335,544	0.10%	4,723,936	0.03%	11,923,820	0.07%
Real & Tangible, Personal Utilities	285,648,047	1.49%	265,226,132	1.45%	238,103,304	1.32%
Tangible Personal, Commercial	1,294,191,395	6.73%	1,274,925,972	6.97%	1,313,248,055	7.25%
Tangible Personal, Industrial and Manufacturing	665,962,598	3.46%	498,969,059	2.73%	547,519,556	3.02%
Tangible Personal, Mobile Homes	19,488,744	0.10%	17,730,171	0.10%	17,188,719	0.09%
Residential Inventory	28,166,021	0.15%	26,624,833	0.15%	16,099,367	0.09%
Special Inventory	82,006,030	0.43%	83,251,728	0.45%	91,160,387	0.50%
Total Appraised Value	\$19,229,792,848	100.00%	\$18,300,735,868	100.00%	\$18,106,575,833	100.00%
Less:						
Homestead Exemption Loss	\$1,116,869,827		\$1,120,011,731		\$1,118,441,648	
Local - Over 65/Surviving Spouse Homestead Exemption	701,921,583		667,589,609		150,390,083	
State - Over 65/Surviving Spouse Homestead Exemption	159,036,354		154,740,196		627,379,712	
Disabled/Surviving Spouse	157,273,141		154,059,204		153,352,565	
Disabled Veterans/Surviving Spouse Exemption	25,139,089		24,489,354		23,523,415	
Disabled Veterans/Surviving Spouse Homestead Exemption	133,028,350		114,485,136		97,597,419	
Pollution Control Exemption Loss	61,395,511		60,237,403		56,380,109	
Solar Wind	974,306		138,188		0	
Value Lost to Texas Economic Development	106,090,210		1,320,260		404,000	
Productivity Loss	111,295,717		120,367,870		122,728,052	
10% Residential Cap	105,363,997		208,337,513		325,438,953	
M&O Net Taxable Assessed Valuation*	\$16,551,404,763		\$15,674,959,404		\$15,430,939,877	
Value Lost to Texas Economic Development	106,090,210		1,320,260		404,000	
I&S Net Taxable Assessed Valuation	\$16,657,494,973		\$15,676,279,664		\$15,431,343,877	

Note: The above figures were taken from the Nueces and San Patricio County Appraisal Districts which are compiled during the initial phase of the tax year and is subject to change.

*The District's M&O Taxable Value is decreased by the voestalpine Texas LLC and the Corpus Christi Liquefaction LLC Chapter 313 Value Limitation Agreements.

TAX DATA

TABLE 6

Taxes are due October 1 and become delinquent after January 31. No split payments or discounts are allowed. Penalties and Interest: (a) a delinquent tax incurs a penalty of six percent of the amount of the tax for the first calendar month it is delinquent plus one percent for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. However, a tax delinquent on July 1 incurs a total penalty of twelve percent of the amount of the delinquent tax without regard to the number of months the tax has been delinquent; (b) a delinquent tax accrues interest at a rate of one percent for each month or portion of a month the tax remains unpaid; and an additional penalty up to a maximum of 20% of taxes, penalty and interest may be imposed to defray costs of collection for taxes delinquent after July 1. All percentage of collections set forth below exclude penalties and interest.

Tax Year	Net Taxable Assessed Valuation	Tax Rate	Tax Levy	% Collections		Year Ended
				Current	Total	
2014	\$13,872,163,201	\$1.2374	\$167,484,620	97.34	99.14	8/31/2015
2015	14,361,894,401	1.2374	173,447,371	93.91	92.19	8/31/2016
2016	15,434,108,451	1.2374	185,294,982	96.15	97.62	8/31/2017
2017	15,674,959,404	1.2374	187,768,712	97.68	99.28	8/31/2018
2018	16,657,494,973 ⁽¹⁾	1.3051	210,099,720	96.53*	98.13*	8/31/2019

Note: The above figures were taken from the Municipal Advisory Council of Texas, Texas Municipal Reports, the District's 2018 Annual Financial Report, the Nueces and San Patricio Appraisal Districts and information provided by the District.

*Unaudited, as of June 30, 2019.

⁽¹⁾ The Texas Supreme Court in *In re Occidental Chemical Corp.*, 561 S.W.3d 146 (Tex. 2018), determined that certain property should be removed from Nueces County to San Patricio County. As a result of this determination, the San Patricio County Appraisal District has informed the District that this property totaling approximately \$170,000,000 in taxable value will be removed from the District. The District is reviewing these determinations and does not make any representations regarding the impact, if any, therefrom on the District's interest and sinking tax levy and collections in future years.

TAX RATE DISTRIBUTION

TABLE 7

Tax Year	2018	2017	2016	2015	2014
General Fund	\$1.1051	\$1.0601	\$1.0601	\$1.0601	\$1.0601
I & S Fund	0.2000	0.1773	0.1773	0.1773	0.1773
Total Tax Rate	\$1.3051	\$1.2374	\$1.2374	\$1.2374	\$1.2374

Note: The above figures were taken from the Nueces and San Patricio County Appraisal Districts.

GENERAL FUND COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES AND ANALYSIS OF CHANGES IN FUND BALANCES

TABLE 8

	Fiscal Year Ended				
	8/31/2018	8/31/2017	8/31/2016	8/31/2015	8/31/2014
Revenues:					
Total Local and Intermediate Sources	\$167,311,479	\$161,019,152	\$148,383,927	\$147,817,731	\$135,047,366
State Program Revenues	135,508,968	145,340,006	157,605,752	154,441,523	158,539,335
Federal Program Revenues	9,683,193	6,201,725	6,183,063	5,792,625	5,145,916
Total Revenues	\$312,503,640	\$312,560,883	\$312,172,742	\$308,051,879	\$298,732,617
Expenditures:					
Instruction	\$173,226,867	\$175,493,380	\$167,498,808	\$165,814,367	\$160,634,797
Instruction Resources & Media Services	5,289,078	5,022,113	4,969,278	5,298,479	4,483,317
Curriculum & Instructional Staff Development	1,329,166	1,370,214	966,058	1,423,509	801,187
Instructional Leadership	5,211,843	5,432,977	5,593,867	6,312,558	5,596,230
School Leadership	20,904,123	20,616,344	20,544,020	19,516,871	18,797,239
Guidance, Counseling & Evaluation Services	11,265,521	11,254,529	11,086,658	11,242,204	10,719,924
Social Work Services	1,408,597	1,234,454	1,212,478	1,309,554	1,162,812
Health Services	3,629,042	3,609,824	3,581,433	3,438,791	3,219,263
Student (Pupil) Transportation	5,258,931	7,911,917	4,966,889	8,046,459	5,409,797
Extracurricular Activities	10,800,450	11,070,718	10,041,594	9,116,015	8,075,251
General Administration	7,836,235	7,547,455	7,957,252	8,676,614	8,104,748
Facilities Maintenance and Operations	39,031,812	43,158,829	42,758,721	41,677,880	42,806,491
Security & Monitoring Service	3,530,634	3,786,319	3,388,087	3,035,454	3,019,057
Data Processing Services	6,523,270	8,980,656	7,001,988	7,350,366	7,019,716
Community Services	912,908	960,971	948,617	1,228,661	1,340,618
Debt Service-Principal on Long Term Debt	319,488	185,997	0	0	0
Debt Service-Interest on Long Term Debt	183,108	0	0	0	0
Facilities Acquisition and Construction	0	277,230	382,520	505,303	433,841
Payments to Fiscal Agent/Member Districts of SSA	637,197	545,014	621,159	494,161	514,738
Payments to Juvenile Justice Alternative Ed. Prg.	269,490	274,139	266,829	224,307	277,212
Other Intergovernmental Charges	2,193,962	2,182,454	1,879,631	1,811,245	1,787,174
Total Expenditures	\$299,761,722	\$310,915,534	\$295,665,887	\$296,522,798	\$284,203,412
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	\$12,741,918	\$1,645,349	\$16,506,855	\$11,529,081	\$14,529,205
Other Financing Sources (Uses):					
Sale of Personal Property	\$78,275	\$79,708	\$74,246	\$54,167	\$180,540
Capital Leases	0	0	0	0	0
Transfer In	0	0	0	0	0
Transfers Out (Note IV. E)	(4,964,413)	(8,135,271)	(100,000)	(100,000)	(9,200,000)
Total Other Financing Sources and (Uses):	(\$4,886,138)	(\$8,055,563)	(\$25,754)	(\$45,833)	(\$9,019,460)
Special Item - Lawsuit Settlement	\$0	\$0	\$0	(\$5,804,187)	\$0
Net Change in Fund Balance	\$7,855,780	(\$6,410,214)	\$16,481,101	\$5,679,061	\$5,509,745
Fund Balance - September 1 (Beginning)	99,049,920	105,460,134	88,979,033	83,299,972	77,790,227
Fund Balance - August 31 (Ending)	\$106,905,700	\$99,049,920	\$105,460,134	\$88,979,033	\$83,299,972

Note: The above information was taken from the District's Annual Financial Reports dated August 31, 2014-2018.

OVERLAPPING DEBT DATA AND INFORMATION

(As of May 31, 2019)

The following table indicates the indebtedness, defined as outstanding bonds payable from ad valorem taxes, of governmental entities overlapping the District and the estimated percentages and amounts of such indebtedness attributable to property within the District. Expenditures of the various taxing bodies overlapping the territory of the Issuer are paid out of ad valorem taxes levied by these taxing bodies on properties overlapping the Issuer. These political taxing bodies are independent of the Issuer and may incur borrowings to finance their expenditures.

The following statements of direct and estimated overlapping ad valorem bonds were developed from information contained in the "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 below may have authorized or issued additional bonds not included below, and such entities may have programs requiring the authorization and/or issuance of substantial amounts of additional bonds, the amount of which cannot be determined.

Taxing Body	Gross Debt	% Overlapping	Amount Overlapping
Corpus Christi, City of	\$446,245,000	67.78%	\$302,464,861
Del Mar College District	228,195,000	62.75%	143,192,363
Nueces County	116,076,988	54.26%	62,983,374
San Patricio County	54,067,627	0.64%	346,033
Total Gross Overlapping Debt			\$508,986,630
Corpus Christi ISD	\$603,750,000 *	100.00%	603,750,000 *
Total Direct and Overlapping Debt			\$1,112,736,630 *
Ratio of Direct and Overlapping Debt to the 2018 Assessed Valuation			6.68% *
Per Capita Direct and Overlapping Debt			\$4,768 *

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas.

*Includes the Bonds and excludes the Refunded Bonds.

ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ISSUERS

Governmental Subdivision	2018 Assessed Valuation	2018 Tax Rate
Corpus Christi, City of	\$21,022,784,041	\$0.6263
Del Mar College District	27,330,399,628	0.2819
Nueces County	29,432,163,108	0.3163
San Patricio County	6,909,799,403	0.4685

Source: The Nueces and San Patricio County Appraisal Districts.

OVERLAPPING GOVERNMENTAL SUBDIVISIONS

Issuer	Date of Authorization	Purpose	Amount		
			Authorized	Issued To-Date	Unissued
Corpus Christi, City of	11/06/18	Street	\$52,000,000	\$0	\$52,000,000
		Street	22,000,000	0	22,000,000
		Parks & Recreation	56,300,000	0	56,300,000
		Library	3,878,000	0	3,878,000
		Public Safety	11,343,000	0	11,343,000
		Public Health	11,490,000	0	11,490,000
Del Mar College District	11/04/14	College Facilities	157,000,000	131,733,206	25,266,794
	11/08/16	College Facilities	139,000,000	71,313,813	67,686,187
Nueces County	None				
San Patricio County	None				
Corpus Christi ISD	11/06/18	School Building	210,770,000	105,385,000 *	105,385,000 *

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas.

*Includes the Bonds.

Plan Description:

Corpus Christi 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). It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. The pension trust fund is qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

Pension Plan Fiduciary Net Position:

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at https://www.trs.texas.govffRS%20Documents/cafr_2016.pdf; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided:

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

Contributions:

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

<u>Contribution Rates</u>	2018
Member (Employees)	7.7%
Employer (District)	6.8%
Non-Employer Contributing Entity (State of Texas)	6.8%
<u>Contributions</u>	
District Employees	\$17,196,326
District	\$7,094,265
NECE on-behalf (State of Texas)	\$10,659,454

(To be continued on next page.)

EMPLOYEE BENEFIT PLANS - DEFINED BENEFIT PENSION PLAN (continuation)

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

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

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

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

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

Actuarial Assumptions:

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

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Rate	8.00%
Last year ending August 31 in 2017 to 2116	
Projection period (100 years)	2116
Inflation	2.50%
Salary Increases including inflation	3.50% to 9.50%
Ad hoc post-employment benefit changes	None

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

(To be continued on next page.)

EMPLOYEE BENEFIT PLANS - DEFINED BENEFIT PENSION PLAN (continuation)

Discount Rate:

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

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

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

Discount Rate Sensitivity Analysis:

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

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase Discount Rate (9.0%)
District's proportionate share of the net pension liability:	\$118,360,815	\$70,210,372	\$30,117,313

(To be continued on next page.)

EMPLOYEE BENEFIT PLANS - DEFINED BENEFIT PENSION PLAN (continuation)

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

At August 31, 2018, Corpus Christi Independent School District reported a liability of \$70,210,372 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$70,210,372
State's proportionate share of the net pension liability associated with the District	<u>104,212,722</u>
Total	\$174,423,094

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

At August 31, 2017 the employer's proportion of the collective net pension liability was 0.219581618% which was an increase of 0.013725281% from its proportion measured as of August 31, 2016. The general fund will be used to liquidate pension liabilities.

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

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

For the year ended August 31, 2018, the District recognized pension expense of \$7,948,932 and revenue of \$10,659,454 for support provided by the State in the Government Wide Statement of Activities.

At August 31, 2018, Corpus Christi Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$1,027,209	\$3,786,353
Changes in actuarial assumptions	3,198,194	1,830,891
Difference between projected and actual investment earnings	0	\$5,116,779
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	14,435,646	5,074
Contributions paid to TRS subsequent to the measurement date	<u>7,094,265</u>	<u>0</u>
Total	\$25,755,314	\$10,739,097

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$7,094,265 will be recognized as a reduction of the net pension liability for the measurement year ending August 31, 2018 (i.e. recognized in the district's financial statements August 31, 2018). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended August 31,</u>	<u>Pension Expense Amount</u>
2019	\$1,061,073
2020	5,542,783
2021	716,727
2022	(601,624)
2023	738,469
Thereafter	<u>464,524</u>
Total	\$7,921,952

Note: The above information was taken from the District's 2018 Annual Financial Report.

The District has a self-insurance health plan that is authorized by Section 21.922, Texas Education Code, Article 3.51-2, Texas Insurance Code and is documented by contractual agreement. The District's contribution averages \$517 per month. This plan is reported as an Internal Service Fund.

Note: The above information was taken from the District's 2018 Annual Financial Report.

DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN (Retiree Health Care Coverage)

Plan Description:

The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined Other Post-Employment Benefits (OPEB) benefit 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.

Employees of the system who retire with 10 or more years of eligible service credit and meet the Rule of 80 or are at least 65 years of age continue to receive health care and basic life insurance benefits through the Texas Employees Group Benefits Program (GBP) of the State Retiree Health Plan (SRHP) in accordance with the Texas Insurance Code, Chapter 1551.

OPEB Plan Fiduciary Net Position:

Detailed 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. It may be obtained at <http://www.trs.state.tx.us/about/documetns/cafr.pdf#CAFR> or by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

Benefits Provided:

TRS-Care provides a basic health insurance coverage (TRS-Care 1), at no cost to all retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependents 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 postemployment benefit changes; including automatic COLAs.

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

Monthly TRS-Care Plan Premium Rates
Effective September 1, 2016 - December 31, 2017

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

*or surviving spouse.

(To be continued on next page.)

DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN (continuation)

Contributions:

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

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

	<u>Contribution Rates</u>	<u>2018</u>
Contribution Rates:		
Active Members		0.65%
District		1.25%
Non-Employer contributing Entity (State of Texas)		0.75%
Federal/Private Funding Remitted by Employers		1.25%
Contribution Amounts:		<u>2018</u>
(Active Members		\$1,445,451
(District		1,913,089
NECE on -behalf (State of Texas)		2,000,877

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$15.6 million in fiscal year 2017 and \$182.6 million in fiscal year 2018.

Actuarial Assumptions:

The total OPEB liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

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

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

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:

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

(To be continued on next page.)

DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN (continuation)

Additional Actuarial Methods and Assumptions:

Valuation Day	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.50%
Single Discount Rate	3.42%*
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	2.50%
Projected Salary Increases	3.50% - 9.50%**
Healthcare Trend Rates	4.50% - 12.00%***
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65.
Ad Hoc Post-Employment Benefit Changes	None

*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 GOAA Index" as of August 21, 2017.

**Includes inflation at 2.50%.

***Initial trend rates are 7.00%/or non-Medicare retirees; 10.00%/or Medicare retirees and 12.00%/or prescriptions for all retirees. Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 10 years.

Other Information:

There was a significant plan change adopted in fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will be offered and all retirees will be required to contribute monthly premiums for coverage. Assumption changes made for the August 31, 2017 valuation include a change to the assumption regarding the phase-out of the Medicare Part D subsidies and a change to the discount rate from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017.

Discount Rate:

A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of .44 percent in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the nonemployer 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.

Discount Rate Sensitivity Analysis:

The following 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 in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.42%)	Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
District's proportionate share of the net OPEB liability:	\$143,010,930	\$121,170,211	\$103,615,197

Healthcare Cost Trend Sensitivity Analysis:

The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1 % lower or 1% 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:	\$100,886,306	\$121,170,211	\$147,785,251

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

At August 31, 2018, Corpus Christi Independent School District reported a liability of \$121,170,211 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$121,170,211
State proportionate share that is associated with the District	167,359,956
Total	\$288,530,167

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

At August 31, 2017 the employer's proportion of the collective Net OPEB Liability was .2786402938% which was the same proportion measured as of August 31, 2016.

(To be continued on next page.)

DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN (conclusion)

Changes Since the Prior Actuarial Valuation:

1. Significant plan changes were adopted during fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates.
2. The August 31, 2016 valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017 valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment, and its impact was included as an assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.
3. The discount rate changed from 2.98 percent as of August 31, 2016 to 3.42 percent as of August 31, 2017. This change lowered the total OPEB liability.

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

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

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

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

There were no changes of benefit terms that affected measurement of the Total OPEB liability during the measurement period. For the year ended August 31, 2018, the District recognized OPEB negative expense of \$56,003,091 and negative revenue of \$2,000,877 for support provided by the State.

At August 31, 2018, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual actuarial experiences	\$0	\$2,529,520
Changes in actuarial assumptions	0	48,156,208
Differences between projected and actual investment earnings	18,406	0
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	560	0
Contributions paid to TRS subsequent to the measurement date	1,913,089	0
Total	<u>\$1,932,055</u>	<u>\$50,685,728</u>

The net amounts of the District's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>For the Year Ended August 31,</u>	<u>OPEB Expense</u>
2019	(\$6,685,538)
2020	(6,685,538)
2021	(6,685,538)
2022	(6,685,538)
2023	(6,690,140)
Thereafter	<u>(17,234,470)</u>
	(\$50,666,762)

Medicare Part D

The Medicare Modernization Act of 2003 (MMS) created an outpatient prescription drug benefit program known as Medicare Part D. The Texas Public School Retired Employee Group Insurance Program (TRS-Care) is offering a Medicare Part D Plan and is participating in the Retiree Drug Subsidy plan for eligible TRS-Care participants. For the years ended August 30, 2017, and August 31, 2018, the subsidy payments received by TRS-Care on behalf of the District were \$688,431 and \$695,305, respectively. TRS issues a publicly available financial report that may be found on the TRS Web Site at www.trs.state.tx.us.

Note: The above information was taken from the District's 2018 Annual Financial Report.

[This page is intentionally left blank.]

APPENDIX B

GENERAL INFORMATION REGARDING THE DISTRICT

[This page is intentionally left blank.]

**GENERAL INFORMATION REGARDING THE DISTRICT, THE CITY OF CORPUS CHRISTI, AND
THE COUNTIES OF NUECES AND SAN PATRICIO, TEXAS**

The District:

The Corpus Christi Independent School District (the “District”) includes a major portion of the City of Corpus Christi (the “City”), the county seat of Nueces County, a trade center and shipping point located on the Gulf Coast. The City is Texas' 8th largest city. The City's location is one of the most strategic in the Southwest with deep water transportation to the Gulf of Mexico and barge traffic via the Intracoastal Waterway. The Port of Corpus Christi is the seventh largest in the nation. The chemical industry employs over 50,000 people. Manufacturers employing over 250 persons each produce such goods as liquefied petroleum gasses, steel pressure pipe, a newspaper, breads, motion and electric sensors, processed meats, and jet fuel. Manufacturers producing jet and auto fuel employ over 500 people each.

Historical Enrollment for the District:

School Year	Enrollment
2014-15	38,490
2015-16	38,521
2016-17	37,897
2017-18	37,720
2018-19	37,318

Number of School Facilities:

School	Count
Elementary	36
Middle or Junior High	11
High School	8
Specialty Campuses	2

Educational status of the teachers is as follows:

	<u>Count</u>
Doctorates’ degree	17
Masters’ degree	694
Bachelor’s degree	1,483
Average years of classroom experience per teacher	12

Personnel distribution is as follows:

	<u>Count</u>
District Level Administrators	58
Building Level Administrators	149
Instructional Staff	2,222
Professional Support Staff (Counselors, Librarians, Nurses, Social Workers, etc.)	451
General Personnel (Secretaries, Aides, Clerks, Bus Drivers, Food Service, Maintenance, etc.)	<u>1,949</u>
TOTAL	4,829

Teacher salaries are competitive with surrounding districts. Teacher salaries range from \$48,503 for beginning teachers to a maximum of \$65,307.

THE CITY OF CORPUS CHRISTI, AND THE COUNTIES OF NUECES AND SAN PATRICIO, TEXAS

The City of Corpus Christi, Texas

The City of Corpus Christi, Texas (the “City”) is the county seat of Nueces County, Texas and a trade center and shipping point located on the Gulf Coast. The City's location is one of the most strategic in the Southwest, with deep water transportation to the Gulf of Mexico and barge traffic by the Intracoastal Waterway. Other manufacturers produce oil rigs, frozen fish, bottled water and pressure valves. The National Seashore Recreational Area on Padre Island has an 88 mile shoreline which attracts many tourists each season. The City's 2018 estimated population was approximately 325,733.

Nueces County, Texas

County Characteristics: Nueces County, Texas (“Nueces County”) was created and organized in 1846 from San Patricio County. Tourists are attracted by the mild winter climates. Nueces County was the state's largest producer of sorghum in 2016. Nueces County’s 2018 estimated population was 361,221.

Economic Base: Mineral: Sand, oil, gravel and gas.
 Industry: Tourism, petroleum, military bases, manufacturing, coastal shipping and agriculture.
 Agricultural: Sunflowers, hay, grain sorghum, cotton, corn, canola and beef cattle.

Oil & Gas 2018: The oil production for this County accounts for 0.01% of the total State production. Nueces County ranks 142 out of all the counties in Texas for oil production. The gas production for this County accounts for 0.16% of the total State production. Nueces County ranks 66 out of all the counties in Texas for gas production.

Oil Production:	<u>Year</u>	<u>Description</u>	<u>Volume</u>	<u>% Change from Previous Year</u>
	2017	Oil	209,810 BBL	-5.29
	2018	Oil	157,665 BBL	-24.85

Casinghead: (Texas Railroad Commission)	<u>Year</u>	<u>Description</u>	<u>Volume</u>	<u>% Change from Previous Year</u>
	2017	Casinghead	387.971 MCF	-11.04
	2018	Casinghead	316.913 MCF	-18.32

Gas Well Production: (Texas Railroad Commission)	<u>Year</u>	<u>Description</u>	<u>Volume</u>	<u>% Change from Previous Year</u>
	2017	GW Gas	9,832,854 MCF	-20.46
	2018	GW Gas	7,932,006 MCF	-19.33

Condensate: (Texas Railroad Commission)	<u>Year</u>	<u>Description</u>	<u>Volume</u>	<u>% Change from Previous Year</u>
	2017	Condensate	164,776 BBL	-24.90
	2018	Condensate	203,974 BBL	23.79

Retail Sales & Effective Buying Income:	Year	<u>2018</u>	<u>2017</u>	<u>2016</u>
	Retail Sales	\$6.2B	\$4.6B	\$5.6B
	Effective Buying Income (EBI)	\$8.3B	\$8.3B	\$7.9B
	County Median Household Income	\$47,178	\$47,450	\$45,999
	State Median Household Income	\$61,175	\$57,227	\$55,352
	% of Households with EBI below \$25K	25.3%	24.2%	12.7%
	% of Households with EBI above \$25K	66.2%	66.3%	65.1%

Employment Data:		<u>2018</u>		<u>2017</u>		<u>2016</u>	
		<u>Employed</u>	<u>Earnings</u>	<u>Employed</u>	<u>Earnings</u>	<u>Employed</u>	<u>Earnings</u>
	1st Quarter:	162,351	\$1.9B	161,178	\$1.9B	158,981	\$1.8B
	2nd Quarter:	164,895	\$1.9B	163,914	\$1.8B	159,940	\$1.8B
	3rd Quarter:	162,969	\$1.9B	160,974	\$1.8B	161,765	\$1.9B
	4th Quarter:	N/A	N/A	162,733	\$2.0B	162,472	\$1.9B

Major Colleges and Universities: Texas A&M University-Corpus Christi, Del Mar College

Colleges and Universities:	Year	Total	Fall Enrollment
	2017	2	23,554
	2018	2	23,821

*Sources: Texas Municipal Reports, published by the Municipal Advisory Council of Texas and Demographics USA County Edition.
 Any data on population, value added by manufacturing or production of minerals or agricultural products are from US Census or other official sources.*

San Patricio County, Texas

San Patricio County, Texas (“San Patricio County”) was created in 1836 and reorganized in 1847. The Naval Station of Ingleside officially shut down on April 30, 2010. The Navy returned ownership of the main base property to the Port of Corpus Christi. San Patricio County’s estimated 2018 population is 66,915.

County seat: Sinton.

Economic Base: Mineral: Oil, gravel, gas and caliche. Industry: Tourism, petrochemicals, oil, manufacturing and agribusiness. Agricultural: Grain sorghum, cotton, corn and beef cattle.

Oil & Gas 2018: The oil production for this County accounts for 0.03% of the total State production. San Patricio County ranks 112 out of all the counties in Texas for oil production. The gas production for this County accounts for 0.10% of the total State production. San Patricio County ranks 89 out of all the counties in Texas for gas production.

	<u>Year</u>	<u>Description</u>	<u>Volume</u>	<u>% Change from Previous Year</u>
Oil Production: (Texas Railroad Commission)	2017	Oil	270,331 BBL	-7.65
	2018	Oil	380,734 BBL	40.84
Casinghead: (Texas Railroad Commission)	2017	Casinghead	489,994 MCF	-28.57
	2018	Casinghead	721,991 MCF	47.35
Gas Well Production: (Texas Railroad Commission)	2017	GW Gas	5,270,567 MCF	-37.66
	2018	GW Gas	4,674,592 MCF	-11.31
Condensate: (Texas Railroad Commission)	2017	Condensate	166,236 BBL	-28.85
	2018	Condensate	172,081 BBL	3.52

Retail Sales & Effective Buying Income:	Year	<u>2018</u>	<u>2017</u>	<u>2016</u>
Retail Sales		\$700.8M	\$748.7M	\$979.3M
Effective Buying Income (EBI)		\$1.7B	\$1.5B	\$1.3B
County Median Household Income		\$52,139	\$50,154	\$44,768
State Median Household Income		\$61,175	\$57,227	\$55,352
% of Households with EBI below \$25K		19.7%	21.5%	11.0%
% of Households with EBI above \$25K		69.5%	68.7%	66.9%

Employment Data:	<u>2018</u>		<u>2017</u>		<u>2016</u>	
	<u>Employed</u>	<u>Earnings</u>	<u>Employed</u>	<u>Earnings</u>	<u>Employed</u>	<u>Earnings</u>
1st Quarter:	18,927	\$241.8M	19,490	\$236.0M	18,738	\$204.8M
2nd Quarter:	18,851	\$218.7M	19,149	\$222.1M	18,825	\$209.9M
3rd Quarter:	18,454	\$219.0M	18,846	\$217.7M	19,409	\$232.9M
4th Quarter:	N/A	N/A	19,298	\$237.1M	19,916	\$237.0M

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas.

*DemographicsUSA County Edition. Any data on population, value added by manufacturing or production of minerals or agricultural products are from US Census or other official sources.

Labor Force Statistics for Nueces and San Patricio Counties

Labor Force Statistics	<u>March 2019</u>	<u>February 2019</u>	<u>March 2018</u>	<u>Monthly Change</u>	<u>Year Ago Change</u>
% Unemployment (U.S.)	3.9	4.1	4.1	-0.2	-0.2
% Unemployment (Texas)	3.5	3.9	4.0	-0.4	-0.5
% Unemployment (Nueces County)	4.2	4.7	4.9	-0.5	-0.7
% Unemployment (San Patricio County)	5.5	6.2	6.8	-0.7	-1.3

Labor Force Statistics	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
% Unemployment (U.S.)	3.7	4.1	4.5	4.8	5.4
% Unemployment (Texas)	3.6	4.0	4.6	4.2	4.1
% Unemployment (Nueces County)	4.3	5.4	5.7	5.0	4.0
% Unemployment (San Patricio County)	5.5	7.1	7.9	6.6	6.3

Source: Texas Labor Market Review.

[This page is intentionally left blank.]

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

[This page is intentionally left blank.]

BRACEWELL

August 29, 2019

\$176,000,000
CORPUS CHRISTI INDEPENDENT SCHOOL DISTRICT
UNLIMITED TAX SCHOOL BUILDING AND REFUNDING BONDS,
SERIES 2019

WE HAVE represented Corpus Christi Independent School District (the “District”) as its bond counsel in connection with an issue of bonds described as follows:

CORPUS CHRISTI INDEPENDENT SCHOOL DISTRICT UNLIMITED TAX SCHOOL BUILDING AND REFUNDING BONDS, SERIES 2019, dated August 1, 2019 in the principal amount of \$176,000,000 (the “Bonds”).

The Bonds mature, bear interest, are subject to redemption prior to maturity, and may be transferred and exchanged as set out in the Bonds and in the order adopted by the Board of Trustees of the District authorizing their issuance (the “Bond Order”) and a pricing certificate executed pursuant to the authority delegated in the Bond Order (the “Pricing Certificate,” and, together with the Bond Order, the “Order”).

WE HAVE represented the District as bond counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and with respect to the excludability of interest on the Bonds from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of proceedings described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the District or the disclosure thereof in connection with the sale of the Bonds. Our role in connection with the District’s Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein. Capitalized terms used herein, unless otherwise defined, have the meanings set forth in the Order.

IN OUR CAPACITY as bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Bonds, which contains certified copies of certain proceedings of the District; a certain escrow agreement (the “Escrow Agreement”) between the District and UMB Bank, N.A., Houston, Texas, as escrow agent (the “Escrow Agent”); a report (the “Report”) of Public Finance Partners LLC (the “Verification Agent”), verifying the sufficiency of the deposits made under the Escrow Agreement for the Refunded Bonds (as defined in the Order); customary certificates of officers, agents and representatives of the District and other public officials; and other certified showings relating to the authorization and issuance of the Bonds. We have also examined such applicable provisions of the Internal Revenue Code of 1986, as amended (the “Code”), court decisions, Treasury Regulations and published rulings of the Internal Revenue Service (the “Service”) as we have deemed relevant. We have also examined executed Bond No. T-1 of this issue.

Bracewell LLP

T: +1.210.226.1166 F: +1.800.404.3970
300 Convent Street, Suite 12700, San Antonio, Texas 78205-3723
bracewell.com

AUSTIN CONNECTICUT DALLAS DUBAI HOUSTON LONDON NEW YORK SAN ANTONIO SEATTLE WASHINGTON, DC

BRACEWELL

August 29, 2019

Page 2

BASED ON SUCH EXAMINATION, IT IS OUR OPINION that:

(1) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently effective and, therefore, the Bonds constitute valid and legally binding obligations of the District;

(2) A continuing ad valorem tax, without limit as to rate or amount, has been levied on all taxable property of the District and pledged irrevocably to the payment of the principal of and interest on the Bonds, and the total indebtedness of the District, including the Bonds, does not exceed any constitutional, statutory or other limitations; and

(3) Firm banking and financial arrangements have been made for the discharge and final payment of the Refunded Bonds pursuant to the Escrow Agreement and, therefore, the Refunded Bonds are deemed to be fully paid and no longer outstanding except for the purpose of being paid from the funds provided therefor in the Escrow Agreement.

THE RIGHTS OF THE OWNERS of the Bonds are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

IT IS OUR FURTHER OPINION THAT, under existing law:

(4) Interest on the Bonds is excludable from gross income for federal income tax purposes; and

(5) The Bonds are not “private activity bonds” within the meaning of the Code, and, as such, interest on the Bonds is not subject to the alternative minimum tax.

In providing such opinions, we have relied on representations of the District, the District’s financial advisor and the underwriters of the Bonds with respect to matters solely within the knowledge of the District, the District’s financial advisor and the underwriters of the Bonds, respectively, which we have not independently verified. In addition, we have assumed for purposes of this opinion continuing compliance with the covenants in the Order pertaining to those sections of the Code that affect the excludability from gross income of interest on the Bonds for federal income tax purposes. We have further relied on the Report of the Verification Agent, regarding the mathematical accuracy of certain computations. In the event that such representations or the Report are determined to be inaccurate or incomplete or the District fails to comply with the foregoing covenants of the Order, interest on the Bonds could become includable in gross income from the date of the original delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, we express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or the acquisition, ownership or disposition of, the Bonds.

Owners of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual

BRACEWELL

August 29, 2019

Page 3

recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the “branch profits tax” on their effectively-connected earnings and profits (including tax-exempt interest such as interest on the Bonds).

The opinions set forth above are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures, the Service is likely to treat the District as the taxpayer. We observe that the District has covenanted in the Order not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

Very truly yours,

[This page is intentionally left blank.]

APPENDIX D

**EXCERPTS FROM THE
CORPUS CHRISTI ISD, TEXAS
ANNUAL FINANCIAL REPORT
For the Year Ended August 31, 2018**

The information contained in this APPENDIX consists of excerpts from the Corpus Christi Independent School District, Texas Annual Financial Report for the Year Ended August 31, 2018, and is not intended to be a complete statement of the District's financial condition. Reference is made to the complete report for further information

[This page is intentionally left blank.]

CORPUS CHRISTI INDEPENDENT SCHOOL DISTRICT

801 Leopard Street • Corpus Christi, Texas 78401

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**
for the year ended
August 31, 2018

Comprehensive Annual Financial Report
of the
Corpus Christi Independent School District

**801 Leopard
Corpus Christi, Texas 78401**

Year Ended August 31, 2018

**Prepared By:
The Office of Finance**

Donna Hohn, Comptroller
Roxanne I. Douglas, CPA, Associate Director for Finance
Myra Guzman, Senior Accountant
Julie Gonzalez, Accountant
Fatima Zamarron, Accountant
Lydia Silva, Accountant
Gary Lynch, Accountant
Minerva Flores, Accountant

**Corpus Christi Independent School District
Comprehensive Annual Financial Report
For the Fiscal Year Ended August 31, 2018**

TABLE OF CONTENTS

	Page	Exhibit
INTRODUCTORY SECTION		
Letter of Transmittal	5	
Certificate of Board.....	14	
GFOA Certificate of Achievement	15	
Organizational Chart	16	
Elected and Appointed Officials	17	
Consultants and Advisors.....	18	
FINANCIAL SECTION		
Independent Auditor’s Report-Unmodified Opinion on Basic Financial Statements, Management’s Discussion and Analysis, Required Supplementary Information, Supplementary Financial Information and Schedule of Expenditures of Federal Awards	19	
Management’s Discussion and Analysis.....	23	
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Position	35	A-1
Statement of Activities	36	B-1
Fund Financial Statements:		
Balance Sheet-Governmental Funds.....	37	C-1
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	38	C-2
Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds	39	C-3
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes In Fund Balances to the Statement of Activities.....	40	C-4
Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual-General Fund	41	D-1
Statement of Net Position-Proprietary Funds	42	E-1
Statement of Revenues, Expenses, and Changes in Net Position-Proprietary Funds	43	E-2
Statement of Cash Flows-Proprietary Funds	44	E-3
Statement of Fiduciary Net Position–Fiduciary Fund	45	F-1
Notes to the Financial Statements:		
Summary of Significant Accounting Policies.....	46	
Reporting Entity	46	
Government-Wide and Fund Financial Statements	46	
Measurement Focus, Basis of Accounting, Financial Statement Presentation ...	47	
Fund Accounting	47	
Other Accounting Policies.....	48	
Prior Period Restatement	50	

Reconciliation of Government-Wide and Fund Financial Statements.....	51	
Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position.....	51	
Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities.....	51	
Stewardship, Compliance, and Accountability	51	
Budgetary Data	51	
Excess of Expenditures over Appropriations.....	52	
Negative Operating Grants and Contributions-Statement of Activities	52	
Deficit Net Position	53	
Detailed Notes on All Funds	53	
Deposits and Investments	53	
Property Taxes.....	54	
Delinquent Taxes Receivable	55	
Due from Other Governments	55	
Interfund Receivables, Payables and Transfers	56	
Capital Asset Activity.....	57	
Unearned Revenue.....	58	
Changes in Long-Term Liabilities.....	58	
Bonds Payable	58	
Financing Arrangement	60	
Accumulated Unpaid Vacation, Compensatory Time and Sick Leave Benefits.....	60	
Claims Liability	60	
Employee Benefit Plans.....	61	
Litigation	69	
Commitments and Contingent Liabilities	69	
General Fund Federal Source Revenues.....	69	
Joint Venture-Shared Service Arrangements.....	70	
Revenue from Local and Intermediate Sources	70	
Chapter 313 Agreements	71	
Subsequent Events.....	71	
Required Supplemental Information:		
Schedule of District's Proportionate Share of the Net Pension Liability	72	G-1
Schedule of District Contributions for Pensions	73	G-2
Schedule of District's Proportionate Share of the Net OPEB Liability.....	74	G-3
Schedule of District Contributions for Other Post Employment Benefits.....	75	G-4
Supplemental Information:		
Nonmajor Governmental Funds:		
Combining Balance Sheet-Nonmajor Governmental Funds.....	78	H-1
Combining Statement of Revenues, Expenditures and Changes in Fund Balances-Nonmajor Governmental Funds	82	H-2
Budgetary Comparison Schedule National Breakfast and Lunch Program	86	H-3
Budgetary Comparison Schedule-Debt Service Fund	87	H-4
Internal Service Funds:		
Combining Statement of Net Position-Internal Service Funds	90	H-5
Combining Statement of Revenues, Expenses and Changes in Net Position-Internal Service Funds	91	H-6
Combining Statement of Cash Flows-Internal Service Funds	92	H-7
Agency Fund:		
Combining Statement of Changes in Assets and Liabilities-Agency Fund	94	H-8
Capital Assets Used in the Operation of Governmental Funds:		
Comparative Schedules by Source	96	I-1
Schedule by Function and Activity	97	I-2
Schedule of Changes by Function and Activity.....	98	I-3
Supplemental Schedules:		

Schedule of Delinquent Taxes Receivable	100	J-1
---	-----	-----

STATISTICAL SECTION (UNAUDITED)

General Governmental Net Position By Component.....	105
General Governmental Changes in Net Position	106
Fund Balances of Governmental Funds.....	109
General Fund Balance	110
General Fund Balance Unassigned.....	111
Changes in Fund Balances of Governmental Funds.....	112
Fund Balance and Cash Flow Calculation Worksheet for the General Fund	114
Assessed Value and Estimated Actual Value of Taxable Property	115
Property Tax Rates-Direct and Overlapping Governments (Per \$100 of Assessed Value).....	116
Principal Property Taxpayers	117
Property Tax Levies and Collections.....	118
Ratios of Outstanding Debt By Type	119
Ratios of General Bonded Debt Outstanding	120
Direct and Overlapping Governmental Activities Debt	121
Legal Debt Margin Information	122
Demographic and Economic Statistics	123
Average Daily Attendance and Enrollment.....	124
Principal Employers	125
Full-Time Equivalent Employees by Function.....	126
Teacher Data	127
Campus Information.....	128
Miscellaneous Statistics	129

SINGLE AUDIT SECTION

Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	131
Independent Auditor’s Report on Compliance for Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	133
Schedule of Findings and Questioned Costs	135
Schedule of Expenditures of Federal Awards	137
Notes on Accounting Policies for Federal Awards.....	139

K-1



INTRODUCTORY SECTION



CORPUS CHRISTI INDEPENDENT SCHOOL DISTRICT

P.O. Box 110 Corpus Christi, Texas 78403-0110 • 801 Leopard Street
Office: 361/695-7331 Fax: 361/886-9888

January 14, 2019

Board of Trustees
Corpus Christi Independent School District
801 Leopard Street
Corpus Christi, Texas 78401

Dear Board Members:

We are pleased to present the Corpus Christi Independent School District's (the District) Comprehensive Annual Financial Report (CAFR) for the year ending August 31, 2018. The Texas Education Code requires that all school districts file a complete set of financial statements with the Texas Education Agency (TEA) within 150 days of the close of the fiscal year. This report is published to fulfill that requirement for the fiscal year ended August 31, 2018.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The district's internal control structure includes budgetary and accounting controls. Budgetary controls ensure that legally adopted budgets, General Fund, Debt Service and the National Breakfast and Lunch Program are not exceeded at the function level. The District utilizes an encumbrance accounting system to facilitate budgetary control. The accounting controls ensure compliance with applicable laws and regulations and are reviewed periodically by management. Also, the accounting system ensures that each fund is a distinct, self-balancing accounting entity.

Collier, Johnson & Woods, P.C., a firm of licensed certified public accountants have issued an unmodified ("clean") opinion on the District's financial statements for the year ended August 31, 2018. The independent auditor's report is located at the front of the financial section of this report.

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

Profile of the District

Corpus Christi Independent School District is a political subdivision and is an independent reporting entity as defined by the Governmental Accounting Standards. The policy-making functions of the District lie with a seven-member Board of Trustees (the Board). Four of the members are elected from single-member districts, while the remaining three are elected at-large. Each member is elected for four-year staggered terms. The District is not included in any other reporting entity. This report contains all funds pertaining to the District.

Corpus Christi Independent School District is located in Nueces County, Texas and serves a population of approximately 325,605. The District provides services to a large portion of the City of Corpus Christi, the county seat. The District was created by an act of the 31st Legislature in March 1909.

The District is comprised of 68 square miles and is the 32nd largest school district in the state of Texas, with a refined average daily attendance (RADA) of 34,869 students during the year ended August 31, 2018. The District was at a RADA of 35,482 students during the year ended August 31, 2009. The District's RADA has decreased less than 2% since 2009.

Schools

Number of Schools:	FY17	FY18	FY19
Elementary Schools:			
Pre-K3 to 5 th grades	1	1	1
Pre-K4 to 5 th grades	27	26	29
Kinder to 5 th grades	7	7	4
Kinder to 6 th grades	1	1	1
1 st to 5 th grades	1	1	1
Middle Schools (Grades 6-8)	12	12	11
Magnet School (Grades 7-12)	1	1	1
High Schools (Grades 9-12)	7	7	7
Special Campuses	<u>2</u>	<u>2</u>	<u>2</u>
TOTAL	59	58	57

Student Enrollment:	FY18	FY19
	(actual)	(projected)
Elementary Schools	18,521	18,478
Middle Schools	8,454	8,031
High Schools	<u>11,039</u>	<u>10,924</u>
TOTAL	38,014	37,433

The District offers general education, special education, career and technology, gifted and talented, compensatory education and bilingual education programs.

Mission

The mission of the Corpus Christi Independent School District is to develop the hearts and minds of all students, preparing them to be lifelong learners who continue their education, enter the world of work, and become productive citizens.

Vision

Our vision is to be a world-class school system where every student is a learner, every learner is a graduate, and every graduate is a success.

Goals

The goals of the Corpus Christi Independent School District are as follows: (1) percentage of students in Grades K, 1 and 2 who are deemed proficient readers according to district-approved assessment tools will increase from 59% to 80% by the end of school year 2022, (2) percentage of students in grade 3 who achieve “meets grade level” on the STAAR spring assessment in reading will increase from 69% to 80% by the end of school year 2022, and (3) percentage of all tested students in STAAR reading and math who meet the postsecondary readiness standard will increase from 41% to 49% (reading) and 38% to 46% (math) by the end of school year 2022.

Budgeting

The District, on an annual basis, presents to the Board of Trustees the proposed budgets for the General Operating Fund, the Debt Service Fund, and the National Breakfast and Lunch Program Fund for approval as required by Texas Education Code and as described in the Texas Education Agency’s Financial Accountability Systems Resource Guide. The proposed budget is presented to the Board summarized at the function level for each of the funds above. After adoption of the budget, the appropriation amounts are entered into the District’s accounting and encumbrance system and monitoring of the expenditures and encumbrances in relation to the approved budget begins.

Budget managers have the authority to approve budget transfers of discretionary appropriations anytime during the year. A budget transfer is the movement of appropriations between budget line items within the same function code. Any request to move appropriations between budget line items with different function codes is considered a budget amendment. Any budget amendment requested by budget managers requires Board approval. Expenditure requests will not be processed unless appropriations are available in the line item.

The District feels that the budgetary controls currently in place are appropriate to ensure that expenditures remain within the approved budget and that the District complies with regulations established by the Texas Education Code and the Financial Accountability Systems Resource Guide.

Local Economy

The information presented in the financial statements is perhaps best understood when it is considered within the broader perspective of the specific environment in which the District operates. The condition of the local and regional economy will have great influence on the requirements and resources under which the District will operate.

The City of Corpus Christi is the eighth largest city in the State of Texas and the largest city on the Texas gulf coast with a population of 325,733 according to the US Census for 2016. The Corpus Christi Metropolitan Statistical Area (MSA) population is 454,726 in 2016. Corpus Christi's location on the Gulf of Mexico and the Intercoastal Waterway provides the city with a strategic location and assets that are critical to the economic development of the area.

Corpus Christi MSA has an employment with a total of 191,600 in August 2018 compared to 191,000 in August 2017. Unemployment has dropped from 5.8% in 2017 to 4.8% in 2018.

Global crude oil prices have risen just slightly from \$51.85 a barrel in August 2017 to \$65.51 in August 2018. The Eagle Ford Shale oil and gas formation is employing many of the City's residents. While the downturn certainly negatively affected a number of jobs in the region, the drilling has started up again. The United States' decision to allow export of crude oil and refined products has been a boom for our Port. We have had almost a billion dollars in infrastructure spent to export oil. The Port of Corpus Christi now exports more than 55% of all oil exports in the United States. This is through companies such as NuStar Energy, a major player in the energy field, who invested \$425 million to acquire pipelines, storage facilities, and other oil and gas transportation infrastructure in relation to the Eagle Ford Shale and the Permian Basin. Six major pipelines have been completed or are now under construction to bring more oil products to our region. This results in infrastructure spending and new jobs to handle the products. Last year the largest oil tanker to enter the Gulf of Mexico docked at the Port of Corpus Christi. Two more condensate processing projects, EPIC Y Grade and Permico, will begin construction when they receive their air permit from the EPA. Condensate is the liquefied hydrocarbon that is made up of butane, propane, ethane, etc. These plants will be valued at \$700 million and create approximately 100 new jobs. In addition, Cheniere Energy, Inc. has begun commissioning of their \$11 billion liquefied natural gas facility and should have their first delivery in the first quarter of 2019. They have requested an air permit for another train which is valued at \$3.5 billion and another 50 full-time jobs. Gulf Coast Growth Ventures, a joint venture by ExxonMobil and Saudi Arabian Basic Industries Corporation (SABIC) announced the site selection of their \$9.48 billion ethylene cracker plants 8 miles north of the City. The facility will create 636 full-time jobs with an annual average wage of \$90,000.

Because of this raw material coming into Corpus Christi the economic boom will continue for Corpus Christi long after the wells have all been drilled. There are four very significant industrial projects that are under construction that will have a region-wide impact on the economy

Replacement of the Harbor Bridge will be a \$1 billion investment with a proposed height of 205 feet. Contracts were awarded to Flatiron/Dragados, LLC and will provide access to larger ships in and out of the Port. This project is beginning to take shape as almost all of the pilings have been drilled and the supports are visible along the route of the bridge. The bridge has as many as 1,500 workers on site, and the construction is expected to take three more years to complete.

Military

The military installations located in and around the Corpus Christi area continue to have a significant influence on the economic performance of the city. There are two major military

facilities located in the area, NAS Corpus Christi and NAS Kingsville. These bases provide over 10,000 jobs. Over 1,200 pilots undergo training at Naval Air Stations Corpus Christi and Kingsville each year.

The Corpus Christi Army Depot (CCAD), located onboard Naval Air Station Corpus Christi, is the largest industrial employer in South Texas, employing over 3,900 civilian employees. They have started phase II of replacing their 1 million square foot building. CCAD, the world's largest helicopter repair facility, has the following mission:

- Overhaul, repair, modify, retrofit, test and modernize helicopters, engines and components for all services and foreign military customers.
- Serve as the depot training base for active duty Army, National Guard, Reserve and foreign military personnel.
- Provide worldwide on-site maintenance services, aircraft crash analysis, lubricating oil analysis, and chemical, metallurgical and training support.

Together the Corpus Christi military facilities represent a large and key foundation of the regional economy. It is critical that any reductions and military spending be monitored for the impact on employment and reinvestment in the military operations and facilities.

Petrochemical Industry

The Coastal Bend's petrochemical industry is a major contributor to the economy of the City of Corpus Christi. It is estimated that this industry has invested approximately \$10 billion in the construction, maintenance and expansion of their local facilities. In addition to this major capital investment, the petrochemical industry also makes more than \$1.5 billion in annual purchases of local goods and services and is directly and indirectly responsible for providing an estimated 50,000 jobs. More than 90 percent of the tonnage that moves through the Port of Corpus Christi is a result of this industry.

Companies that are directly or indirectly involved in this industry include Air Liquide, Bay Ltd, Celanese-Bishop Plant, CITGO Refining and Chemicals, Chemours, Flint Hills Refining Company, Gulf Marine Fabricators, H&S Constructors, Kiewit Offshore Services, LyondellBassell Industries, Magellan Midstream Partners, MarkWest Javelina, OxyChem, Repcon, Gravity Midstream and Valero Refining Company. These companies alone provide almost 10,000 full-time permanent jobs to the local economy.

Port of Corpus Christi

The Port of Corpus Christi (the Port) ranks sixth in the United States and 44th in the world in terms of tonnage. The Port began serving the Coastal Bend area in 1926 with a 25-foot channel and has become, at 45 feet, the deepest port in Texas and along the Gulf of Mexico. The Port is classified as Foreign Trade Zone (FTZ) No. 122, one of the largest in the United States encompassing 24,990 acres.

The Port owns and operates public wharves, transit sheds, open storage facilities, freight handling facilities and equipment, warehouses, a bulk material handling terminal, and a multi-purpose conference center and also owns, but leases out, a grain elevator. The direct, induced and indirect jobs generated by the public and private marine terminals total over 40,000 with over \$2 billion in income for families throughout the Coastal Bend.

The Port remains an economic force via its ability to provide the commercial shippers with first class channels, docks and facilities for handling their cargo, and by providing public facilities designed to attract more tourist dollars to the area while maintaining financial stability. The import/export markets of Latin America, Mexico, the United States, Europe, Africa and Russia are targeted.

The Port and port industries continue their partnership with CCISD to improve student achievement and attendance, to recognize and support teachers and to strengthen community and educational efforts through funding and employee volunteer participation.

Medical

As the major medical center of South Texas, healthcare continues to be one of the largest industries in Corpus Christi. The Corpus Christi Medical Center, Driscoll Children's Hospital, Kindred Hospital, and CHRISTUS Spohn Health System anchor our healthcare industry. They employ a combined 9,000 health care professionals. CHRISTUS Spohn continues to receive national recognition for their Cardiac Rehab Program. They are replacing Memorial Hospital Trauma Center and building a new wing to Spohn Shoreline Hospital and have opened a clinic on the current Memorial Hospital site. In addition, CCMC opened a 15 bed inpatient rehab center, reducing out of town travel for local patients. Driscoll Children's Hospital is one of the top pediatric hospitals in the United States. They recently unveiled the newly renovated 13,700 square foot C. Ivan Wilson Patient Support Center. A multimillion dollar redesign and expansion of the Emergency Department is currently being planned.

Higher Education

Texas A&M University - Corpus Christi (TAMUCC) has grown to an enrollment of approximately 12,000 students with a student teacher ratio of 20:1, and has approximately 1,400 employees. TAMUCC was selected a one of six Federal Aviation Administration (FAA) facilities around the nation that will conduct testing to help the FAA incorporate unmanned aircraft systems (UAS) into the national airspace. TAMUCC continues adding more student housing at their off campus site to accommodate the increased enrollment. TAMUCC opened an engineering program in 2010. They had estimated that they would have 500 students by now. In the Fall 2018 semester, there were 900 students in their engineering programs.

The Coastal Bend Business Innovation Center (the Innovation Center) has over 15 client companies and continues to provide business services to technology companies. The incubator is expanding and nurturing new companies with great ideas that need some added support to grow. These companies will result in more jobs in the Coastal Bend region. The Innovation Center will also be the center for the UAS project.

Texas A&M University - Kingsville (TAMUK) consistently ranks as one of the top universities serving Hispanics. TAMUK has begun to offer a bachelor of science in natural gas engineering. They had offered this degree in the past but discontinued it due to low interest.

Del Mar College had a fall semester credit enrollment of 12,250 students in 2018. They have added a Process Automation pilot plant for students that will enable Del Mar to graduate needed

process technicians. They have refurbished a hangar at the international airport where they have now doubled their enrollment in aviation related studies.

It is predicted that the Coastal Bend will create 15,000 craft jobs in the next 10 years. Another asset that is helping to educate our workforce is the Craft Training Center. Craft recently doubled their size to accommodate more students. Their student population is comprised of adults that are learning a new trade and adults that are getting a certification such as rolling welding. Industry partners send their employees there to keep up their qualifications, and independent school districts send their students there to be qualified upon graduation.

Long-Term Financial Planning and Policies

- On November 4, 2014, voters approved a \$100 million bond for the construction of two replacement elementary schools and consolidation of two elementary schools to one new one. Additionally, one elementary school will have eight classroom additions and all middle schools will have a 4-lane track. This resulted in a zero tax increase. All projects are substantially completed except the replacement of one of the elementary schools which should be opened August 2019.
- On November 8, 2016, taxpayers approved \$194.6 million for acquiring, renovating and equipping school buildings, a new replacement middle school and consolidation of four middle schools into one existing and one new campus. This resulted in a zero tax increase for two years. Two of the middle schools were consolidated in August 2018. The other two new middle schools are projected to open August 2019. The school building renovations are substantially complete.
- On November 6, 2018, taxpayers approved a \$210.7 million bond for the construction of a new replacement high school, an additional gymnasium at two middle schools, locker room renovations at three middle schools, safety and security vestibules, fencing, security alarms and cameras and technology upgrades at most campuses. This will result in a 6.6¢ tax increase.
- Fund Balance: The District's policy is to consider TEA recommendations, District bond rating, liquidity, interest earnings and infrastructure needs prior to utilizing any undesignated general fund balance.
- Student Population: The District student population is anticipated to increase over the next 10 years.
- Property Values: It is anticipated that property values will continue to increase over time.

Major Initiatives

The major financial goals and objectives which guide the budget development process are:

- Maintain a fiscally responsible tax rate while providing the resources necessary to meet the District's objectives.
- Maintain adequate and appropriate fund balance levels in accordance with policy.
- Fund a compensation package that will help attract and retain qualified personnel. Also, provide some compensation increase while considering future's year's impact and unknown State future revenue reductions.
- Sustain the commitment towards the enhancement of academic achievement and provide a safe environment.

Facilities

The district has 71 campuses and support facilities totaling approximately 6 million square feet on 1,100 acres. The District currently has 92 portable classroom buildings. More portable classroom buildings will be removed as the new facilities open.

The Office of Facilities and Operations is organized into three divisions: Maintenance, Custodial and Site Maintenance and Grounds with a total of 450 employees. All three services are assigned to five primary geographic areas with equitable square footage and acreage. The average age of CCISD facilities is approximately 40 years.

The 2018-19 adopted budget includes \$3.8 million for major maintenance projects. The major maintenance projects individually exceed \$10,000, which generally requires coordination. The list of major maintenance projects is compiled by the Office of Facilities and Operations. This list is an ongoing document that is continuously monitored and expanded in accordance with identified needs. Projects for specific campuses include annual HVAC cycle replacements plus parking lot repairs and chiller replacements

The Office of Facilities & Operations web page is updated weekly. The web page includes the current weekly mowing and trimming schedules, summer project schedules, monthly maintenance sweep crew schedules, air filter changing schedules, irrigation schedules, and the major maintenance project list.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the Corpus Christi Independent School District for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended August 31, 2017. This was the 18th consecutive year that the District has received this prestigious award. In order to be awarded a Certificate of Achievement, the District had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe the District's current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting the report to the GFOA to determine its eligibility for another certificate.

In addition, the District received the GFOA's Distinguished Budget Presentation Award for 13 consecutive years until 2016 when it was discontinued. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

Preparation of the Comprehensive Annual Financial Report and the Annual Budget Document takes dedication and commitment by staff members district wide. A sincere thanks goes to the following personnel for the time and effort given to the preparation of this report:

- Ms. Roxanne I. Douglas, CPA, Associate Director for Finance
- Ms. Myra Guzman, Senior Accountant
- Ms. Minerva Flores, Accountant
- Mr. Gary Lynch, Accountant
- Ms. Lydia Silva, Accountant
- Ms. Julie Gonzalez, Accountant
- Ms. Fatima Zamarron, Accountant

Outside Assistance

Collier, Johnson & Woods, P.C. Certified Public Accountants

We would especially like to give our sincere thanks to the District's Board of Trustees for their time, dedication and support to the District and its personnel.



Donna Hohn
Comptroller

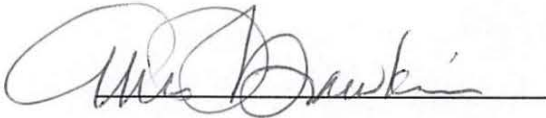
CERTIFICATE OF BOARD

Corpus Christi Independent School District
Name of School District

Nueces
County

178-904
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 7 ⊖ disapproved for the year ended August 31, 2018, at a meeting of the board of trustees of such school district on the 14th day of January, 2019.



Signature of Board Secretary



Signature of Board President

If the board of trustees disapproved of the auditor's report, the reason(s) for disapproving it is (are): (attach list as necessary)



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

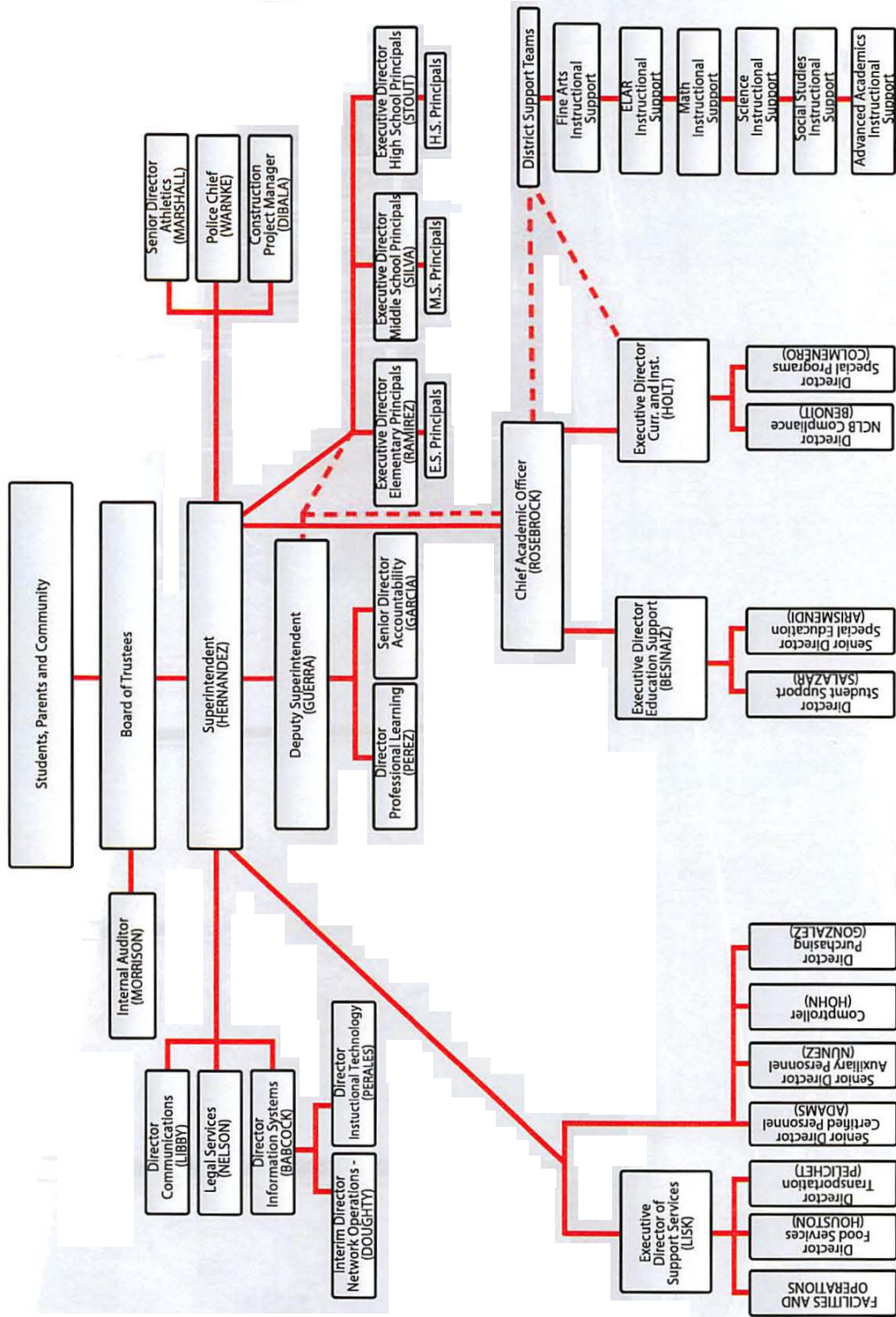
**Corpus Christi Independent
School District, Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

August 31, 2017

Christopher P. Morrill

Executive Director/CEO



CORPUS CHRISTI INDEPENDENT SCHOOL DISTRICT

Elected and Appointed Officials

Year Ended August 31, 2018

Elected Officials – Board of Trustees

Mrs. Catherine G. Susser – President
Ms. Alice Upshaw Hawkins – Vice President
Ms. Jane D. Bell – Secretary
Dr. Tony C. Diaz – Assistant Secretary
Mr. Marty Bell – Trustee
Mr. John Longoria – Trustee

Appointed Officials

Roland Hernandez, Ph.D., Superintendent of Schools
Maria Luisa Guerra, Ed.D., Deputy Superintendent
James Rosebrock, Ed.D. Chief Academic Officer
Susan Holt, Ph.D., Executive Director of Curriculum and Instruction
Ada Besinaiz, Ed.D., Executive Director of Educational Support
Scott Lisk, Executive Director of Support Services
Donna Hohn, Comptroller

CORPUS CHRISTI INDEPENDENT SCHOOL DISTRICT

Consultants and Advisors

Year Ended August 31, 2018

Auditors

Collier, Johnson & Woods, P.C.
555 N. Carancahua Suite 1000
Corpus Christi, Texas 78401-0839

Financial Advisor

Frost Bank – Capital Markets
100 W. Houston St., Suite 110
San Antonio, Texas 78205

Depository Bank

Frost Bank
PO Box 749
Corpus Christi, TX 78403-0749

School District Attorney

Thompson & Horton LLP
711 Louisiana Street, Suite 2100
Houston, TX 77002

FINANCIAL

SECTION

INDEPENDENT AUDITOR'S REPORT

January 8, 2019

Board of Trustees
Corpus Christi Independent School District
Corpus Christi, Texas

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 the Corpus Christi Independent School District (the District), as of and for the year ended August 31, 2018, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Corpus Christi Independent School District, as of August 31, 2018 and, the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note I. F to the financial statements, the District has implemented Governmental Accounting Standards Board Statements No. 75 effective September 1, 2017. These statements require governmental employers that participate in cost-sharing multiple-employer Other Post-Employment benefit plan (OPEB) to record the employer's proportionate share of the OPEB liability of the plan as well as the related deferred inflows and outflows. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the other required supplementary information on pages 23 through 33, 72 through 75 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Corpus Christi Independent School District's basic financial statements. The introductory section, supplemental information within the financial section and the statistical section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, Exhibit K-1, is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The supplemental information 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 supplemental information and the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Collins, Johnson & Woods





Corpus Christi Independent School District Management's Discussion and Analysis

It is a privilege to present to you the financial picture of Corpus Christi Independent School District. The discussion and analysis of Corpus Christi Independent School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended August 31, 2018. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Government-Wide Financial Statements

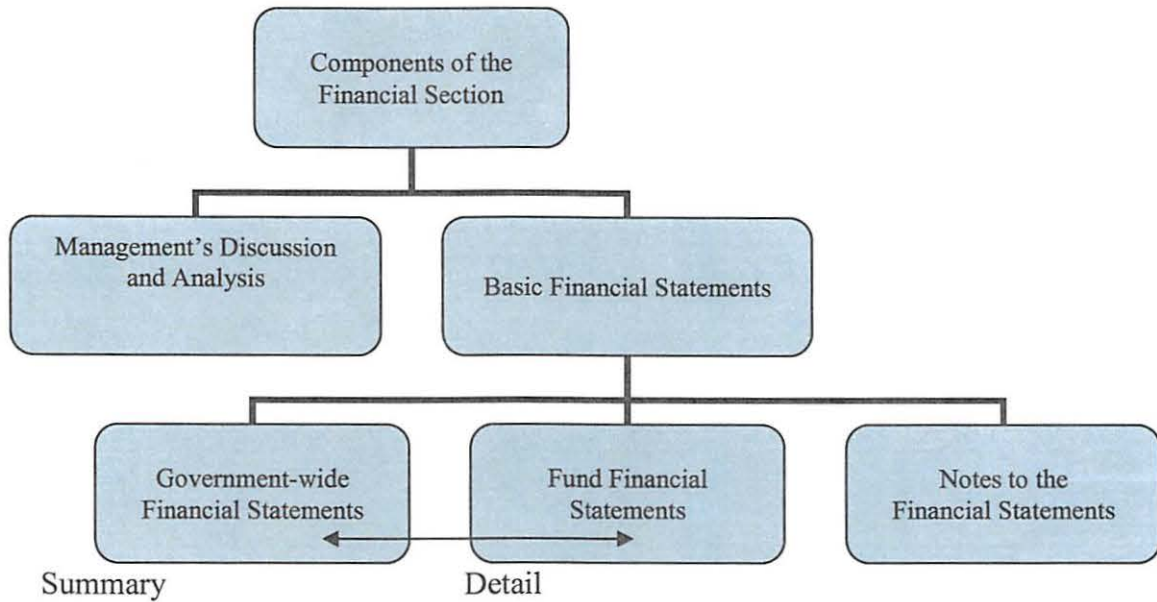
- Total net position decreased \$19.8 million as a result of this year's operations which represents a 22.0% decrease over 2017.
- Implementation of GASB 75 reduced unrestricted net position by \$42.5 million.
- The District had \$309.5 million in expenses related to governmental activities; \$7 million of these expenses was offset by program specific charges for services and grants or contributions resulting in net expenses of \$302.5 million. General revenues (primarily taxes and state aid) of \$328.6 million less special items of \$45.9 million were less than net government activities by \$19.8 million.

Fund Financial Statements

- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$273.2 million. Approximately 12.0% of this total amount, \$32.7 million, is unassigned fund balance and is available for spending at the government's discretion. Additionally, assigned fund balance of \$64.5 million is for hurricane repairs, property tax disputes, increase in health insurance contributions and repayment of energy performance loan.
- At the end of the current fiscal year, assigned and unassigned fund balance for the general fund was \$97.2 million, or 30.6% of next fiscal year's total general fund expenditures budget.
- Expenditures increased \$14.6 million. The General fund decreased \$11.1 million, \$23.4 million of the increase was in Capital Projects fund and \$2.3 million increase in Other Funds.

Using this Comprehensive Annual Financial Report (CAFR)

This annual report consists of two distinct series of financial statements: government-wide and fund. This Comprehensive Annual Financial Report (CAFR) consists of four sections: introductory, financial, statistical, and single audit. As illustrated in the following chart, the financial section of this report has two components: *management's discussion and analysis* (this section) and the *basic financial statements*.



The government-wide statements include the Statement of Net Position and Statement of Activities and are designed to show the District as a sum of its significant fund activities. These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds with all other nonmajor funds presented in total in a separate column. 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 provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the district.

The notes to the financial statements 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 three TEA required supplemental 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 (government-wide financial statements)

Statement of Net Position and the Statement of Activities

The government wide financial statements begin on page 35 and provide an analysis of the District's overall financial condition and operations. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and deferred outflows and liabilities and deferred inflows 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 or from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in them. The District's net position (the difference between assets and deferred outflows and liabilities and 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 non-financial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, the District has only one type of governmental activity. The District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.

Reporting the District's Most Significant Funds

The fund financial statements begin on page 37 and provide detailed information about the major significant funds and the combined aggregate of the non-major funds. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes. The District's three kinds of funds, governmental, proprietary and fiduciary; 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 District reports the activities for which it charges users in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. The internal service funds report activities that provide supplies and services for the District's other programs and activities—such as the District's workers' compensation and health insurance self-insurance programs and the print shop.
- **Fiduciary funds**—The District is the trustee, or fiduciary, for money raised by student activities. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position on page 45. 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.

Government-wide Financial Analysis

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities. The 2017 net position balances have been reclassified to be comparable to the current year.

Table I
The District's Net Position

	<u>2018</u>	<u>2017</u>	<u>Variance</u>
Current and other assets	\$340,708,276	\$345,378,869	\$ (4,670,593)
Capital assets	408,682,287	409,927,458	(1,245,171)
Total Assets	<u>749,390,563</u>	<u>755,306,327</u>	<u>(5,915,764)</u>
Deferred Outflows of Resources			
Loss on Refunding	7,968,700	8,959,308	(990,608)
Outflow Related to Pensions & OPEB	27,687,369	30,393,515	(2,706,146)
Total Deferred Outflows of Resources	<u>35,656,069</u>	<u>39,352,823</u>	<u>(3,696,754)</u>
Long-term liabilities outstanding	785,640,689	625,071,363	160,569,326
Other Liabilities	48,078,368	42,894,091	5,184,277
Total Liabilities	<u>833,719,057</u>	<u>667,965,454</u>	<u>165,753,603</u>
Deferred Inflows of Resources			
Inflow Related to Pensions & OPEB	61,424,825	4,485,803	56,939,022
Total Deferred Outflows of Resources	<u>61,424,825</u>	<u>4,485,803</u>	<u>56,939,022</u>

(continued)

Net position:

Net Invested in Capital Assets	(41,306,502)	39,629,538	(80,936,040)
Restricted for Debt Service	7,681,300	8,687,676	(1,006,376)
Restricted for Federal and State Funds	7,154,176	8,307,406	(1,153,230)
Unrestricted	<u>(83,626,224)</u>	<u>65,583,273</u>	<u>(149,209,497)</u>
Total Net Position	<u>\$(110,097,250)</u>	<u>\$122,207,893</u>	<u>\$(232,305,143)</u>

Beginning net position was decreased by \$212.5 million to negative \$90.3 million due to the implementation of GASB 75. Net position of the District’s governmental activities decreased from the restated negative \$90.3 million to a negative \$110.1 million which represents a 22.0% decrease in net position. The net invested in capital assets decreased \$80.9 million, restricted for debt service decreased \$1.0 million, restricted for federal and state funds decreased \$1.2 million and the unrestricted negative net position decreased by \$63.3 million.

The decrease of \$80.9 million in net invested in capital assets was a result of the combination of the following:

- Depreciation and retirement of long-term capital assets of \$22.2 million (representing a decrease).
- Reduction of \$12.2 million on long-term debt issued to finance capital asset acquisition (representing an increase).
- Asset impairment of \$51.3 million less \$1.4 million spent current year to repair them (representing a decrease).
- Expenses of \$22.8 million of bond proceeds on repairs and assets with an initial individual cost of less than \$5,000 (representing a decrease).
- \$1.7 million of vehicles and equipment purchased with unrestricted net position (representing an increase).

Unrestricted net position is used to finance day-to-day operations without constraints established by legal requirements such as enabling legislation or debt covenants. The net \$63.3 million increase in negative unrestricted net position was primarily the result of implementation of GASB 75 resulting in an increase of \$42.5 million during the current year and the \$22.8 million of bond proceeds used for repairs.

Table II
Changes in the District’s Net Position

	<u>2018</u>	<u>2017</u>	<u>Variance</u>
Revenues			
Program revenues:			
Charges for services	\$ 5,410,841	\$ 5,366,468	\$ 44,373
Operating grants & contributions	<u>1,633,222</u>	<u>64,224,870</u>	<u>(62,591,648)</u>
Total Program Revenue	7,044,063	69,591,338	<u>(62,547,275)</u>

(continued)

	<u>2018</u>	<u>2017</u>	<u>Variance</u>
General Revenues:			
Property taxes	186,876,736	181,212,350	5,664,386
State aid formula grants	113,543,368	117,968,308	(4,424,940)
Other	28,150,544	28,441,931	(291,387)
Total General Revenue	<u>328,570,648</u>	<u>327,622,589</u>	<u>948,059</u>
Total Revenues	<u>335,614,711</u>	<u>397,213,927</u>	<u>(61,599,216)</u>
Expenses			
Program:			
Instruction	142,149,554	212,630,161	(70,480,607)
Instructional resources & media services	4,412,911	5,752,927	(1,340,016)
Curriculum & staff development	5,305,880	8,259,919	(2,954,039)
Instructional leadership	4,833,573	7,278,380	(2,444,807)
School leadership	14,384,090	22,521,721	(8,137,631)
Guidance, counseling, evaluation services	8,564,800	13,290,702	(4,725,902)
Social work services	1,659,672	2,334,930	(675,258)
Health services	2,812,747	4,136,135	(1,323,388)
Student (pupil) transportation	4,998,583	6,699,131	(1,700,548)
Food services	16,208,665	19,333,475	(3,124,810)
Co-curricular/extracurricular activities	9,690,698	11,618,633	(1,927,935)
General administration	8,739,468	9,977,032	(1,237,564)
Plant maintenance & operations	55,458,768	75,153,114	(19,694,346)
Security & monitoring services	2,760,964	4,871,591	(2,110,627)
Data processing services	6,001,021	9,419,114	(3,418,093)
Community services	1,105,079	1,464,504	(359,425)
Debt Service-interest & fees on long-term debt	20,415,132	18,189,731	2,225,401
Total Expenses	<u>309,501,605</u>	<u>432,931,200</u>	<u>(123,429,595)</u>
Excess Before Special Items	26,113,106	(35,717,273)	61,830,379
Special Items	(45,947,017)	-	(45,947,017)
Change in Net Position	(19,833,911)	(35,717,273)	15,883,362
Beginning Net Position Restated*	(90,263,339)	157,925,166	(248,188,505)
Ending Net Position	<u>(110,097,250)</u>	<u>122,207,893</u>	<u>\$(232,305,143)</u>

*The implementation of GASB 75 was effective at the beginning of the 2018 fiscal year. Changes for revenue and expenses prior to the implementation have not been calculated and are not available for comparison. Fiscal year 2018 beginning net position has been restated.

The District's overall total revenues decreased \$61.6 million.

Program revenues decreased 89.9% (\$62.5 million). In particular, grant spending changed and the increase in On-Behalf payments from the State related to pension and OPEB expenses.

- The District's proportionate share of the State's proportionate share of the Plan's total pension expense resulted in \$61.2 million decrease to program revenue in the current fiscal year.
- Overall program revenue in the grants increased \$1.3 million.
 - The State Instructional Materials grant increased \$2.0 million since expenditures are higher during the first year of the two year allotment.
 - Title I-SIP Academy paid two years of incentive awards in the prior year resulting in \$2.1 million less expenditures.
 - National Breakfast and Lunch Program purchased equipment for new campuses for an increase of \$1.6 million.

General revenues increased by .3% (\$1.0 million). In particular:

- Property tax revenue increased by 3.1% (\$5.6 million). Property values increased 1.6% and the collection rate was slightly higher than the previous year.
- State funding decreased 3.8% (\$4.4 million).
 - As the District's property tax values increase, the State decreases its share of Tier I funds by increasing the local fund assignment. This was \$2.0 million.
 - The District is paid based on ADA (average daily attendance). This decreased by 510 students equating to a decrease in state funds of \$3.0 million.
 - The number of instructional days increased by 1 which equated to \$.5 million increase in state revenue accrued.
- Other revenue decreased 1.0% (.3 million). \$3.1 million increase was additional interest income earned, \$3.5 million was due to additional Federal revenue for an E-rate project and \$6.6 million decrease in non-restricted state funding.

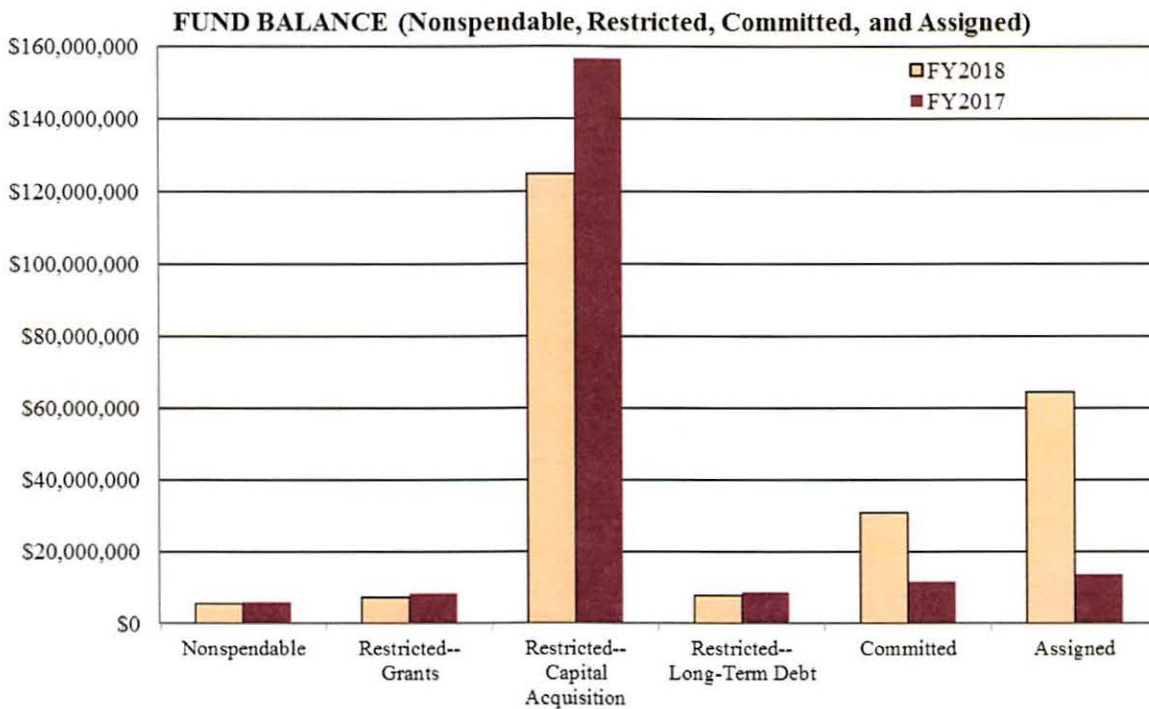
Total expenses decreased 28.5% (\$123.4 million). The major changes are as follows:

- The implementation of GASB 75 decreased expenditures in all functions by \$98.5 million. In addition to these decreases, significant changes by function are listed.
- Instructional costs decreased by \$70.5 million with \$64.3 million due to GASB 75 implementation.
 - An additional decrease of \$4.4 million was due to reduced pension expense.
 - Depreciation on assets increased \$1.0 million.
 - Additional materials and supplies of \$1.0 million were purchased in the prior year for new campuses.
 - Classroom technology non-capital equipment was purchased in prior year of \$1.8 million.
- School Leadership decreased \$8.1 million with \$7.9 from GASB 75.
- Guidance, Counseling and Evaluation services decreased \$4.7 million with \$4.5 million from GASB 75.

- Plant maintenance and operations decreased by \$19.7 million with \$6.1 million from GASB 75.
 - The reduction of fewer assets purchased was \$1.7 million.
 - Repairs relating to an energy performance maintenance contract occurred in the prior year resulting in \$13.6 million less costs in the current year.
 - Repairs pertaining to capital projects increased \$5.7 million.
 - Utilities were \$1.0 million less.
 - Prior year major maintenance in the general fund was \$4.0 million higher than the current year because no funds were allocated for annual maintenance projects above the normal budget.
- Security and Monitoring Services decreased by \$2.1 million with \$1.1 million from GASB 75. In the prior year, renovation and improvements were done at the high schools to improve security at these campuses for the difference.
- Data Processing services decreased by \$3.4 million with \$1.7 from GASB 75. The remaining \$1.7 million decrease was relating to technology non-capital equipment replaced in high schools and middle schools which occurred in the prior year.

Financial Analysis of the District’s Funds

As the District completed the year, the District’s governmental funds reported combined ending fund balances of \$273.2 million, a decrease of \$8.4 million. Approximately 35.6% of this total amount (\$97.2 million) constitutes assigned and unassigned fund balance in the General Fund and 45.7% of the total amount (\$124.9 million) is restricted for capital acquisition in the Capital Projects Fund. The remainder of fund balance is nonspendable, restricted, committed or assigned to indicate that it is not available for new spending. This is shown in the following chart.



The general fund is the primary operating fund of the District. The unassigned fund balance of \$32.7 million for Corpus Christi Independent School District represents approximately 10.3% of next fiscal year's total general fund expenditures budget while the assigned and unassigned together represent approximately 30.6%.

The fund balance of the District's general fund increased \$7.9 million during the current fiscal year compared to the final budgeted decrease of \$20.1. Key factors related to this variance of \$28.0 million are as follows:

- State revenue relating to TRS on Behalf and Foundation School Funds were \$2.3 million more than the amendment budget and property taxes were \$.8 million.
- Committed contracts of \$3.3 million were anticipated during the year but were not finalized prior to the end of the fiscal year, with \$2.0 million from Instruction and \$1.0 million from Facilities Acquisition and Construction. There were technology equipment for instruction and network systems, maintenance and operations projects not finalized and department vehicles. These will be added to the FY2019 budget.
- Instruction additionally had \$4.4 million from salary and benefit savings and unused extra duty pay. There is an additional \$3.0 million relating to salary and benefit savings in all other functions.
- Curriculum and Instructional Staff Development was \$.5 million due to contracted services and staff travel.
- Facilities Maintenance and Operations has a \$3.3 million variance consisting of \$2.2 million savings in electricity and utilities and \$1.2 savings in supplies and equipment not purchased.
- Purchase of land for a new high school was budgeted at \$9.0 million but due to the bonds passing, the costs will be reported in the Capital Building Fund.

The fund balance of the Capital Projects Fund decreased \$22.6 million. \$31.8 million of the decrease is related to the use of bond funds for approved projects in excess of bonds issued. The difference is relating to unspent insurance proceeds and a General fund transfer for hurricane related costs not covered by insurance.

General Fund Budgeting Highlights

The District prepares and presents an annual budget to the Board of Trustees for the General Fund, Food Service Fund, and Debt Service Fund in accordance with state statute. Once approved, the budget can only be amended at the fund and function level by a majority vote of the Board of Trustees. Over the course of the year, the District recommended and the Board approved several revisions to budgeted revenue and appropriations. Some of the more significant budget amendments that affected the District's general fund balance for the year were:

- Although the revenue budget decrease was \$0.3 million, there were large adjustments between funding sources. Investment income budget increased \$2.0 million while property taxes decreased \$1.7 million. State revenue decreased \$6.6 million due average daily attendance less than projected. Federal revenue budget increased due to an E-rate reimbursement of \$3.8 and SHARS revenue was anticipated to increase by \$1.5 million due to a prior year settle up of claims.

- The budget for encumbrances that are carried forward to the next year is submitted as a budget amendment after the original budget is adopted. The amount of the expenditures was \$1.5 million.
- Facilities Acquisition and Construction increased \$10.0 million. This was anticipated for the purchase of land for a new high school and a project to make high school campuses Wi-Fi capable.
- Facilities Maintenance and Operation increased \$1.0 for additional anticipated projects, \$.3 million for overtime anticipated and \$.4 million for property insurance.
- There were four transfers out totaling \$7.0 million. The two major ones were for \$4.8 million transfer out to the Capital Projects fund relating to hurricane repairs and transfer out to the Health Insurance fund for \$2.0 million.

Budget amendments resulting in a net difference of \$20.1 million to the fund balance were presented to the Board of Trustees for approval. Refer to Note III. A on page 51 of this report for details.

Capital Asset and Debt Administration

Capital assets: The District’s investment in capital assets for its governmental activities as of August 31, 2018, amounts to \$408.6 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment, vehicles, and capital leases. The amounts in the table represent a slight net increase above last year.

District’s Capital Assets (net of depreciation)

	<u>2018</u>	<u>2017</u>	<u>Variance</u>
Land	\$ 28,525,266	\$ 26,491,841	\$ 2,033,425
Buildings and improvements	292,211,429	360,243,458	(68,032,029)
Furniture and equipment	6,730,657	7,830,993	(1,100,336)
Vehicles	8,374,487	9,345,480	(970,993)
Construction in progress	<u>72,840,448</u>	<u>6,015,686</u>	<u>66,824,762</u>
Net Capital Assets	<u>\$408,682,287</u>	<u>\$409,927,458</u>	<u>\$ (1,245,171)</u>

This year’s major change included:

- New items added to construction in progress:
 - Windsor Park ES – Progress on new elementary school being built
 - South Park/Cunningham MS – Progress on new middle school being built
 - Baker/Haas MS – Progress on Renovations & Additions
 - Mireles/Webb ES – Progress on Renovations & Additions
 - King/Moody/Ray HS Renovations & Additions
 - Cabaniss/Buccaneer Scoreboards
- Asset impairments due to Hurricane Harvey

More detailed information about the District’s capital assets is presented in Note IV. F on page 57 of this report for details.

Long-term debt. At the end of August 31, 2018, the District had total general long-term debt outstanding of \$582.8 million, a net increase of \$46.9 million from the prior year. More detailed information about the District's long-term debt is presented in Note IV. H on page 58 of this report for details.

Other long-term liabilities. Other obligations include accrued interest payable, unpaid compensated absences, pension liability, OPEB liability and claims liability. More detailed information about the District's other long-term liabilities is presented in Note IV. H on page 58 of this report for details.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the city is 4.8% while the state and national rates are 3.8% and 3.6% respectively as of August 2018.
- The District's student attendance rate was 94.2%.
- For the 2018-2019 year, the District budgeted general fund revenues of \$317.8 million, expenditures of \$317.8 million. The budget was adopted with a 9¢ one-time only tax rate increase associated with hurricane repairs. This was anticipated to provide \$13.5 million in additional tax revenue.
 - Increases were for all employees to receive a one-time 1% of mid-point stipend for a total to the General Fund of \$2.5 million.
 - Additional one-time items were \$9.8 million of which \$8.0 million was for Transportation vehicles, including buses, Office of Technology for safety upgrades and Facilities for heating, ventilation and air conditioning repairs.
 - Direct campus support was increased by \$3.6 million.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances as well as demonstrate accountability for funds the District receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Corpus Christi Independent School District, c/o of the Office of Finance, P.O. Box 110, Corpus Christi, Texas, 78403-0110.



CORPUS CHRISTI INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2018

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents (Note IV. A)	\$ 314,416,327
1220 Delinquent Property Taxes Receivable (Note IV. C)	9,356,644
1230 Allowance for Uncollectible Taxes (Note IV. C)	(2,525,100)
1240 Due from Other Governments (Note IV. D)	10,882,978
1290 Other Receivables, Net	2,442,101
1300 Inventories	2,738,921
1410 Prepayments	3,358,846
1490 Other Current Assets	37,559
Capital Assets:	
1510 Land (Note IV. F)	28,525,266
1520 Buildings, Net (Note IV. F)	292,211,429
1530 Furniture and Equipment, Net (Note IV. F)	6,730,657
1540 Vehicles, Net (Note IV. F)	8,374,487
1580 Construction in Progress (Note IV. F)	72,840,448
1000 Total Assets	749,390,563
DEFERRED OUTFLOWS OF RESOURCES	
1702 Loss on Refunding	7,968,700
1705 Outflow Related to Pensions (Note IV. M)	25,755,314
1706 Outflow Related to OPEB (Note IV. M)	1,932,055
1700 Total Deferred Outflows of Resources	35,656,069
LIABILITIES	
2110 Accounts Payable	21,724,334
2150 Payroll Deductions & Withholdings	3,991,817
2160 Accrued Wages Payable	13,698,134
2180 Due to Other Governments	6,504,649
2200 Accrued Expenses	243,034
2300 Unearned Revenue	1,916,400
Noncurrent Liabilities:	
2501 Due Within One Year (Note IV. H)	24,019,506
2502 Due in More Than One Year (Note IV. H)	570,240,600
2540 District's Net Pension Liability (Note IV. M)	70,210,372
2545 District's Net OPEB Liability (Note IV. M)	121,170,211
2000 Total Liabilities	833,719,057
DEFERRED INFLOWS OF RESOURCES	
2605 Inflow Related to Pensions (Note IV. M)	10,739,097
2606 Inflow Related to OPEB (Note IV. M)	50,685,728
2600 Total Deferred Inflows of Resources	61,424,825
NET POSITION	
3200 Net Investment in Capital Assets	(41,306,502)
3820 Restricted for Federal and State Funds	7,154,176
3850 Restricted for Debt Service	7,681,300
3900 Unrestricted	(83,626,224)
3000 Total Net Position	\$ (110,097,250)

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

CORPUS CHRISTI INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2018

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
		Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 142,149,554	\$ 2,325,505	\$ (11,958,299)	\$ (151,782,348)
12 Instructional Resources and Media Services	4,412,911	-	(505,861)	(4,918,772)
13 Curriculum and Staff Development	5,305,880	-	5,860,015	554,135
21 Instructional Leadership	4,833,573	-	1,038,659	(3,794,914)
23 School Leadership	14,384,090	-	(4,047,574)	(18,431,664)
31 Guidance, Counseling and Evaluation Services	8,564,800	-	(979,364)	(9,544,164)
32 Social Work Services	1,659,672	7,727	646,207	(1,005,738)
33 Health Services	2,812,747	-	(440,413)	(3,253,160)
34 Student (Pupil) Transportation	4,998,583	-	(907,942)	(5,906,525)
35 Food Services	16,208,665	1,627,349	18,464,813	3,883,497
36 Extracurricular Activities	9,690,698	747,064	(461,862)	(9,405,496)
41 General Administration	8,739,468	239,550	(1,104,904)	(9,604,822)
51 Facilities Maintenance and Operations	55,458,768	409,554	(2,462,928)	(57,512,142)
52 Security and Monitoring Services	2,760,964	54,092	(629,310)	(3,336,182)
53 Data Processing Services	6,001,021	-	(912,746)	(6,913,767)
61 Community Services	1,105,079	-	34,731	(1,070,348)
72 Debt Service - Interest and Fees on Long Term Debt	20,415,132	-	-	(20,415,132)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 309,501,605	\$ 5,410,841	\$ 1,633,222	(302,457,542)

Data Control Codes	General Revenues:		
	Taxes:		
MT	Property Taxes, Levied for General Purposes		160,108,264
DT	Property Taxes, Levied for Debt Service		26,768,472
SF	State Aid - Formula Grants		113,543,368
GC	Grants and Contributions not Restricted		20,927,177
IE	Investment Earnings		5,379,150
MI	Miscellaneous Local and Intermediate Revenue		1,844,217
S1	Special Item - Loss on Demolition of Schools		(2,906,456)
S2	Special Item - Asset Impairment		(43,040,561)
TR	Total General Revenues and Special Items		282,623,631
CN	Change in Net Position		(19,833,911)
NB	Net Position - Beginning Restated (Note I. F)		(90,263,339)
NE	Net Position--Ending		\$ (110,097,250)

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

CORPUS CHRISTI INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2018

EXHIBIT C-1

Data Control Codes	10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents (Note IV. A)	\$ 131,676,513	\$ 163,550,269	\$ 19,139,545	\$ 314,366,327
1220 Property Taxes - Delinquent (Note IV. C)	8,058,709	-	1,297,935	9,356,644
1230 Allowance for Uncollectible Taxes (Note IV. C)	(2,309,160)	-	(215,940)	(2,525,100)
1240 Due from Other Governments (Note IV. D)	6,029,320	-	4,853,658	10,882,978
1260 Due from Other Funds (Note IV. E)	11,372,196	-	6,602,548	17,974,744
1290 Other Receivables	1,358,213	-	30,096	1,388,309
1300 Inventories	1,018,412	-	1,720,509	2,738,921
1410 Prepaid Assets	3,351,571	-	7,275	3,358,846
1490 Other Current Assets	37,559	-	-	37,559
1000 Total Assets	<u>\$ 160,593,333</u>	<u>\$ 163,550,269</u>	<u>\$ 33,435,626</u>	<u>\$ 357,579,228</u>
LIABILITIES				
2110 Accounts Payable	\$ 5,030,119	\$ 15,633,570	\$ 456,300	\$ 21,119,989
2150 Payroll Deductions and Withholdings Payable	3,991,817	-	-	3,991,817
2160 Accrued Wages Payable	13,696,863	-	1,271	13,698,134
2170 Due to Other Funds (Note IV. E)	18,545,858	7,291,782	4,080,414	29,918,054
2180 Due to Other Governments	6,318,170	-	186,479	6,504,649
2200 Accrued Expenditures	243,034	-	-	243,034
2300 Unearned Revenues (Note IV. G)	5,861,772	-	3,006,801	8,868,573
2000 Total Liabilities	<u>53,687,633</u>	<u>22,925,352</u>	<u>7,731,265</u>	<u>84,344,250</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410 Inventories	1,018,412	-	1,045,213	2,063,625
3430 Prepaid Items	3,351,571	-	7,275	3,358,846
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	1,675,655	-	5,478,521	7,154,176
3470 Capital Acquisition and Contractual Obligation	-	124,860,901	-	124,860,901
3480 Retirement of Long-Term Debt	-	-	7,681,300	7,681,300
Committed Fund Balance:				
3510 Construction	-	15,764,016	-	15,764,016
3545 Subsequent Year's Expenditures	3,619,279	-	2,086,054	5,705,333
3545 Debt Service	-	-	9,405,998	9,405,998
Assigned Fund Balance:				
3565 Repayment of Energy Performance Loan	7,956,341	-	-	7,956,341
3570 Asset Impairment	43,040,561	-	-	43,040,561
3571 New Campus Expenditures	2,000,000	-	-	2,000,000
3580 Self-Funded Health Insurance	3,934,938	-	-	3,934,938
3590 Counties Property Tax Dispute	7,605,000	-	-	7,605,000
3600 Unassigned Fund Balance	32,703,943	-	-	32,703,943
3000 Total Fund Balances	<u>106,905,700</u>	<u>140,624,917</u>	<u>25,704,361</u>	<u>273,234,978</u>
4000 Total Liabilities and Fund Balances	<u>\$ 160,593,333</u>	<u>\$ 163,550,269</u>	<u>\$ 33,435,626</u>	<u>\$ 357,579,228</u>

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

CORPUS CHRISTI INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2018

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	273,234,978
1 Capital assets used in government activities are not financial resources and, therefore, are not reported in governmental funds. The cost of these assets is \$666,080,651 and the accumulated depreciation is \$257,398,364. The net effect is an increase to net position. (Note IV. F)		408,682,287
2 Long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore, are not reported in the funds (Note II. A).		(590,172,896)
3 Deferred loss on refunding.		7,968,700
4 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68, in the amounts of \$70,210,372, a Deferred Resource Inflow related to TRS in the amount of \$10,739,097, and a Deferred Resource Outflow related to TRS in the amount of \$25,755,314 (Note IV. M).		(55,194,155)
5 Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75, in the amounts of \$121,170,211, a Deferred Resource Inflow related to TRS OPEB in the amount of \$50,685,728, and a Deferred Resource Outflow related to TRS OPEB in the amount of \$1,932,055 (Note IV. M).		(169,923,884)
6 Property tax revenue is recognized in the period for which levied rather than when "available". A portion of the deferred property tax revenue is not available (Note IV. G).		6,831,544
7 The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities on the internal service funds are included in the governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.		8,355,547
8 Deferred vending machine/concession revenue is not available to pay for current period expenditures and, therefore, are deferred in the funds (Note IV. G).		120,629
19 Net Position of Governmental Activities	\$	<u>(110,097,250)</u>

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

CORPUS CHRISTI INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

EXHIBIT C-3

Data Control Codes	10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources (Note IV. R)	\$ 167,311,479	\$ 2,550,561	\$ 30,390,933	\$ 200,252,973
5800 State Program Revenues	135,508,968	-	4,300,666	139,809,634
5900 Federal Program Revenues (Note IV. P)	9,683,193	-	47,890,177	57,573,370
5020 Total Revenues	<u>312,503,640</u>	<u>2,550,561</u>	<u>82,581,776</u>	<u>397,635,977</u>
EXPENDITURES:				
Current:				
0011 Instruction	173,226,867	124,984	19,309,908	192,661,759
0012 Instructional Resources and Media Services	5,289,078	4,480	411,688	5,705,246
0013 Curriculum and Instructional Staff Development	1,329,166	-	5,949,524	7,278,690
0021 Instructional Leadership	5,211,843	-	2,023,466	7,235,309
0023 School Leadership	20,904,123	-	122,236	21,026,359
0031 Guidance, Counseling and Evaluation Services	11,265,521	-	1,206,421	12,471,942
0032 Social Work Services	1,408,597	-	828,757	2,237,354
0033 Health Services	3,629,042	-	260,955	3,889,997
0034 Student (Pupil) Transportation	5,258,931	3,647	-	5,262,578
0035 Food Services	-	-	18,628,824	18,628,824
0036 Extracurricular Activities	10,800,450	335,558	76,178	11,212,186
0041 General Administration	7,836,235	780,584	-	8,616,819
0051 Facilities Maintenance and Operations	39,031,812	23,009,600	986,292	63,027,704
0052 Security and Monitoring Services	3,530,634	393,438	-	3,924,072
0053 Data Processing Services	6,523,270	428,572	-	6,951,842
0061 Community Services	912,908	-	193,260	1,106,168
Debt Service:				
0071 Principal on Long Term Debt	319,488	-	10,160,000	10,479,488
0072 Interest on Long Term Debt	183,108	-	21,420,446	21,603,554
0073 Bond Issuance Cost and Fees	-	592,414	5,030	597,444
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	67,400,776	-	67,400,776
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	637,197	-	-	637,197
0095 Payments to Juvenile Justice Alternative Ed. Prg.	269,490	-	-	269,490
0099 Other Intergovernmental Charges	2,193,962	-	-	2,193,962
6030 Total Expenditures	<u>299,761,722</u>	<u>93,074,053</u>	<u>81,582,985</u>	<u>474,418,760</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>12,741,918</u>	<u>(90,523,492)</u>	<u>998,791</u>	<u>(76,782,783)</u>
OTHER FINANCING SOURCES (USES):				
7911 Capital Related Debt Issued (Regular Bonds)	-	57,315,000	-	57,315,000
7912 Sale of Real and Personal Property	78,275	-	-	78,275
7915 Transfers In (Note IV. E)	-	4,896,654	5,364,456	10,261,110
7916 Premium or Discount on Issuance of Bonds	-	2,846,033	-	2,846,033
7919 Insurance Proceeds (Note IV. F)	-	8,223,408	-	8,223,408
8911 Transfers Out (Note IV. E)	(4,964,413)	(5,364,456)	-	(10,328,869)
7080 Total Other Financing Sources (Uses)	<u>(4,886,138)</u>	<u>67,916,639</u>	<u>5,364,456</u>	<u>68,394,957</u>
1200 Net Change in Fund Balances	7,855,780	(22,606,853)	6,363,247	(8,387,826)
0100 Fund Balance - September 1 (Beginning)	<u>99,049,920</u>	<u>163,231,770</u>	<u>19,341,114</u>	<u>281,622,804</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 106,905,700</u>	<u>\$ 140,624,917</u>	<u>\$ 25,704,361</u>	<u>\$ 273,234,978</u>

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

CORPUS CHRISTI INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2018

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$	(8,387,826)
Governmental funds report capital outlay of \$72,257,421 as expenditures. However, in the statement of net position, the costs of those assets is allocated over the estimated useful lives and reported as depreciation expense of \$19,332,167. This is the amount by which capital outlays and transfers exceeds depreciation in the current period.		52,925,254
The net effect of sale and retirement and asset impairment transactions involving capital assets is to decrease net position.		(54,170,425)
Delinquent property taxes receivable net of allowance are not reported as revenue in the governmental funds. Delinquent tax receivable net of allowance for uncollectibles decreased this year.		373,135
Proceeds from long-term debt, \$60,161,033 provide current financial resources to governmental funds, but have no effect on the statement of activities. Repayment of bond principal, \$10,479,488, is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and does not result in an expense in the statement of activities. The accretion of original issue discount of \$2,167,467 increases long-term debt but is not an expenditure of governmental funds.		(51,849,012)
The District recorded their proportionate share of pension expenses during the measurement period as a change in the net pension liability and related inflows and outflows.		(3,311,818)
The District recorded their proportionate share of negative OPEB expenses during the measurement period as a change in the net OPEB liability and related inflows and outflows.		42,547,348
Net activity of additions and amortization of deferred loss on refunding.		(990,608)
The internal service funds used by management to charge the costs of self-insurance and printing to the appropriate functions are not reported in the statement of activities. Governmental fund expenditures and the related internal service funds revenue are eliminated. The net of revenue and the related internal service funds is allocated among the governmental activities.		(1,885,353)
Vending machine/concession revenue in the statement of activities that do not provide current financial resources is not reported in the funds.		(1,201)
Some expenses reported in the statement of activities do not require the use of current financial resources, and, therefore, are not reported as expenditures in governmental funds (Note II. B)		4,916,595
Change in Net Position of Governmental Activities	\$	<u>(19,833,911)</u>

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

CORPUS CHRISTI INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
		REVENUES:			
5700	Total Local and Intermediate Sources (Note IV. R)	\$ 165,630,279	\$ 166,349,522	\$ 167,311,479	\$ 961,957
5800	State Program Revenues	139,847,265	133,258,379	135,508,968	2,250,589
5900	Federal Program Revenues (Note IV. P)	4,340,847	9,933,783	9,683,193	(250,590)
5020	Total Revenues	309,818,391	309,541,684	312,503,640	2,961,956
EXPENDITURES:					
Current:					
0011	Instruction	179,996,809	179,977,790	173,226,867	6,750,923
0012	Instructional Resources and Media Services	5,214,982	5,391,637	5,289,078	102,559
0013	Curriculum and Instructional Staff Development	1,621,841	1,876,876	1,329,166	547,710
0021	Instructional Leadership	5,980,407	5,980,507	5,211,843	768,664
0023	School Leadership	21,322,745	21,320,745	20,904,123	416,622
0031	Guidance, Counseling and Evaluation Services	11,617,381	11,625,996	11,265,521	360,475
0032	Social Work Services	1,576,910	1,576,910	1,408,597	168,313
0033	Health Services	3,993,552	3,993,552	3,629,042	364,510
0034	Student (Pupil) Transportation	5,896,119	5,899,019	5,258,931	640,088
0036	Extracurricular Activities	10,779,385	10,959,594	10,800,450	159,144
0041	General Administration	7,962,191	7,331,312	7,836,235	(504,923)
0051	Facilities Maintenance and Operations	40,130,625	42,677,792	39,031,812	3,645,980
0052	Security and Monitoring Services	3,608,464	3,646,791	3,530,634	116,157
0053	Data Processing Services	6,449,226	6,805,001	6,523,270	281,731
0061	Community Services	1,047,997	1,047,997	912,908	135,089
Debt Service:					
0071	Principal on Long Term Debt	502,597	319,489	319,488	1
0072	Interest on Long Term Debt	-	183,108	183,108	-
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	10,009,624	-	10,009,624
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	600,000	637,197	637,197	-
0095	Payments to Juvenile Justice Alternative Ed. Prg.	305,160	273,962	269,490	4,472
0099	Other Intergovernmental Charges	2,212,000	2,212,000	2,193,962	18,038
6030	Total Expenditures	310,818,391	323,746,899	299,761,722	23,985,177
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,000,000)	(14,205,215)	12,741,918	26,947,133
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	50,000	80,000	78,275	(1,725)
7915	Transfers In (Note IV. E)	1,000,000	1,000,000	-	(1,000,000)
8911	Transfers Out (Note IV. E)	(50,000)	(6,976,654)	(4,964,413)	2,012,241
7080	Total Other Financing Sources (Uses)	1,000,000	(5,896,654)	(4,886,138)	1,010,516
1200	Net Change in Fund Balances	-	(20,101,869)	7,855,780	27,957,649
0100	Fund Balance - September 1 (Beginning)	99,049,920	99,049,920	99,049,920	-
3000	Fund Balance - August 31 (Ending)	\$ 99,049,920	\$ 78,948,051	\$ 106,905,700	\$ 27,957,649

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

CORPUS CHRISTI INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2018

EXHIBIT E-1

	Governmental Activities -
	Total Internal Service Funds
ASSETS	
Current Assets:	
Cash and Cash Equivalents (Note IV. A)	\$ 50,000
Due from Other Funds (Note IV. E)	11,943,310
Other Receivables	<u>1,053,792</u>
Total Assets	<u>13,047,102</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	604,345
Current Portion of Claims Liabilities (Note IV. L)	<u>3,675,067</u>
Total Current Liabilities	<u>4,279,412</u>
Noncurrent Liabilities:	
Noncurrent Claims Liabilities (Note IV. L)	<u>412,143</u>
Total Noncurrent Liabilities	<u>412,143</u>
Total Liabilities	<u>4,691,555</u>
NET POSITION	
Unrestricted	<u>8,355,547</u>
Total Net Position	<u><u>\$ 8,355,547</u></u>

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

CORPUS CHRISTI INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

	Governmental Activities -
	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>	
Interfund Services Provided	\$ 35,560,353
Payments to Employees	(267,686)
Payments for Insurance Claims	(34,617,184)
Payments for Suppliers	(743,242)
Net Cash Used for Operating Activities	<u>(67,759)</u>
<u>Cash Flows from Capital & Related Financing Activities:</u>	
Contributed by General Fund	<u>67,759</u>
Net Increase in Cash and Cash Equivalents	-
Cash and Cash Equivalents at Beginning of Year	<u>50,000</u>
Cash and Cash Equivalents at End of Year	<u>\$ 50,000</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Used for Operating Activities:</u>	
Operating Income (Loss):	\$ (1,953,112)
Effect of Increases and Decreases in Current Assets and Liabilities:	
Due to (from) other funds	2,585,990
Inventories	14,373
Change in Claims Liability	(1,015,549)
Accounts Payable	254,164
Claims Liabilities	46,375
Net Cash Used for Operating Activities	<u>\$ (67,759)</u>

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

CORPUS CHRISTI INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2018

	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents (Note IV. A)	\$ 1,400,896
Total Assets	<u>\$ 1,400,896</u>
LIABILITIES	
Due to Student Groups	\$ 1,400,896
Total Liabilities	<u>\$ 1,400,896</u>

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

CORPUS CHRISTI INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Corpus Christi 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 ("Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board ("GASB") 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.

A. REPORTING ENTITY

The Board of Trustees 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.

The District receives funding from local, state and federal government sources and must comply with the requirements of these funding entities. 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 Corpus Christi Independent School District and its nonfiduciary activities with most of the interfund activities removed. Interfund services provided and used are not eliminated in the process of consolidation. 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, facility usage rent, school lunch charges, etc. The "operating 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 revenue is not program revenue, it is general revenue used to support all of the District's functions and is unrestricted. Taxes are always general revenues.

Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due from 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 from 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 the general fund and capital project fund major and reports its 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; they usually come from exchange or exchange-like transactions. All other revenues are non-operating. Operating expenses can be tied specifically to the production of goods and services, such as materials and labor and direct overhead. Other 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. However, the agency funds included in the fiduciary fund financial statements do not use the economic resources measurement focus but do apply the accrual basis of accounting. 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 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 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. Compensated absences are reported in the governmental funds only if they have matured.

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

Grant funds are considered 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 deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors may require the District to refund all or part of the unused amount.

The Proprietary Fund Types 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 operations of these funds are included on the Statement of Net Position. Fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position.

D. FUND ACCOUNTING

The District reports the following major governmental funds:

1. The General Fund – The general fund is used to account for financial resources used for general operations. Any fund balances are considered resources available for current operations. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund.

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.

Additionally, the District reports the following fund types:

Governmental Funds:

3. 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. Generally, unused balances are returned to the grantor at the close of specified project periods. Shared service arrangements are also included in this fund type.
4. The 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.

Proprietary Funds:

5. Internal Service Funds – 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. These funds facilitate distribution for employee health costs, workers' compensation self-insurance and the print shop to the users of support services. See Note IV. L for additional discussion of the District's self-insurance plan.

Fiduciary Funds:

6. The Agency Fund – The District accounts for resources held for others in a custodial capacity in agency funds. These funds are used to account for the activities of student groups. The student activity organizations exist with the explicit approval of, and are subject to revocation by, the Board.

E. OTHER ACCOUNTING POLICIES

1. For purposes of the statement of cash flows for proprietary and similar fund-types, the District considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.
2. The District's policy is to report money market investments, short-term participating interest-earning investment contracts and intergovernmental investment pools at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments, which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Non-negotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.
3. Inventories of supplies in the General Fund are valued using the average cost method, while inventories of supplies in the National Breakfast and Lunch Program are stated at cost using the first-in, first-out method. Food commodities are recorded at the market value supplied by the Texas Department of Human Services. Inventory items are recorded as expenditures when they are consumed. Supplies are used for almost all functions of activity, while food commodities are used only in the National Breakfast and Lunch Program. Although food commodities are received at no cost, their fair market value is recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged and revenue is recognized for an equal amount. Inventories also include plant maintenance and operation supplies as well as instructional supplies.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

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

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 while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	35
Building and Site Improvements	20
Buses	10
Computer Equipment	5
Equipment	5-7
Software	5
Vehicles	5

6. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then.
7. It is the District's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. Upon retirement or resignation of full-time employees in good standing, the District pays up to 200 days of accrued sick leave. Payment of sick leave benefits is based on a formula, which considers years of service. The District also pays for vacation and compensatory time accrued upon retirement or resignation. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee retirements and resignations. The District will pay a flat daily rate for state leave for employees who have been with the District for at least five years and are retiring with TRS.
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. 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

10. 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.
11. In the fund financial statements, governmental funds fund balances classified as restricted are balances with constraints placed on the use of resources by creditors, grantors, contributors or laws or regulations of other governments. Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by the Board of Trustees through a resolution. Assigned fund balances are constrained by an intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by the Superintendent or Comptroller based on Trustee direction.

For the classification of governmental fund balances, the District considers an expenditure to be made from the most restrictive first when more than one classification is available.

12. In the government-wide financial statements net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. Net invested in capital assets consists of capital assets net of accumulated depreciation and the outstanding balances of any borrowing spent for the acquisition, construction or improvements of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
13. 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 statewide database for policy development and funding plans.

F. PRIOR YEAR RESTATEMENT

Beginning net position as of September 1, 2017 has been restated to record the District's proportionate share of the Teachers Retirement System's net OPEB liability as required by GASB Statement 75.

The effect of the change was to reduce beginning net position by the following amounts as September 1, 2017:

Beginning Net Position	\$122,207,893
Prior period adjustment-implementation of GASB 75:	
Net OPEB liability (measurement date as of August 31, 2017)	(213,919,886)
Deferred outflows – District OPEB contributions made for the year Ended August 31, 2017	<u>1,448,654</u>
Beginning net position as restated	<u>\$ (90,263,339)</u>

Since all of the audited beginning balances for deferred inflows of resources and deferred outflows of resources related to OPEB required to properly restate the financial statements for the year ended August 31, 2017 are not available, the restatement has been made directly to the beginning net position at September 1, 2017, as a cumulative effect of a change in accounting principle.

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 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 detail of the \$590,172,896 follows:

Long Term Liabilities:	
General Obligation Bonds	\$ 526,935,000
Accumulated Accretion	7,422,644
Premium	40,736,143
Financing Arrangement	7,724,603
Accrued Interest Payable	500,315
Unpaid Compensated Absences	6,854,191
	<u>\$ 590,172,896</u>

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 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 some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. The detail of the \$4,916,010 follows:

Amortization of Premium	\$ 4,063,311
Accrued Interest	20,630
Accretion of Interest	860,000
Unpaid Compensated Absences	(27,346)
	<u>\$ 4,916,595</u>

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund, Debt Service Fund and the National Breakfast and Lunch Program included in the Special Revenue Funds. The remaining special revenue funds and the Capital Projects Fund adopt project-length budgets, which do not correspond to the District's fiscal year. Each annual budget is presented on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

The official school budget is prepared for adoption for required Governmental Fund Types prior to August 20 of the preceding fiscal year for the next subsequent fiscal year beginning September 1. The budget is formally adopted by the Board prior to September 1 through passage of a resolution at a public meeting held at least ten days after public notice of the meeting has been given.

Once the budget is approved, it can be amended at the function and fund level, the legal level of control, only by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Such amendments, made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end as required by law. During the year, several amendments were necessary.

General Fund budget amendments approved during the 2017-2018 school year included the following:

	<u>Positive (Negative)</u>
Adjustments to Revenue:	
Property Taxes	\$ (1,719,889)
Investment income and other local	2,439,132
State Revenues	(6,588,886)
Federal Revenues	<u>5,592,936</u>
Subtotal adjustments to revenue	(276,707)
Adjustments to Expenditures:	
Carry-forward of encumbrances	(1,503,063)
Purchase of land	(9,020,000)
Increase for department additional items	(773,573)
Infrastructure improvements	(3,725,873)
Adjustments to salaries and other expenditures to projected actuals	<u>2,094,001</u>
Subtotal adjustments to expenditures	(12,928,508)
Adjustments to Other Sources (Uses):	
Increase to Other Uses for Hurricane Projects	(4,755,000)
Increase to Other Uses for Internal Service Funds	(91,654)
Increase to Other Uses to adjust to actual projections	(2,080,000)
Increase to Other Sources adjust to actuals	<u>30,000</u>
Subtotal adjustments to Other Sources (Uses)	<u>(6,896,654)</u>
Net Change to General Fund Budget	<u>\$ (20,101,869)</u>

Such amendments are recapped and included for Board review when amendments are presented. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year-end. Budget transfers may also be made between major objects within the function by approval of the Budget Administrator and the Comptroller.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

There was no excess of expenditures over appropriations as of August 31, 2018.

C. NEGATIVE OPERATING GRANTS AND CONTRIBUTIONS-STATEMENT OF ACTIVITIES

Expense activity is required to be recorded by Districts who are participants in cost-sharing pension and OPEB benefit plans with a special funding situation where non-employer contributing entities (NECE) also participate in contributions to the plans. TRS retirement and TRS Care benefit plans are both cost-sharing plans with special funding situations. Therefore, the District is required to record on-behalf expense and on-behalf revenues to record the contributions made by the State of Texas to the TRS pension and TRS Care plans as a NECE. The expenses and revenues are recorded in equal amounts in the Statement of Activities as part of the adjustments to record the net pension and OPEB liabilities in accordance with GASB Statements 68 and 75.

During the year under audit, the NECE expense was negative due to changes in benefits within the TRS Care plan. The accrual for the proportionate share of that expense was a negative on-behalf revenue and negative on-behalf expense. This resulted in negative revenue for operating grants and contributions on the Statement of Activities.

Following are the effects on the Statement of Activities as a result of the negative on-behalf accruals recorded:

Function	Operating Grants and Contributions	Negative On- Behalf Accruals	Operating Grants and Contributions (Excluding On- Behalf Accruals)
11 Instruction	\$ (11,958,299)	\$ (36,273,217)	\$ 24,314,918
12 Instructional Resources and Media Services	(505,861)	(1,069,957)	564,096
13 Curriculum and Instructional Staff Development	5,860,015	(95,205)	5,955,220
21 Instructional Leadership	1,038,661	(1,148,065)	2,186,726
23 School Leadership	(4,047,574)	(4,861,069)	813,495
31 Guidance, Counseling and Evaluation Services	(979,364)	(2,548,138)	1,568,774
32 Social Work Services	646,207	(212,813)	859,020
33 Health Services	(440,413)	(817,638)	377,225
34 Student (Pupil) Transportation	(907,942)	(1,058,458)	150,516
35 Food Services	18,464,811	-	18,464,811
36 Extracurricular Activities	(461,862)	(627,235)	165,373
41 General Administration	(1,104,904)	(1,288,071)	183,167
51 Facilities Maintenance and Operations	(2,462,928)	(4,021,022)	1,558,094
52 Security and Monitoring Services	(629,310)	(733,635)	104,325
53 Data Processing Services	(912,746)	(1,064,059)	151,313
61 Community Services	34,731	(184,809)	219,540
Totals	\$ 1,633,222	\$ (56,003,391)	\$ 57,636,613

D. DEFICIT NET POSITION

At August 31, 2018, the District has a deficit net position in the Government-Wide Statement of Net Position. This deficit is due to the restatement of beginning net position to recognize the net OPEB liability related to TRS Care totaling \$212,471,233 in accordance with GASB Statement 75. The net investment in capital assets has a deficit mainly as a result of the write down of capital assets due to impairments.

IV. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

The District's funds are required to be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank deposits, for safekeeping and trust with the District's agent bank, approved pledged securities in amounts sufficient to protect District funds on a day-to-day basis during the period of the contract.

Deposits

At August 31, 2018, the carrying amount of the District's deposits (including agency fund) was \$4,109,034 and the bank balance was \$5,179,159. The District also had \$13,497 of cash on hand.

District Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk. State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. The district complies with this law and it has no custodial credit risk for deposits with the exception mentioned above.

The District's investment policies and types of investments are governed by the Public Funds Investment Act (PFIA). The District's management believes that it has complied with the requirements of the PFIA and the District's investment policies.

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) banker's acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) commercial paper, (11) 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.

As of August 31, 2018, the District had \$311,694,692 in investment pools that are included in cash and cash equivalents and are carried at amortized cost.

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

All investment pools utilized by the district meet the requirements of the Texas Public Funds Investment Act. Lone Star investment pool has been rated AAA by Standard & Poor's. Texas Term investment pool has been rated AAA by Standard & Poor's.

Additional policies and contractual provisions governing deposits and investments for Corpus Christi Independent School District are specified below:

Credit Risk. To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations, the District's investment policy limits investments to those authorized by the Public Funds Investment Act. The District controls and monitors this risk by purchasing quality rated instruments that have been evaluated by agencies such as Standard and Poor's or Moody's Investor Service. As of August 31, 2018, the district's investments consisted of an investment pool.

Custodial Credit Risk. 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 the 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's designated agent. All of the securities are in the District's name and held by the District's agent.

Concentration of Credit Risk. To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District requires the investment portfolio to be diversified by type of investments, maturity and issuer of investment.

Interest Rate Risk. To limit the risk that changes in interest rates will adversely affect the fair value of investments the District limits the maximum maturity of investments to 1 year from date of purchase unless specifically authorized by the Board. The District has no investments with maturities greater than 1 year.

B. PROPERTY TAXES

Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school

fiscal year. The District levies its taxes 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 upon receipt of the tax bill and are past due and subject to interest if not paid before February 1 of the year following the October 1 levy date. Taxes are delinquent if not paid by January 31. Delinquent taxes are subject to both penalty and interest charges as well as attorney costs. The assessed value of the roll on January 1, 2017, upon which the levy for the 2018 fiscal year was based, was \$15,674,959,404.

The tax rates assessed for the year ended August 31, 2018 to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.06005 and \$.1773 per \$100 valuation, respectively, for a total of \$1.23735 per \$100 valuation.

Current tax collections for the year ended August 31, 2018, were 98.3% of the year-end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Services 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.

C. DELINQUENT TAXES RECEIVABLE

The following table shows a schedule of delinquent taxes receivable and the allowance for uncollectible taxes for the District. The allowance for uncollectible taxes is recorded on the governmental balance sheet.

	<u>Balance 08/31/17</u>	<u>Current Year Levy</u>	<u>Total Collections</u>	<u>Yearly Adjustments</u>	<u>Balance 08/31/18</u>
Delinquent Taxes Receivable:					
District	\$ 8,859,131	\$187,768,712	\$ (186,423,649)	\$ (847,550)	\$ 9,356,644
Allowance for Uncollectible Taxes	<u>(2,400,722)</u>	-	-	<u>(124,378)</u>	<u>(2,525,100)</u>
Net Delinquent Taxes Receivable	<u>\$ 6,458,409</u>	<u>\$187,768,712</u>	<u>\$ (186,423,649)</u>	<u>\$ (971,928)</u>	<u>\$ 6,831,544</u>

D. 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, 2018, are as follows.

<u>Fund</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Total</u>
General Non-Major Governmental Funds	\$ 3,511,216	\$ 2,518,104	\$ 6,029,320
Total	<u>\$ 3,511,216</u>	<u>\$ 4,853,658</u>	<u>\$10,882,978</u>

E. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances at August 31, 2018, consisted of the following amounts:

	Due From Other Funds	Due To Other Funds
General Fund:		
Capital Projects	\$ -	\$ -
Non-Major Governmental Funds	11,372,196	6,602,548
Internal Service Funds	-	11,943,310
Total General Fund	<u>\$ 11,372,196</u>	<u>\$ 18,545,858</u>
Capital Projects:		
General Fund	<u>\$ -</u>	<u>\$ 7,291,782</u>
Non-Major Governmental Funds:		
General Fund	<u>\$ 6,602,548</u>	<u>\$ 4,080,414</u>
Internal Service Funds:		
General Fund	<u>\$ 11,943,310</u>	<u>\$ -</u>
Totals	<u>\$ 29,918,054</u>	<u>\$ 29,918,054</u>

The District uses a centralized cash method. Internal Service Funds and Non-Major Governmental Funds except for National Breakfast and Lunch Program and Debt Service Fund do not have cash accounts. The General Fund pays the bills for the National Breakfast and Lunch Program, Debt Service Fund, Capital Projects Fund and Internal Service Funds and is subsequently reimbursed. The balances are the cash balances for those funds without cash accounts and \$7,275 for National Breakfast and Lunch Program owed to the General fund. It is expected that the interfund balances will be repaid within one year.

Interfund transfers at year ended August 31, 2018, were as follows:

Transfer Out:	Transfer In:				Total
	General Fund	Capital Projects	Non Major Governmental Funds	Internal Service Funds	
General Fund	\$ -	\$ 4,896,654	\$ -	\$ 67,759	\$ 4,964,413
Capital Projects	-	-	5,364,456	-	5,364,456
Total	<u>\$ -</u>	<u>\$ 4,896,654</u>	<u>\$ 5,364,456</u>	<u>\$ 67,759</u>	<u>\$10,328,869</u>

The General Fund transferred \$141,654 to the Capital Projects Fund for an energy management project and \$4,755,000 for construction relating to hurricane repairs. The Capital Projects Fund transferred \$5,364,456 to the Debt Service Fund relating capitalized interest.

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended August 31, 2018, was as follows:

	Beginning Balance	Additions and Transfers	Retirements	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated				
Land	\$ 26,491,841	\$ 2,105,841	\$ (72,416)	\$ 28,525,266
Construction in progress	6,015,686	66,824,762	-	72,840,448
Total capital assets, not being depreciated	<u>32,507,527</u>	<u>68,930,603</u>	<u>(72,416)</u>	<u>101,365,714</u>
Capital assets, being depreciated:				
Buildings and Improvements	572,359,374	1,449,064	(60,291,742)	513,516,696
Furniture and Equipment	29,273,924	1,254,733	(639,563)	29,889,094
Vehicles	20,813,941	623,021	(127,815)	21,309,147
Total capital assets, being depreciated	<u>622,447,239</u>	<u>3,326,818</u>	<u>(61,059,120)</u>	<u>564,714,937</u>
Less accumulated depreciation for:				
Buildings and Improvements	(212,115,916)	(15,403,130)	6,213,779	(221,305,267)
Furniture and Equipment	(21,442,931)	(2,345,049)	629,543	(23,158,437)
Vehicles	(11,468,461)	(1,583,988)	117,789	(12,934,660)
Total accumulated depreciation	<u>(245,027,308)</u>	<u>(19,332,167)</u>	<u>6,961,111</u>	<u>(257,398,364)</u>
Total capital assets, being depreciated, Net	<u>377,419,931</u>	<u>(16,005,349)</u>	<u>(54,098,009)</u>	<u>307,316,573</u>
Governmental activities capital assets, Net	<u>\$ 409,927,458</u>	<u>\$ 52,925,254</u>	<u>\$ (54,170,425)</u>	<u>\$ 408,682,287</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 11,618,466
Instructional Resources and Media Services	339,576
Curriculum and Staff Development	2,104
Instructional Leadership	69,844
School Leadership	1,075,777
Guidance, Counseling and Evaluation Services	539,392
Social Work Services	52,540
Health Services	213,442
Student (Pupil) Transportation	1,502,503
Food Services	449,796
Co-curricular/Extracurricular Activities	429,879
General Administration	40,274
Plant Maintenance and Operations	1,388,199
Security and Monitoring Service	180,038
Data Processing Services	1,156,886
Community Services	273,451
Total Depreciation Expense	<u>\$ 19,332,167</u>

GASB Statement No. 42 *Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries*, requires the disclosure of impairment of losses and associated insurance recoveries. For the year ended August 31, 2018, the district impaired assets damaged by Hurricane Harvey. According to GASB Statement No. 42 the asset impairment was measured using the restoration cost approach under the replacement cost option.

The impairment loss is included in the capital asset activity schedule under “retirements” for the year ended August 31, 2018 in the amount of \$43,040,561. The District did not have information about impairment losses to report in the previous year. The district has received \$8,223,408 in insurance proceeds for these damages.

G. UNEARNED REVENUE

Unearned revenue at August 31, 2018, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total
Net Tax Revenue	\$ 5,749,549	\$ 1,081,995	\$ 6,831,544
Vending/Concession	112,223	8,406	120,629
National Breakfast & Lunch	-	675,295	675,295
Other Federal Special Revenue	-	456,242	456,242
State Textbook Fund	-	486,638	486,638
Other State Special Revenue	-	12,250	12,250
Regional Deaf	-	191,799	191,799
Other Local Special Revenue	-	94,176	94,176
Total Deferred Revenue	<u>\$ 5,861,772</u>	<u>\$ 3,006,801</u>	<u>\$ 8,868,573</u>

H. CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended August 31, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Debt:					
General Obligation Bonds	\$ 479,780,000	\$ 57,315,000	\$ (10,160,000)	\$ 526,935,000	\$ 13,125,000
Original Issue Discount	6,115,177	2,167,467	(860,000)	7,422,644	875,000
Premium	41,953,421	2,846,033	(4,063,311)	40,736,143	-
Financing Arrangement	8,044,091	-	(319,488)	7,724,603	310,331
Total Debt	<u>\$ 535,892,689</u>	<u>\$ 62,328,500</u>	<u>\$ (15,402,799)</u>	<u>\$ 582,818,390</u>	<u>\$ 14,310,331</u>
Other Liabilities:					
Accrued Interest Payable	\$ 520,945	\$ -	\$ (20,630)	\$ 500,315	\$ 500,315
Unpaid Compensated Absences	6,826,845	5,399,961	(5,372,615)	6,854,191	5,533,793
Claims Liability	4,040,835	34,663,559	(34,617,184)	4,087,210	3,675,067
Net Pension Liability	77,790,049	15,045,755	(22,625,432)	70,210,372	-
Net OPEB Liability	212,471,233	20,505	(91,321,527)	121,170,211	-
Total Other Liabilities	<u>\$ 301,649,907</u>	<u>\$ 55,129,780</u>	<u>\$(153,957,388)</u>	<u>\$ 202,822,299</u>	<u>\$ 9,709,175</u>
Total Governmental Activities					
Long-term Liabilities	<u>\$ 837,542,596</u>	<u>\$ 117,458,280</u>	<u>\$(169,360,187)</u>	<u>\$ 785,640,689</u>	<u>\$ 24,019,506</u>

I. BONDS PAYABLE

The District has entered into an agreement to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council of Texas. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

Bonded indebtedness of the District is reflected on the Government-Wide Statement of Net Position and current requirements for principal and interest expenditures are accounted for in the Debt Service Fund reported in the Non-Major Governmental Funds exhibits.

The summary of general obligation bonds and contractual obligations as of August 31, 2018 is as follows:

DESCRIPTION	Interest Rate Payable	Amounts Original Issue	Outstanding 8/31/18
Unlimited tax school building bonds – Series 2009	4.00%-5.50%	\$ 167,474,920	\$ 9,790,000
Unlimited tax refunding bonds – Series 2009A	2.50%-5.00%	22,999,999	1,465,000
Unlimited tax school building bonds –Series 2010A	28.81%-29.71%	1,500,000	1,035,000
Unlimited tax refunding bonds – Series 2010B	5.42%-6.124%	98,500,000	98,500,000
Unlimited tax school building bonds – Series 2011	3.82%-5.35%	25,000,000	25,000,000
Unlimited tax school building bonds – Series 2015	3.00%-5.00%	94,560,000	94,480,000
Unlimited tax refunding bonds – Series 2016	2.00%-5.00%	96,335,000	95,295,000
Unlimited tax school building bonds – Series 2017A	2.00%	59,755,000	59,755,000
Unlimited tax school building bonds – Series 2017	2.00%-4.00%	74,820,000	74,820,000
Unlimited tax refunding bonds – Series 2017	2.00%-4.00%	9,480,000	9,480,000
Unlimited tax school building bonds – Series 2018	3.00%-5.00%	57,315,000	57,315,000
Total General Obligation Bonds			\$ 526,935,000
Accumulated accretion of original issue discount (original issue discount of \$27,755,000 Less \$20,332,356 unaccreted discount)			<u>7,422,644</u>
Total General Obligation Bonds and Accumulated Accretion			<u>\$ 534,357,644</u>

Debt service requirements are as follows:

<u>Year Ended August 31,</u>	<u>Principal</u>	<u>Sinking Fund</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 13,125,000	\$ 1,665,000	\$ 23,182,600	\$ 37,972,600
2020	14,420,000	1,665,000	23,848,545	39,933,545
2021	11,745,000	1,665,000	27,099,845	40,509,845
2022	12,840,000	1,665,000	26,718,845	41,223,845
2023	13,850,000	1,665,000	26,262,495	41,777,495
2024-2028	97,585,000	8,325,000	106,488,834	212,398,834
2029-2033	155,025,000	(21,645,000)	64,361,762	197,741,762
2034-2038	77,180,000	-	36,292,088	113,472,088
2039-2043	76,875,000	-	20,473,300	97,348,300
2044-2048	54,290,000	-	4,885,400	59,175,400
	<u>\$ 526,935,000</u>	<u>\$ (4,995,000)</u>	<u>\$ 359,613,714</u>	<u>\$ 881,553,714</u>

The District has obligated itself under the Series 2011 Bond documents to make mandatory deposits into a cumulative sinking fund account, which is a subaccount of the Bond fund, with the paying agent/registrar of the bonds on August 15 in each of the years as shown above. The first payment made to this cumulative sinking fund was on August 15, 2016.

Legislation enacted in 1999 provided partial state funding for eligible bonded debt under Chapter 34 of the Education Code, Existing Debt Allotment. Although several bond issuances are eligible for funding, the District no longer qualifies due to increased property values. Funding for the bonds is based on a formula, which considers property value and District tax collections for the Interest and Sinking fund.

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions as of August 31, 2018.

On August 28, 2018, the District issued \$57,315,000 Unlimited Tax School Building Bonds, Series 2018. The proceeds of the school building bonds are being used for the construction, renovation, acquisition and equipping of school buildings in the District, the purchase of necessary sites for school buildings, and to pay the cost of issuing the bonds.

J. FINANCING ARRANGEMENT

The District entered into a Tax-Exempt Lease Purchase Agreement dated July 8, 2016 that will be paid off by fiscal year 2032. The proceeds of \$8,044,091 from this financing arrangement were used towards a \$22,064,573 energy savings performance contracting project to be engineered, designed, constructed and commissioned by Johnson Controls, Inc. All proceeds were expended by August 31, 2018. The fixed interest rate is 2.29%. The future minimum payment requirements are as follows:

<u>Year Ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 310,331	\$ 175,815	\$ 486,146
2020	333,215	168,550	501,765
2021	377,677	160,635	538,312
2022	424,847	151,683	576,530
2023	455,459	141,741	597,200
2024-2028	2,868,993	529,155	3,398,148
2029-2032	2,954,081	157,455	3,111,536
	<u>\$ 7,724,603</u>	<u>\$ 1,485,034</u>	<u>\$ 9,209,637</u>

K. ACCUMULATED UNPAID VACATION, COMPENSATORY AND SICK LEAVE TIME BENEFITS

Upon retirement or resignation, the District pays for vacation and compensatory time accrued and, for those in good standing, any accrued local sick leave in a lump cash payment to such employee or his/her estate. Below is a summary of changes in the accumulated vacation, compensatory time and sick leave liability:

	<u>Vacation Leave</u>	<u>Compensatory Time</u>	<u>Sick Leave</u>	<u>Total</u>
Balance September 1, 2017	\$ 271,154	\$ 137,157	\$ 6,418,534	\$ 6,826,845
Additions – New Entrants and Salary Increments	417,465	595,503	4,386,993	5,399,961
Deductions – Payments to Participants	<u>(284,798)</u>	<u>(642,419)</u>	<u>(4,445,398)</u>	<u>(5,372,615)</u>
Balance August 31, 2018	<u>\$ 403,821</u>	<u>\$ 90,241</u>	<u>\$ 6,360,129</u>	<u>\$ 6,854,191</u>

Compensated absence liabilities are normally paid from the funds reporting payroll and related expenditures including the general fund and special revenue funds.

L. CLAIMS LIABILITY

The District has two self-insurance programs, the workers' compensation insurance program, effective September 1, 1986, and the health insurance program effective on January 1, 2011. The District is self-insured for individual claims up to \$450,000 per occurrence for the workers' compensation program and \$300,000 for the health program. Stop loss coverage has been purchased to cover excess claims. No claims have exceeded the stop loss coverage in the past ten years for the workers' compensation while nine claims have exceeded the stop loss coverage for the health program during the year. The District uses two different third party administrators to handle all claims and provide risk analysis and estimates of future liabilities. All incurred and anticipated claims are accrued in the internal service fund and management believes that adequate accruals have been made.

This liability is the District's best estimate based on available information. Changes in the Fund's claims liability amount for fiscal 2017 and 2018 were:

	<u>Beginning Balance</u>	<u>Claims and Estimates</u>	<u>Claim Payments</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
2016-2017	\$ 2,302,011	\$ 33,512,368	\$ (31,773,544)	\$ 4,040,835	\$ 3,628,020
2017-2018	\$ 4,040,835	\$ 34,663,559	\$ (34,617,184)	\$ 4,087,210	\$ 3,675,067

M. EMPLOYEE BENEFIT PLANS

Defined Benefit Pension Plan:

Plan Description. Corpus Christi 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). It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

Pension Plan Fiduciary Net Position. Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at https://www.trs.texas.gov/TRS%20Documents/cafr_2016.pdf; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

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

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

Contribution Rates:	2018
Members (Employees)	7.7%
Employer (District)	6.8%
Non-Employer Contributing Entity (State of Texas)	6.8%

Contributions:	2018
District Employees	\$ 17,196,326
District	\$ 7,094,265
NECE on-behalf (State of Texas)	\$ 10,659,454

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

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

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

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

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

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

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Rate	8.00%
Last year ending August 31 in 2017 to 2116	
Projection period (100 years)	2116
Inflation	2.50%
Salary Increases including inflation	3.50% to 9.50%
Ad hoc post-employment benefit changes	None

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

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

adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2017 are summarized below:

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

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

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

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District's proportionate share of the net pension liability:	\$ 118,360,815	\$ 70,210,372	\$ 30,117,313

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2018, Corpus Christi Independent School District reported a liability of \$70,210,372 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's Proportionate share of the collective net pension liability	\$ 70,210,372
State's proportionate share that is associated with the District	<u>104,212,722</u>
Total	<u>\$174,423,094</u>

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

At August 31, 2017 the employer's proportion of the collective net pension liability was 0.219581618% which was an increase of 0.013725281% from its proportion measured as of August 31, 2016. The general fund will be used to liquidate pension liabilities.

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

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

For the year ended August 31, 2018, the District recognized pension expense of \$7,948,932 and revenue of \$10,659,454 for support provided by the State in the Government Wide Statement of Activities.

At August 31, 2018, Corpus Christi Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,027,209	\$ 3,786,353
Changes in actuarial assumptions	3,198,194	1,830,891
Difference between projected and actual investment earnings	-	5,116,779
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	14,435,646	5,074
Contributions paid to TRS subsequent to the measurement date	7,094,265	-
Total	\$ 25,755,314	\$ 10,739,097

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$7,094,265 will be recognized as a reduction of the net pension liability for the measurement year ending August 31, 2018 (i.e. recognized in the district's financial statements August 31, 2018). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended August 31:	Pension Expense Amount
2019	\$ 1,061,073
2020	5,542,783
2021	716,727
2022	(601,624)
2023	738,469
Thereafter	464,524
Total	\$ 7,921,952

Defined Other Post-Employment Benefit Plan (Retiree Health Care Coverage):

Plan Description - The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined Other Post-Employment Benefits (OPEB) benefit 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.

Employees of the system who retire with 10 or more years of eligible service credit and meet the Rule of 80 or are at least 65 years of age continue to receive health care and basic life insurance benefits through the Texas Employees Group Benefits Program (GBP) of the State Retiree Health Plan (SRHP) in accordance with the Texas Insurance Code, Chapter 1551.

OPEB Plan Fiduciary Net Position – Detailed 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. It may be obtained at <http://www.trs.state.tx.us/about/documetns/cafr.pdf#CAFR> or by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

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

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

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

TRS-Care Plan Monthly Premium Rates
Effective September 1, 2016 – December 31, 2017

	TRS-Care 1 Basic Plan	TRS-Care 2 Optional Plan	TRS-Care 3 Optional Plan
Retiree*	\$ -	\$ 70	\$ 100
Retiree and Spouse	20	175	255
Retiree* and Children	41	132	182
Retiree and Family	61	237	337
Surviving Children only	28	62	82
<i>*or surviving spouse</i>			

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

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

	2018
Active Members	.65%
District	.75%
Non-Employer Contributing Entity (State of Texas)	1.25%
Federal/Private Funding remitted by Employers	1.25%

Contribution Amounts:

	2018
Active Members	\$ 1,445,451
District	\$ 1,913,089
NECE on-behalf (State of Texas)	\$ 2,000,877

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$15.6 million in fiscal year 2017 and \$182.6 million in fiscal year 2018.

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

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

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

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

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

Additional Actuarial Assumptions

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.50%
Single Discount Rate	3.42%*
Aging Factors	Based on Plan Specific Experience
Expenses	Third Party Administration costs included in age adjusted claims cost
Payroll Growth Rate	2.50%
Projected Salary Increases	3.50% to 9.50%**
Healthcare Trend Rates	4.50% to 12.00%***
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65.
Ad Hoc Post Employment Benefit Changes	None

*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 21, 2017.

**Includes inflation at 2.50%.

***Initial trend rates are 7.00% for non-Medicare retirees; 10.00% for Medicare retirees and 12.00% for prescriptions for all retirees. Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 10 years.

Other Information -There was a significant plan change adopted in fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will be offered and all retirees will be required to contribute monthly premiums for coverage. Assumption changes made for the August 31, 2017 valuation include a change to the assumption regarding the phase-out of the Medicare Part D subsidies and a change to the discount rate from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017.

Discount Rate - A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of .44 percent in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

Discount Rate Sensitivity Analysis. The following 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 in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.42%)	Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
District's proportionate share of the net OPEB liability:	\$ 143,010,930	\$ 121,170,211	\$ 103,615,197

Healthcare Cost Trend Rates Sensitivity Analysis. The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% lower or 1% 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:	\$ 100,886,306	\$ 121,170,211	\$ 147,785,251

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2018, Corpus Christi Independent School District reported a liability of \$121,170,211 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's Proportionate share of the collective net OPEB liability	\$ 121,170,211
State's proportionate share that is associated with the District	<u>167,359,956</u>
Total	<u>\$288,530,167</u>

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

At August 31, 2017 the employer’s proportion of the collective Net OPEB Liability was .2786402938% which was the same proportion measured as of August 31, 2016.

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

1. Significant plan changes were adopted during fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates.
2. The August 31, 2016 valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017 valuation. Although there

is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment, and its impact was included as an assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.

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

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

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

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

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

There were no changes of benefit terms that affected measurement of the Total OPEB liability during the measurement period. For the year ended August 31, 2018, the District recognized OPEB negative expense of \$56,003,091 and negative revenue of \$2,000,877 for support provided by the State.

At August 31, 2018, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 2,529,520
Changes in actuarial assumptions	-	48,156,208
Difference between projected and actual investment earnings	18,406	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	560	-
Contributions paid to TRS subsequent to the measurement date	1,913,089	-
Total	<u>\$ 1,932,055</u>	<u>\$ 50,685,728</u>

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

Year ended August 31:	Pension Expense Amount
2019	\$ (6,685,538)
2020	(6,685,538)
2021	(6,685,538)
2022	(6,685,538)
2023	(6,690,140)
Thereafter	(17,234,470)
Total	<u>\$ (50,666,762)</u>

Medicare Part D:

The Medicare Modernization Act of 2003 (MMS) created an outpatient prescription drug benefit program known as Medicare Part D. The Texas Public School Retired Employee Group Insurance Program (TRS-Care) is offering a Medicare Part D Plan and is participating in the Retiree Drug Subsidy plan for eligible TRS-Care participants. For the years ended August 30, 2017, and August 31, 2018, the subsidy payments received by TRS-Care on behalf of the District were \$688,431 and \$695,305, respectively. TRS issues a publicly available financial report that may be found on the TRS Web Site at www.trs.stae.tx.us.

Active Employee Health Care Coverage:

The District has a self-insurance health plan that is authorized by Section 21.922, Texas Education Code, Article 3.51-2, Texas Insurance Code and is documented by contractual agreement. The District's contribution averages \$517 per month. This plan is reported as an Internal Service Fund.

N. LITIGATION

The District is involved in various legal proceedings arising from its operations. The District believes that the outcome of these proceedings, individually and in the aggregate, will have no material effect on the District's financial position.

O. COMMITMENTS AND CONTINGENT LIABILITIES

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2018, the District purchased commercial insurance to cover auto and professional liabilities with no significant reductions in insurance coverage from the prior year. There have been no claim settlements in excess of insurance coverage in the last four years.

The District has commitments under operating (noncapitalized) lease agreements for various types of equipment, which are cancelable and extended on a monthly basis. Minimum operating lease commitments for the next five years for the District are immaterial.

The District has entered into contracts for projects in the Capital Projects fund as follows:

	Outstanding Contracts	Expenditures Through 8/31/2018	Funds Committed
Construction of new schools	\$ 142,582,707	\$ 62,007,148	\$ 80,575,559
District-wide renovations	42,054,119	11,859,882	30,194,237
Total	<u>\$ 184,636,826</u>	<u>\$ 73,867,030</u>	<u>\$ 110,769,796</u>

Additionally, the District has outstanding contracts for the General fund and other funds totaling \$5,705,333.

P. GENERAL FUND FEDERAL SOURCE REVENUES

Federally financed programs are generally accounted for in the Special Revenue Funds of the District, except for indirect costs charged to federal programs which are accounted for in the General Fund as prescribed by the TEA. The District recognized in the General Fund such revenues for the year ended August 31, 2018, from various federal sources as follows:

<u>CFDA Program or Source</u>	<u>Number</u>	<u>Amount</u>	<u>Total Grant Entitlement</u>
N.J.R.O.T.C.	12.000	\$ 324,091	\$ 324,091
Impact Aid	84.041	32,516	32,516
Medicaid SHARS	93.778	4,779,958	4,779,958
Medicaid MAC	93.778	72,170	72,170
Erate		3,835,080	3,835,080
Indirect Cost Revenues:			
ESEA Title I, A Improving Basic Programs	84.010A	291,469	291,469
Title IV, B Community Learning	84.287C	35,277	35,277
ESEA Title I, 1003 (A) Priority/Focus School Grant	84.010A	6,383	6,383
ESEA Title I, Part C Migrant	84.011A	6,264	6,264
IDEA-Part B, Formula	84.027A	179,663	179,663
IDEA-Part B, Preschool	84.173A	3,906	3,906
Career and Technical-Basic Grant	84.048A	12,407	12,407
ESEA Title II, A -Training & Recruiting	84.367A	47,968	47,968
Title III- A English Lang. Acquisition	84.365A	4,458	4,458
ESEA Title X, Pt. C Homeless	84.196A	3,619	3,619
Title I, SIP Academy Grant	84.377A	43,099	43,099
SSA-IDEA, Part B, Discretionary	84.027A	1,626	1,626
Title IV, Part A, Subpart 1	84.424A	3,239	3,239
		<u>\$ 9,683,193</u>	<u>\$ 9,683,193</u>

Q. JOINT VENTURE-SHARED SERVICE ARRANGEMENTS

The District is the fiscal agent for a shared service arrangement ("SSA"), which provides services to hearing impaired students from 17 Districts. The fiscal agent provides all services. Funds are provided by the State of Texas and supplemented by member Districts based on the number of students enrolled in the program. The District has accounted for the activities of the SSA in Special Revenue Fund No. 435, Shared Services Arrangements - Regional Day School for the Deaf using Model 2 in the SSA section of TEA's Resource Guide. Total expenditures were \$1,501,013 with \$355,975 provided by TEA. Additional services were provided to these students through Federal and State grants as follows:

Fund No. 315 SSA – IDEA, Part B Discretionary \$ 207,525

R. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

	<u>General Fund</u>	<u>Capital Project Funds</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
Property Taxes	\$157,127,044	\$ -	\$ 26,282,821	\$ 183,409,865
Delinquent Property Taxes	2,584,625	-	431,500	3,016,125
Penalties & Interest	1,412,910	-	236,996	1,649,906
Investment Income	2,624,309	2,329,660	425,181	5,379,150
Food Sales	-	-	1,417,062	1,417,062
Co-curricular Student Activities	2,274,040	-	-	2,274,040
Tuition	5,100	-	-	5,100
Other	1,283,451	220,901	1,597,373	3,101,725
Total	<u>\$167,311,479</u>	<u>\$ 2,550,561</u>	<u>\$ 30,390,933</u>	<u>\$ 200,252,973</u>

S. CHAPTER 313 AGREEMENTS

On April 28, 2014, the District's Board of Trustees approved an Agreement with voestalpine Texas, LLC and with Corpus Christi Liquefaction LLC ("The Companies") for a Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes pursuant to the Chapter 313 of the Texas Tax Code, i.e., the Texas Economic Development Act, as set forth in Chapter 313 of the Texas Tax Code, as amended. The Companies qualified for a tax limitation agreement under Texas Tax Code Section 313.024(b)(5), as a manufacturing project.

Value limitation agreements are a part of a state program, originally created in 2001 which allows school districts to limit the taxable value of an approved project for Maintenance and Operations (M&O) for a period of years specified in the statute. The project(s) under the Chapter 313 agreements must be consistent with the state's goal to "encourage large scale capital investments in this state." Chapter 313 of the Tax Code grants eligibility to companies engaged in manufacturing, research and development, renewable electric energy production, clean coal projects, nuclear power generation and data centers.

In order to qualify for a value limitation agreement, each applicant, including The Companies has been required to meet a series of capital investment, job creation, and wage requirements specified by state law. At the time of the application's approval, the agreement was found to have done so by both the District's Board of Trustees and the Texas Comptroller's Office, which recommended approval of these projects. The applications, the agreements and the state reporting requirement documentation can be viewed at the Texas Comptroller's website: <https://www.comptroller.texas.gov/economy/local/ch313/agreement-docs.php>. The agreements and all supporting documentation was assigned Texas Comptroller Application No. 361 for voestalpine Texas, LLC and Application No. 362 for Corpus Christi Liquefaction LLC.

After approval, the applicant company must maintain a viable presence in the District for the entire period of the value limitation plus a period of years thereafter. In addition, there are specific reporting requirements, which are monitored on an annual and biennial basis in order to ensure relevant job, wage, and operational requirements are being met.

In the event voestalpine Texas, LLC or Corpus Christi Liquefaction LLC terminates this Agreement without the consent of the District, or in the event that the company or its successor-in-interest fails to comply in any material respect with the terms of the Agreement or to meet any material obligation under this Agreement, the District shall be entitled to the recapture of all ad valorem tax revenue lost as a result of this Agreement together with the payment of penalty and interest, on that recaptured ad valorem tax revenue. Penalties on said amounts shall be calculated in accordance with the methodology set forth in the Texas Tax Code Section 33.01(a), or its successor statute. Interest on said amounts shall be calculated in accordance with the methodology set forth in Texas Tax Code Section 33.01(c), or its successor statute. The agreement provides an administrative procedure to determine any company liability. Ultimately, enforcement of any payment obligation is through the local state district court.

Due to the value limitation not being in effect on either agreement, there were no benefits to the companies for M&O purposes or revenue loss or supplemental payments owed to the District.

T. SUBSEQUENT EVENTS

On November 6, 2018, voters approved a \$210,770,000 bond for constructing a replacement high school, upgrading technology at campuses and improving safety and security at all campuses. This will be a 6.6¢ tax increase.



SPECIALIZED PUBLIC FINANCE INC.
FINANCIAL ADVISORY SERVICES