Ratings: S&P "AAA" / "AA+"
(See "RATINGS" and "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM")

PRELIMINARY OFFICIAL STATEMENT
Dated: September 14, 2016

NEW ISSUE: BOOK-ENTRY-ONLY

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 – Tax Exemption" herein for a discussion of the opinion of Bond Counsel, including a description of alternative minimum tax consequences for corporations.

$19,605,000*
IRVING INDEPENDENT SCHOOL DISTRICT
(Dallas County, Texas)
UNLIMITED TAX REFUNDING BONDS, SERIES 2016A

Dated Date: September 15, 2016 **Due: February 15, as shown on page ii**
Interest Accrual Date: Delivery Date

The Irving Independent School District (the "District") is issuing $19,605,000* Unlimited Tax Refunding Bonds, Series 2016A (the "Bonds") in accordance with the Constitution and general laws of the State of Texas, including, particularly, Chapter 1207, Texas Government Code, as amended, and a bond order (the "Bond Order") approved by the Board of Trustees (the "Board") of the District on August 22, 2016, in which the Board delegated pricing of the Bonds and certain other matters to a "Pricing Officer" who will approve and execute a "Pricing Certificate," which will complete the sale of the Bonds (the Bond Order and the Pricing Certificate are jointly referred to as the "Order").

The Bonds constitute direct obligations of the District and are payable as to principal and interest from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, against all taxable property located within the District (see "THE BONDS – Security"). Additionally, the District has received conditional approval for the Bonds to be guaranteed by the Permanent School Fund of the State of Texas (see "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").

The Bonds will each be issued as fully registered obligations in principal denominations of $5,000 or any integral multiple thereof within a maturity. Interest on the Bonds will accrue from their date of initial delivery (the "Delivery Date") to the initial purchasers named below (the "Underwriters"), and shall be payable on February 15, 2017, and semiannually thereafter on February 15 and August 15 in each year until maturity or prior redemption. Interest on the Bonds will be calculated on the basis of a 360-day year of twelve 30-day months (see "THE BONDS – General Description").

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

Proceeds from the sale of the Bonds will be used to (i) refund a portion of the District's outstanding bonds (the "Refunded Bonds") (see "SCHEDULE I – SCHEDULE OF REFUNDED BONDS") and (ii) pay costs of issuance related to the Bonds (see "THE BONDS – Authorization and Purpose"). The refunding is being undertaken to lower the District's debt service and will result in a present value savings to the District.

CUSIP PREFIX: 463813
MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page ii

The Bonds are offered when, as and if issued, and accepted by the Underwriters, subject to the approving opinion of the Attorney General of the State of Texas and the opinion of Bracewell LLP, Bond Counsel, Dallas, Texas. Certain legal matters will be passed upon for the Underwriters by their counsel, Mahomes Bolden PC, Dallas, Texas. The Bonds are expected to be available for initial delivery through the services of DTC on or about October 20, 2016.

Citigroup **William Blair**

* Preliminary, subject to change.

CUSIP Prefix: 463813[(A)]

MATURITY SCHEDULE*

$19,605,000*
IRVING INDEPENDENT SCHOOL DISTRICT
(Dallas County, Texas)
UNLIMITED TAX REFUNDING BONDS, SERIES 2016A

Maturity Date	Principal Amount*	Interest Rate	Initial Yield	CUSIP Suffix[(A)]
2/15/2017	$340,000	%	%	
2/15/2018	200,000			
2/15/2019	210,000			
2/15/2020	220,000			
2/15/2021	225,000			
2/15/2022	235,000			
2/15/2023	245,000			
2/15/2024	260,000			
2/15/2025	275,000			
2/15/2026	285,000			
2/15/2027	300,000			
2/15/2028	315,000			
2/15/2029	335,000			
2/15/2030	350,000			
2/15/2031	5,695,000			
2/15/2032	9,580,000			
2/15/2033	535,000			

(Interest Accrues from Delivery Date)

Optional Redemption*… The Bonds maturing on and after February 15, 2027 are subject to redemption prior to maturity, at the option of the District, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2026 or any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption (see "THE BONDS – Redemption Provisions").

* Preliminary, subject to change.

[(A)] CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of the American Bankers Association. CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau and are included solely for the convenience of the owners of the Bonds. 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 shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

IRVING INDEPENDENT SCHOOL DISTRICT
OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

Name	Term Expires	Occupation
Dr. Steven Jones, President	2017	Producer
Larry Stipes, Vice President	2018	Manager Contract Services
Randy Randle, Secretary	2019	Business Owner
Nell Anne Hunt, Member	2017	Realtor
A.D. Jenkins, Member	2019	Software Engineer
Dinesh Mali, Member	2018	Business Owner
Randy Necessary, Member	2019	Retired Business Owner

CERTAIN DISTRICT OFFICIALS

Name	Position
Dr. Jose Parra	Superintendent
Gary Micinski	Chief Financial Officer
Magda Hernandez	Associate Superintendent of Human Resources
Adam Grinage, Ed.D.	Associate Superintendent of Academic Services
Shannon Trejo	Assistant Superintendent of School Leadership and Development
Lesley Weaver	Director of Communications
Tina Patel	Chief Legal Counsel
Lisa Freeman	Director of Taxation

CONSULTANTS AND ADVISORS

Auditors…………………………………………………………………………………………Weaver & Tidwell, L.L.P.
Dallas, Texas

Bond Counsel…………………………………………………………………………………………Bracewell LLP
Dallas, Texas

Financial Advisor …………………………………………………………………………………RBC Capital Markets, LLC
Dallas, Texas

For additional information regarding the District, please contact:

Gary Micinski	Derek Honea or
Chief Financial Officer	Clarence Grier
Irving Independent School District	RBC Capital Markets, LLC
2621 W. Airport Freeway	200 Crescent Court, Suite 1500
Irving, Texas 75062	Dallas, Texas 75201
(972) 600-5000	Phone: (214) 989-1660

USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document constitutes an Official Statement of the District with respect to the Bonds that has been deemed "final" by the District as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

No dealer, broker, salesman or other person has been authorized to give any information, or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the District, the Financial Advisor or the Underwriters.

This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM - PSF Continuing Disclosure Undertaking" and "CONTINUING DISCLOSURE OF INFORMATION" for a description of the undertakings of the Texas Education Agency (the "TEA") and the District, respectively, to provide certain information on a continuing basis.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THE BONDS HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED, SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

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

None of the District, the 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, New York, New York ("DTC") or its book-entry-only system as described under "BOOK-ENTRY-ONLY SYSTEM" or the affairs of the Texas Education Agency (the "TEA") described under "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM," as such information was provided by DTC and the TEA, respectively.

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 responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

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

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.

TABLE OF CONTENTS

The cover page hereof, the section entitled "Selected Data from the Official Statement," this Table of Contents and the Schedules and Appendices attached hereto are part of this Official Statement.

SELECTED DATA FROM THE OFFICIAL STATEMENT

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

The Issuer	Irving Independent School District (the "District") is a political subdivision of the State of Texas (the "State") located in Dallas County. The District is governed by a seven-member Board of Trustees (the "Board"). Policy making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent of Schools, who is the chief administrative officer of the District. Support services are supplied by consultants and advisors. For more information regarding the District, see "APPENDIX A – FINANCIAL INFORMATION REGARDING THE DISTRICT" and "APPENDIX B – GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY."
Authority for Issuance and Use of Proceeds	The District's $19,605,000* Unlimited Tax Refunding Bonds, Series 2016A (the "Bonds") are being issued pursuant to the Constitution and general laws of the State of Texas, including, particularly, Chapter 1207, Texas Government Code, as amended, and a bond order (the "Bond Order") approved by the Board of Trustees (the "Board") of the District on August 22, 2016, in which the Board delegated pricing of the Bonds and certain other matters to a "Pricing Officer" who will approve and execute a "Pricing Certificate," which will complete the sale of the Bonds (the Bond Order and the Pricing Certificate are jointly referred to as the "Order"). Proceeds from the sale of the Bonds will be used to (i) refund a portion of the District's outstanding bonds (the "Refunded Bonds") (see "SCHEDULE I – SCHEDULE OF REFUNDED BONDS") and (ii) pay costs of issuance related to the Bonds (see "THE BONDS – Authorization and Purpose"). The refunding is being undertaken to lower the District's debt service and will result in a present value savings to the District.
The Bonds	The Bonds will each be issued as fully registered obligations in principal denominations of $5,000 or any integral multiple thereof within a maturity. Interest on the Bonds will accrue from their date of initial delivery to the Underwriters and shall be payable on February 15, 2017, and semiannually thereafter on February 15 and August 15 in each year until maturity or prior redemption. Interest on the Bonds will be calculated on the basis of a 360-day year of twelve 30-day months (see "THE BONDS – General Description").
Paying Agent/Registrar	The initial Paying Agent/Registrar for the Bonds is U.S. Bank National Association, Dallas, Texas (see "REGISTRATION, TRANSFER AND EXCHANGE – Paying Agent/Registrar"). Initially, the District intends to use the Book-Entry-Only System of The Depository Trust Company, New York, New York ("DTC") (see "BOOK-ENTRY-ONLY SYSTEM").
Security	The Bonds will constitute direct obligations of the District, payable as to principal and interest from an annual ad valorem tax levied, without legal limit as to rate or amount, against all taxable property located within the District (see "THE BONDS – Security"). Additionally, an application has been filed and the District has received conditional approval for the payment of the Bonds to be guaranteed by the corpus of the Permanent School Fund of Texas (see "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM"). Also see "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" for a discussion of recent developments in State law affecting the financing of school districts in the State.
Optional Redemption*	The Bonds maturing on and after February 15, 2027 are subject to redemption prior to maturity, at the option of the District, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2026 or any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption (see "THE BONDS – Optional Redemption").

* Preliminary, subject to change.

Ratings	Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), has assigned a municipal bond rating of "AAA" to the Bonds based upon the Permanent School Fund Guarantee, as S&P generally rates all bond issues guaranteed by the Permanent School Fund of the State of Texas "AAA" (see "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "RATINGS"). The District's underlying rating for the Bonds (without consideration of the Permanent School Fund Guarantee or other credit enhancement) is "AA+" by S&P (see "RATINGS").
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 – Tax Exemption" for a discussion of the opinion of Bond Counsel, including a description of alternative minimum tax consequences for corporations.
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 denominations of $5,000 of principal amount or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. The principal of the Bonds at maturity or on a prior redemption date 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").
Continuing Disclosure of Information	Pursuant to the Order, the District is obligated to provide certain updated financial information and operating data annually, and timely notice of specified events to the Municipal Securities Rulemaking Board ("MSRB"). Such information will be available to the public without charge from the MSRB at www.emma.msrb.org (see "CONTINUING DISCLOSURE OF INFORMATION"). Also see "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM – PSF Continuing Disclosure Undertaking" for a description of the undertaking of the Texas Education Agency to provide certain information on a continuing basis.
Payment Record	The District has never defaulted on the payment of its bonded indebtedness.
Legal Opinion	Bracewell LLP, Dallas, Texas.

PRELIMINARY OFFICIAL STATEMENT RELATING TO

$19,605,000*
IRVING INDEPENDENT SCHOOL DISTRICT
(Dallas County, Texas)
UNLIMITED TAX REFUNDING BONDS, SERIES 2016A

INTRODUCTORY STATEMENT

This Official Statement, including Appendices A, B and D and Schedule I, has been prepared by the Irving Independent School District (the "District") located in Dallas County, Texas, in connection with the offering by the District of its Unlimited Tax Refunding Bonds, Series 2016A (the "Bonds") identified on the cover page hereof.

All financial and other information presented in this Official Statement has been provided by the District from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial position or other affairs of the District. No representation is made that past experience, as is shown by that financial and other information, will necessarily continue or be repeated in the future (see "FORWARD-LOOKING STATEMENTS").

This Official Statement contains descriptions of the Bonds and the Order (as defined herein), and certain other information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained during the offering period, from the District's Financial Advisor, RBC Capital Markets, LLC.

This Official Statement speaks only as of its date and the information contained herein is subject to change. A copy of the final Official Statement and the Escrow Agreement (as defined herein) will be submitted to the Municipal Securities Rulemaking Board (the "MSRB") and will be available through its Electronic Municipal Market Access system. See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM – PSF Continuing Disclosure Undertaking" and "CONTINUING DISCLOSURE OF INFORMATION" for a description of the undertakings of the Texas Education Agency ("TEA") and the District, respectively, to provide certain information on a continuing basis.

THE BONDS

Authorization and Purpose

The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas, including, particularly, Chapter 1207, Texas Government Code, as amended, and a bond order (the "Bond Order") approved by the Board of Trustees (the "Board") of the District on August 22, 2016, in which the Board delegated pricing of the Bonds and certain other matters to a "Pricing Officer" who will approve and execute a "Pricing Certificate," which will complete the sale of the Bonds (the Bond Order and the Pricing Certificate are jointly referred to as the "Order"). Capitalized terms used herein have the same meaning assigned to such terms in the Order, except as otherwise indicated.

Proceeds from the sale of the Bonds will be used to (i) refund a portion of the District's outstanding bonds (the "Refunded Bonds") (see "SCHEDULE I – SCHEDULE OF REFUNDED BONDS") and (ii) pay costs of issuance related to the Bonds. The refunding is being undertaken to lower the District's debt service and will result in a present value savings to the District.

Refunded Bonds

A description and identification of the Refunded Bonds appears in Schedule I attached hereto. The Refunded Bonds and the interest due thereon are to be paid on their respective interest payment dates and redemption dates from funds to be deposited with U.S. Bank National Association, Dallas, 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 shown on the cover page of this Official Statement (the "Underwriters"), the District will deposit with the Escrow Agent an amount, together with other lawfully available funds of the District, which, together with the Escrowed Securities (defined below) purchased with a portion of the Bond proceeds and the interest to be earned on such Escrowed Securities, will be sufficient to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Escrow Agent in an escrow account (the "Escrow Fund") and used to purchase some or all of the following types of obligations: (a) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality

* Preliminary, subject to change.

and that, on the date of their acquisition or purchase by the District, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent and (c) noncallable obligations of a state or an agency or a county, municipality or other political subdivision of a state that have been refunded and that, on the date of their acquisition or purchase by the District, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent (the "Escrowed Securities"). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of principal of and interest on the Refunded Bonds. Money held in the Escrow Fund will not be available to pay debt service on the Bonds.

Grant Thornton LLP, Certified Public Accountants, will verify at the time of delivery of the Bonds to the Underwriters that the Escrowed Securities will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Escrow Fund, will be sufficient to pay, when due, the principal of and interest on the Refunded Bonds on their respective scheduled interest payment dates and redemption date. Such maturing principal of and interest on the Escrowed Securities will not be available to pay the debt service on the Bonds (see "VERIFICATION OF ARITHMETICAL COMPUTATIONS").

By the deposit of the Escrowed Securities and cash with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of the Refunded Bonds pursuant to the terms of Chapter 1207, Texas Government Code, as amended, and the orders authorizing the issuance of the Refunded Bonds. It is the opinion of Bond Counsel that as a result of such defeasance and in reliance upon the report of Grant Thornton LLP, 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 fully paid and no longer outstanding except for the purpose of receiving payments from the Escrowed Securities and cash held for such purpose by the Escrow Agent, and the District will have no further responsibility with respect to amounts available in the Escrow Fund for the payment of the Refunded Bonds from time to time, including any insufficiency therein caused by the failure to receive payment when due on the Escrow Securities. Upon defeasance of the Refunded Bonds, the payment of such Refunded Bonds will no longer be guaranteed by the Permanent School Fund.

General Description

The Bonds shall be dated September 15, 2016 and will mature on the dates and in the principal amounts shown on page ii hereof. The Bonds will each be issued as fully registered obligations in principal denominations of $5,000 or any integral multiple thereof within a maturity. Interest on the Bonds will accrue from their date of initial delivery to the Underwriters at the interest rates shown on page ii hereof and such interest shall be payable to the registered owners thereof on February 15, 2017, and semiannually thereafter on February 15 and August 15 in each year until maturity or prior redemption. Interest on the Bonds will be calculated on the basis of a 360-day year of twelve 30-day months. The paying agent/registrar (the "Paying Agent/Registrar") for the Bonds is initially U.S. Bank National Association, Dallas, Texas.

Initially, the Bonds will be registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described below. No physical delivery of the Bonds will be made to the beneficial owners. The principal of the Bonds at maturity or on a prior redemption date and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will distribute the amounts paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" for a more complete description of such system.

Interest on the Bonds will be payable to the registered owner whose name appears on the bond registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined) and such accrued interest will be paid by (i) check sent United States mail, first class, postage prepaid, to the address of the registered owner appearing on such registration books of the Paying Agent/Registrar or (ii) such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. The record date (the "Record Date") for the interest payable on any interest payment date is the last business day of the month next preceding such interest payment date (see "REGISTRATION, TRANSFER AND EXCHANGE – Record Date for Interest Payment"). The principal of the Bonds at maturity or upon prior redemption will be payable only upon presentation of such Bonds at the designated office of the Paying Agent/Registrar upon maturity or redemption, as applicable; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Bonds, all payments will be made as described under "BOOK-ENTRY-ONLY SYSTEM" herein.

Optional Redemption*

The Bonds maturing on and after February 15, 2027 are subject to redemption prior to maturity, at the option of the District, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2026 or any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. If less than all of the Bonds within a stated maturity are to be redeemed, the District shall determine the principal amount and maturities to be redeemed

* Preliminary, subject to change.

and shall direct the Paying Agent/Registrar to select by lot or other customary method that results in a random selection, the Bonds or portions thereof, to be redeemed.

Notice of Redemption

At least 30 days prior to the date fixed for any such redemption, the District shall cause a written notice of such redemption to be deposited in the United States mail, postage prepaid, addressed to each registered owner of each Bond to be redeemed at the address shown on the Registration Books at the close of business on the business day next preceding the date of mailing such notice. In addition to the foregoing notice of redemption, the Paying Agent/Registrar shall give notice of redemption of the Bonds by first-class mail, postage prepaid, at least thirty (30) days prior to a redemption date to DTC (or a successor securities depository appointed pursuant to the Order) and to the MSRB.

ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN NOTWITHSTANDING WHETHER ONE OR MORE OF THE REGISTERED OWNERS OF SUCH BONDS FAILED TO RECEIVE SUCH NOTICE. UPON THE GIVING OF THE NOTICE OF REDEMPTION AND THE DEPOSIT OF THE FUNDS NECESSARY TO REDEEM SUCH BONDS, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE IRRESPECTIVE OF WHETHER SUCH BONDS ARE SURRENDERED FOR PAYMENT.

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

The Paying Agent/Registrar and the District, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption of Bonds, notice of proposed amendment to the Order or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the District will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bonds from the beneficial owners. Any such selection of Bonds to be redeemed will not be governed by the Order and will not be conducted by the District or the Paying Agent/Registrar. Neither the District nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Bonds for redemption. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Security

The Bonds are direct obligations of the District and are payable as to principal and interest from an annual ad valorem tax levied, without limit as to rate or amount, on all taxable property within the District as provided in the Order (see "TAX RATE LIMITATIONS"). Also see "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" for a discussion of recent developments in State law affecting the financing of school districts in the State).

Permanent School Fund Guarantee

In connection with the sale of the Bonds, the District has submitted an application to the TEA and has received conditional approval from the Commissioner of Education for the payment of the Bonds to be guaranteed under the Guarantee Program for School District Bonds (Chapter 45, Subchapter C, of the Texas Education Code). Subject to meeting certain conditions discussed under the heading "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein, the payment of the Bonds will be guaranteed by the corpus of the Permanent School Fund of the State in accordance with the terms of the Guarantee Program for School District Bonds. In the event of default, registered owners will receive all payments due from the corpus of the Permanent School Fund.

In the event the District defeases any of the Bonds, the payment of such defeased Bonds will cease to be guaranteed by the Permanent School Fund (see "THE BONDS – Defeasance of Bonds").

Legality

The Bonds are offered when, as and if issued, and subject to the approval of legality by the Attorney General of the State of Texas and the opinion of Bracewell LLP, Dallas, Texas (see "LEGAL MATTERS" and "APPENDIX C – FORM OF LEGAL OPINION OF BOND COUNSEL").

Payment Record

The District has never defaulted with respect to the payment of its bonded indebtedness.

Defeasance of Bonds

The Pricing Certificate will provide that the District may discharge its obligations to the registered owners of any or all of the Bonds either: (i) by depositing with the Paying Agent/Registrar or other lawfully authorized entity a sum of money equal to the principal and all interest to accrue on the Bonds to their due date (whether such date be by reason of maturity, redemption, or otherwise), and/or (ii) by depositing with the Paying Agent/Registrar or other lawfully authorized entity amounts sufficient, together with the investments earnings thereon, to provide for the payment of such Bonds; provided that such deposits may be invested and reinvested only in (a) direct, non-callable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America and (b) non-callable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding obligations, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent; or (iii) any combination of (i) and (ii) above. After such deposit has been made, the District will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased Bonds, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the securities used for defeasance purposes. The foregoing obligations may be in book-entry form, and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment of the Bonds.

The District has the right, subject to satisfying the requirements of (i) and (ii) above, to substitute other obligations described above for the obligations originally deposited, to reinvest the uninvested moneys on deposit for such defeasance, and to withdraw for the benefit of the District moneys in excess of the amount required for such defeasance. After firm banking and financial arrangements for the defeasance of the Bonds have been made as described above, all rights of the District to initiate proceedings to call the Bonds for redemption or to take any action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the District: (i) in the proceedings providing for the defeasance of the Bonds, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of such banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Upon defeasance, such defeased Bonds shall no longer be regarded to be outstanding or unpaid and such defeased Bonds will no longer be guaranteed by the Texas Permanent School Fund.

Sources and Uses of Funds

The proceeds from the sale of the Bonds, together with any contribution by the District, if necessary, will be applied approximately as follows:

Sources:		
	Principal Amount of the Bonds	$
	Net Original Issue Premium / (Discount)	
	Total Sources of Funds	**$**
Uses:		
	Deposit to Escrow Fund	$
	Costs of Issuance and Underwriters' Discount	
	Total Uses of Funds	**$**

REGISTERED OWNERS' REMEDIES

The Order establishes specific events of default with respect to the Bonds. If the District defaults in the payment of the principal of or interest on the Bonds when due or the District defaults in the observance or performance of any of the covenants, agreements, or obligations of the District set forth in the Order, which default materially adversely affects the rights of the owners, including but not limited to, their prospect or ability to be repaid in accordance with the Order, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the District, 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. 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 has ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the District's sovereign immunity from a suit for money damages in the absence of District action, Bondholders may not be able to bring such a suit against the District for breach of the Bonds or Order covenants. Chapter 1371, Texas Government Code, which pertains to the issuance of public securities by issuers such as the District, permits the District to waive sovereign immunity in the proceedings authorizing its bonds, but in connection with the issuance of the Bonds, the District has not waived sovereign immunity and is not relying on the authority provided by Chapter 1371. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Order and the Bonds are subject to bankruptcy and other laws affecting creditors' rights or remedies generally.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any and interest on the Bonds are to be paid to 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 none of the District, the Financial Advisor or the Underwriters takes any responsibility for the accuracy or completeness thereof.

The District and the Underwriters cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners (as hereinafter defined), 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 security will be issued for each maturity of Bonds, as set forth on page ii hereof, each in the aggregate principal amount of such maturity and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is a 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 companies 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 confirmation 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 physical certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and reimbursement 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 to DTC.

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.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

U.S. Bank National Association, Dallas, Texas has been named to serve as initial Paying Agent/Registrar for the Bonds. In the Order the District retains the right to replace the Paying Agent/Registrar. If the District replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the District shall be a legally qualified bank, trust company, financial institution or other agency duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

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

Future Registration

In the event the book-entry-only system is discontinued, printed certificates will be delivered to the owners of the Bonds and thereafter the Bonds may be transferred, registered and assigned on the registration books only upon presentation and surrender of such printed certificates to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar in lieu of the Bond or Bonds being transferred or exchanged at the designated office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Bonds to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or 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 authorized denominations and for a like kind and aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. See "BOOK-ENTRY-ONLY SYSTEM" for a description of the system to be utilized initially in regard to the ownership and transferability of the Bonds.

Record Date for Interest Payment

The record date ("Record Date") for the interest payable on any interest payment date for the Bonds means the close of business on the last business day of the month next preceding such interest payment date. In the event of a nonpayment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date" which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each registered owner of a Bond appearing on the 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.

Limitation on Transfer of Bonds

Neither the District nor the Paying Agent/Registrar shall be required to issue, transfer, or exchange any Bond during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date.

Replacement Bonds

If any Bond is mutilated, destroyed, stolen or lost, a new Bond in the same principal amount as the Bond so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Bond, such new Bond will be delivered only upon surrender and cancellation of such mutilated Bond. In the case of any Bond issued in lieu of and in substitution for a Bond which has been destroyed, stolen or lost, such new Bond will be delivered only (a) upon filing with the Paying Agent/Registrar of satisfactory evidence to the effect that such Bond has been destroyed, stolen or lost and proof of the ownership thereof, and (b) upon furnishing the District and the Paying Agent/Registrar with indemnity satisfactory to them. The person requesting the authentication and delivery of a new Bond must pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

AD VALOREM TAX PROCEDURES

Property Tax Code and County-Wide Appraisal District

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

Property Subject to Taxation by the District

Except for certain exemptions provided by State law, all real and certain tangible personal property with a tax situs in the District is subject to taxation by the District. Principal categories of exempt property (including certain exemptions which are subject to local option by the Board of Trustees of the District) include property owned by the State or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain improvements to real property and certain tangible personal property located in designated reinvestment zones on which the District has agreed to abate ad valorem taxes; certain household goods, family supplies and personal effects; farm products owned by the producers; certain property of a nonprofit corporation used in scientific research and educational activities benefiting a college or university, and designated historic sites. Other principal categories of exempt property include tangible personal property not held or used for production of income; solar and windpowered energy devices; most individually owned automobiles; $10,000 exemption to residential homesteads of disabled persons or persons ages 65 or over; an exemption from $5,000 to a maximum of $12,000 for real or personal property of disabled veterans or the surviving spouses or children of a deceased veteran who died while on active duty in the armed forces; $25,000 (effective January 1, 2015) in market value for all residential homesteads; and certain classes of intangible property. In addition, except for increases attributable to certain improvements, the District is prohibited by State law from increasing the total ad valorem tax of the residence homestead of persons 65 years of age or older above the amount of tax imposed in the year such residence qualified for an exemption based on age of the owner. The freeze on ad valorem taxes on the homesteads of persons 65 years of age or older is also transferable to a different residence homestead. Also, a surviving spouse of a taxpayer who qualifies for the freeze on ad valorem taxes is entitled to the same exemption so long as the property is the homestead of the surviving spouse and the spouse is at least 55 years of age at the time of the death of the individual's spouse. Effective January 1, 2004, the freeze on taxes paid on residence homesteads of persons 65 years of age and older was extended to include the resident homesteads of "disabled" persons, including the right to transfer the freeze to a different residence homestead. A "disabled" person is one who is "under a disability for purposes of payment of disability insurance benefits under the Federal Old Age, Survivors and Disability Insurance." Pursuant to State Law taxes paid on residence homesteads of persons 65 years of age or over or of disabled persons are frozen to correspond to reductions in local school district tax rates from the 2005 tax year to the 2006 tax year and from the 2006 tax year to the 2007 tax year (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Overview"). The school property tax limitation provided by the constitutional amendment and enabling legislation apply to the 2007 and subsequent tax years. Owners of agricultural and open space land, under certain circumstances, may request valuation of such land on the basis of productive capacity rather than market value.

House Bill 3613, enacted by the 81st Texas Legislature during its Regular Session, added Section 11.131 to the Texas Tax Code. This law, effective January 1, 2009, states that a disabled veteran who receives from the United States Department of Veterans Affairs or its successor 100% disability compensation due to a service-connected disability and a rating of 100% disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead.

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

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

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

Valuation of Property for Taxation

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

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

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

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

Residential Homestead Exemption

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

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

In addition to any other exemptions provided by the Property Tax Code, the governing body of a political subdivision, at its option, may grant an exemption of up to 20% of the market value of residence homesteads, with a minimum exemption of $5,000.

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

District and Taxpayer Remedies

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

Public Hearing and Rollback Tax Rate

In setting its annual tax rate, the governing body of a school district generally cannot adopt a tax rate exceeding the district's "rollback tax rate" without approval by a majority of the voters voting at an election approving the higher rate. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures and (2) a rate for debt service. The rollback tax rate for a school district is the lesser of (A) the sum of (1) the product of the district's "State Compression Percentage" for that year multiplied by $1.50, (2) the rate of $0.04, (3) any rate increase above the rollback tax rate in prior years that were approved by voters, and (4) the district's current debt rate, or (B) the sum of (1) the district's effective maintenance and operations tax rate, (2) the product of the district's State Compression Percentage for that year multiplied by $0.06; and (3) the district's current debt rate (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - Local Funding for School Districts" for a description of the "State Compression Percentage"). If for the preceding tax year a district adopted an M&O tax rate that was less than its effective M&O tax rate for that preceding tax year, the district's rollback tax for the current year is calculated as if the district had adopted an M&O tax rate for the preceding tax year equal to its effective M&O tax rate for that preceding tax year.

The "effective maintenance and operations tax rate" for a school district is the tax rate that, applied to the current tax values, would provide local maintenance and operating funds, when added to State funds to be distributed to the district pursuant to Chapter 42 of the Texas Education Code for the school year beginning in the current tax year, in the same amount as would have been available to the district in the preceding year if the funding elements of wealth equalization and State funding for the current year had been in effect for the preceding year.

Section 26.05 of the Property Tax Code provides that the governing body of a taxing unit is required to adopt the annual tax rate for the unit before the later of September 30 or the 60th day after the date the certified appraisal roll is received by the taxing unit, and a failure to adopt a tax rate by such required date will result in the tax rate for the taxing unit for the tax year to be the lower of the effective tax rate calculated for that tax year or the tax rate adopted by the taxing unit for the preceding tax year. 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 budget and proposed tax rate must be published in the time, format and manner prescribed in Section 44.004 of the Texas Education Code. Section 44.004(e) of the Texas Education Code provides that a person who owns taxable property in a school district is entitled to an injunction restraining the collection of taxes by the district if the district has not complied with such notice requirements or the language and format requirements of such notice as set forth in Section 44.004(b), (c) and (d) and if 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.

Levy and Collection of Taxes

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Before the later of September 30 or the 60th day after the date that the certified appraisal roll is received by the District, the rate of taxation must be set by the Board of Trustees of the District based upon the valuation of property within the District as of the preceding January 1 and the amount required to be raised for debt service and maintenance and operations purposes. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty from six percent (6%) to twelve percent (12%) of the amount of the tax, depending on the time of payment, and accrues interest at the rate of one percent (1%) per month. If the tax is not paid by the following July 1, an additional penalty of up to twenty percent (20%) may, under certain circumstances, be imposed by the District. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances.

District's Rights in the Event of Tax Delinquencies

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

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

THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT

The Appraisal District has the responsibility for appraising property in the District as well as other taxing units in Dallas County. The Appraisal District is governed by a board of directors appointed by voters of the governing bodies of various political subdivisions in Dallas County. The District's taxes are collected by the District.

The District grants a state mandated $25,000 general residence homestead exemption.

The District grants a state mandated $10,000 residence homestead exemption for persons 65 years of age or older or the disabled.

The District grants a state mandated residence homestead exemption for disabled veterans.

The District has not granted a local option, additional exemption for disabled veterans above the amount of the state-mandated exemption.

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

The District does not tax non-business personal property.

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

The District does not grant a freeport property exemption.

The District has taken action to continue taxing "goods-in-transit."

The District is a participant in the Tax Increment Reinvestment Zone Number One ("TIRZ #1"), created by the City of Irving in 1998. The taxable value of property in TIRZ #1 is $1,570,477,998 for fiscal year 2016/17, which is $893,701,262 more than the taxable value of property in 1998 ($676,776,736) at the time the District began its participation in TIRZ #1. The District has agreed to pay to TIRZ #1 the proceeds received from the District's property taxes pursuant to the District's total tax rate on the total incremental taxable assessed value located within TIRZ #1 (the "Tax Increment Payments"). Under the terms of the tax increment reinvestment zone participation agreement (the "TIRZ #1 Agreement"), the District is to receive 75% of the Tax Increment Payments actually received for the purpose of paying all or a portion of Zone School Project Costs as specified in the TIRZ #1 Agreement, which is scheduled to terminate on December 31, 2018, and the remaining 25% of the District's contribution to TIRZ #1 is required to be used to promote economic development in TIRZ #1, and in particular, in that part of TIRZ #1 that overlaps the District. The current school Finance System includes provisions that are designed to "hold harmless" districts that have entered into certain qualifying tax increment agreements, such as the TIRZ #1 Agreement. In addition, the TIRZ #1 Agreement includes provisions that release the District from its obligation to make payments to TIRZ #1 should applicable law governing the District adversely affect the District financially as a result of its participation in the TIRZ #1 Agreement.

The District is currently not a participant in any tax abatement agreements.

Charges for penalties and interest on the unpaid balance of delinquent taxes are as follows:

Date	Cumulative Penalty	Cumulative Interest	Total
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July	12	6	18

After July, the penalty remains at 12%, and interest accrues at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid. A delinquent tax continues to accrue interest as long as the tax remains unpaid, regardless of whether a judgment for the delinquent tax has been rendered. The purpose of imposing such interest penalty is to compensate the taxing unit for revenue lost because of the delinquency. In addition, an additional penalty of 20% may be assessed on July 1 in order to defray attorney collection expenses.

Property within the District is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process which uses pricing information contained in the most recently published Early Release Overview of the Annual Energy Outlook published by the United States Energy Information Administration, as well as appraisal formulas developed by the State Comptroller of Public Accounts. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Taxpayers 64 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first installment due February 1 of each year and the final due on August 1. Split payments of taxes are not permitted. Discounts for the early payment of taxes are not permitted.

EMPLOYEES' BENEFIT PLANS

The District's employees participate in a retirement plan (the "Plan") with the State of Texas. The Plan is administered by the Teacher Retirement System of Texas ("TRS"). State contributions are made to cover costs of the TRS retirement plan up to certain statutory limits. The District is obligated for a portion of TRS costs relating to employee salaries that exceed the statutory limit. The District contributes to a retiree health care through the Texas Public School Retired Employees Group Insurance Program ("TRS Care"), a cost sharing multiple-employer defined benefit post employment health care plan administered by TRS. TRS Care provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. In addition to the TRS retirement plan, the District participates in the State health insurance plan to provide health care coverage for its employees. For a discussion of the TRS retirement plan, TRS Care and the District's medical benefit plan, see Note 6 and Note 7 to the audited financial statements of the District that are attached hereto as Appendix D.

In June 2012, Government Accounting Standards Board (GASB) Statement No. 68 (Accounting and Financial Reporting for Pensions) was issued to improve accounting and financial reporting by state and local governments regarding pensions. GASB Statement No. 68 requires reporting entities, such as the District, to recognize their proportionate share of the net pension liability and operating statement activity related to changes in collective pension liability. This means that reporting entities, such as the District, that contribute to the TRS pension plan will report a liability on the face of their government--wide financial statements.

Such reporting began with the District's fiscal year ending August 31, 2015. GASB Statement No. 68 applies only to pension benefits and does not apply to Other Post-Employment Benefits (OPEB) or TRS-Care related liabilities.

As a result of its participation in the TRS and having no other post-retirement benefit plans, the District has no obligations for other post-employment benefits within the meaning of Governmental Accounting Standards Board Statement 45.

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

STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS

Litigation Relating to the Texas Public School Finance System

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

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

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

Possible Effects of Changes in Law on District Bonds

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

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

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

Overview

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 Vernon's Texas Codes Annotated, Education Code, Chapters 41 through 46, as amended.

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

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

Local Funding for School Districts

The primary source of local funding for school districts is collections from ad valorem taxes levied against taxable property located in each school district. Prior to reform legislation that became effective during the 2006-2007 fiscal year (the "Reform Legislation"), the maximum M&O tax rate for most school districts was generally limited to $1.50 per $100 of taxable value. At the time the Reform Legislation was enacted, the majority of school districts were levying an M&O tax rate of $1.50 per $100 of taxable value. The Reform Legislation required each school district to "compress" its tax rate by an amount equal to the "State Compression Percentage." For fiscal years 2007–08 through 2015–16, the State Compression Percentage has been set at 66.67%, effectively setting the maximum compressed M&O tax rate for most school districts at $1.00 per $100 of taxable value. The State Compression Percentage is set by legislative appropriation for each State fiscal biennium or, in the absence of legislative appropriation, by the Commissioner. School districts are permitted, however, to generate additional local funds by raising their M&O tax rate by up to $0.04 above the compressed tax rate without voter approval (for most districts, up to $1.04 per $100 of taxable value). In addition, if the voters approve a tax rate increase through a local referendum, districts may, in general, increase their M&O tax rate up to a maximum M&O tax rate of $1.17 per $100 of taxable value and receive State equalization funds for such taxing effort (see "AD VALOREM TAX PROCEDURES – Public Hearing and Rollback Tax Rate" herein). Elections authorizing the levy of M&O taxes held in certain school districts under older laws, however, may subject M&O tax rates in such districts to other limitations (See "TAX RATE LIMITATIONS" herein).

State Funding for School Districts

State funding for school districts is provided through the Foundation School Program, which provides each school district with a minimum level of funding (a "Basic Allotment") for each student in average daily attendance ("ADA"). The Basic Allotment is calculated for each school district using various weights and adjustments based on the number of students in average daily attendance and also varies depending on each district's compressed tax rate. This Basic Allotment formula determines most of the allotments making up a district's basic level of funding, referred to as "Tier One" of the Foundation School Program. The basic level of funding is then "enriched" with additional funds known as "Tier Two" of the Foundation School Program. Tier Two provides a guaranteed level of funding for each cent of local tax effort that exceeds the compressed tax rate (for most districts, M&O tax rates above $1.00 per $100 of taxable value). The Finance System also provides an Existing Debt Allotment ("EDA") to subsidize debt service on eligible outstanding school district bonds and an Instructional Facilities Allotment ("IFA") to subsidize debt service on newly issued bonds. IFA primarily addresses the debt service needs of property-poor school districts. A New Instructional Facilities Allotment ("NIFA") also is available to help pay operational expenses associated with the opening of a new instructional facility; however, NIFA awards were not funded by the Legislature for either the 2012–13 or the 2014-15 State fiscal biennium. In 2015, the 84th Texas Legislature did appropriate funds in the amount of $1,445,100,000 for the 2016-17 State fiscal biennium for an increase in the Basic Allotment, EDA, IFA, and NIFA support, as further described below.

Tier One and Tier Two allotments represent the State's share of the cost of M&O expenses of school districts, with local M&O taxes representing the district's local share. EDA and IFA allotments supplement a school district's local I&S taxes levied for debt service on eligible bonds issued to construct, acquire and improve facilities. Tier One and Tier Two allotments and existing EDA and IFA allotments are generally required to be funded each year by the Texas Legislature. Since future-year IFA awards were not funded by the Texas Legislature for the 2014–15 fiscal biennium or the 2015-16 school year and debt service assistance on school district bonds that are not yet eligible for EDA is not available, debt service on new bonds issued by districts to construct, acquire and improve facilities must be funded solely from local I&S taxes. For the 2016-17 school year, the Texas Legislature has appropriated $55,500,000 for IFA allotments.

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

As described above, the cost of the basic program is based on an allotment per student known as the "Basic Allotment". For fiscal years 2015-16 and 2016-17, the Basic Allotment is $5,140 for each student in average daily attendance. The Basic Allotment is then adjusted for all districts by several different weights to account for inherent differences between school districts. These weights consist of (i) a cost adjustment factor intended to address varying economic conditions that affect teacher hiring known as the "cost of education index", (ii) district-size adjustments for small and mid-size districts and (iii) an adjustment for the sparsity of the district's student population. The cost of education index and district-size adjustments applied to the Basic Allotment, create what is referred to as the "Adjusted Allotment". The Adjusted Allotment is used to compute a "regular program allotment," as well as various other allotments associated with educating students with other specified educational needs.

Tier Two supplements the basic funding of Tier One and provides two levels of enrichment with different guaranteed yields (i.e., guaranteed levels of funding by the State) depending on the district's local tax effort. The first six cents of tax effort that exceeds the compressed tax rate (for most districts, M&O tax rates ranging from $1.01 to $1.06 per $100 of taxable value) will, for most districts, generate a guaranteed yield of $74.28 and $77.53 per cent per weighted student in average daily attendance ("WADA") for the fiscal year 2015-16 and fiscal year 2016-17, respectively. The second level of Tier Two is generated by tax effort that exceeds the district's compressed tax rate plus six cents (for most districts eligible for this level of funding, M&O tax rates ranging from $1.06 to $1.17 per $100 of taxable value) and has a guaranteed yield per cent per WADA of $31.95 for fiscal years 2015-16 and 2016-17. Property-wealthy school districts that have an M&O tax rate that exceeds the district's compressed tax rate plus six cents are subject to recapture above this tax rate level at the equivalent wealth per student of $319,500 (see "Wealth Transfer Provisions" below).

Because districts with compressed rates of less than $1.00 have not been receiving the full Basic Allotment, the 84th Texas Legislature amended the Foundation School Program to enable some districts (known as "fractionally funded districts") to increase their Tier 1 participation by moving the district's local tax effort that would be equalized under Tier 2 at $31.95 per penny to the Tier 1 Basic Allotment. The compressed tax rate of a school district that adopted a 2005 M&O Tax Rate below the maximum $1.50 tax rate for the 2005 tax year can now include the portion of a district's current M&O tax rate in excess of the first six cents above the district's compressed tax rate until the district's compressed tax rate is equal to the state maximum compressed tax rate of $1.00, thereby eliminating the penalty against the Basic Allotment. For these districts, each one cent of M&O tax levy above the district's compressed tax rate plus six cents, will have a guaranteed yield based on Tier One funding instead of the $31.95 Tier Two yield for the fiscal year 2015-16 and fiscal year 2016-17. These conversions are optional for each applicable district in the 2015-16 and 2016-17 fiscal years and are automatic beginning in the 2017-18 fiscal year.

In addition to the operations funding components of the Foundation School Program discussed above, the Foundation School Program provides a facilities funding component consisting of the Instructional Facilities Allotment ("IFA") program and the Existing Debt Allotment (EDA) program. These programs assist school districts in funding facilities by, generally, equalizing a district's I&S tax effort. The IFA guarantees each awarded school district a specified amount per student (the "IFA Guaranteed Yield") in State and local funds for each cent of tax effort to pay the principal of and interest on eligible bonds issued to construct, acquire, renovate or improve instructional facilities. The guaranteed yield per cent of local tax effort per student in ADA has been $35 since this program first began in 1997. To receive an IFA award, a school district must apply to the Commissioner in accordance with rules adopted by the Commissioner before issuing the bonds to be paid with IFA state assistance. The total amount of debt service assistance over a biennium for which a district may be awarded is limited to the lesser of (1) the actual debt service payments made by the district in the biennium in which the bonds are issued; or (2) the greater of (a) $100,000 or (b) $250 multiplied by the number of students in ADA. The IFA is also available for lease-purchase agreements and refunding bonds meeting certain prescribed conditions. Once a district receives an IFA award for bonds, it is entitled to continue receiving State assistance for such bonds without reapplying to the Commissioner. The guaranteed level of State and local funds per student per cent of local tax effort applicable to the bonds may not be reduced below the level provided for the year in which the bonds were issued. For the fiscal years 2011-12 through 2015-16, no funds were appropriated for new IFA awards by the Texas Legislature, although all prior awards were funded throughout such periods. The 84th Texas Legislature appropriated funds in the amount of $55,500,000 for new IFA awards to be made during the 2016-17 fiscal year only.

State financial assistance is provided for certain existing eligible debt issued by school districts through the EDA program. The EDA guaranteed yield (the "EDA Yield") is the same as the IFA Guaranteed Yield ($35 per cent of local tax effort per student in ADA), subject to adjustment as described below. For bonds that became eligible for EDA funding after August 31, 2001, and prior to August 31, 2005, EDA assistance was less than $35 in revenue per student for each cent of debt service tax, as a result of certain administrative delegations granted to the Commissioner under State law. The portion of a district's local debt service rate that qualifies for EDA assistance is limited to the first 29 cents of debt service tax (or a greater amount for any year provided by appropriation by the Texas Legislature). In general, a district's bonds are eligible for EDA assistance if (i) the district made payments on the bonds during the final fiscal year of the preceding State fiscal biennium or (ii) the district levied taxes to pay the principal of and interest on the bonds for that fiscal year. Each biennium, access to EDA funding is determined by the debt service taxes collected in the final year of the preceding 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. For the 2012-13 and 2014-15 State fiscal biennia, no funds were appropriated by the Texas Legislature for new NIFA allotments. The 84th Texas Legislature did appropriate funds in the amount of $23,750,000 for each of the 2015-16 and 2016-17 fiscal years for NIFA allotments.

2006 Legislation

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

2015 Legislation

As a general matter, the 84th Texas Legislature did not enact substantive changes to the Finance System. However, of note, Senate Joint Resolution 1, passed during the 84th Texas Legislature, proposed a constitutional amendment increasing the mandatory homestead exemption for school districts from $15,000 to $25,000 and requiring that the tax limitation for taxpayers who are age 65 and older or disabled be reduced to reflect the additional exemption. The amendment was approved by the voters at an election held on November 3, 2015, and became effective for the tax year beginning January 1, 2015.

Senate Bill 1, which was also passed during the 84th Texas Legislature and was signed by the Governor on June 15, 2015, provides for additional state aid to hold school districts harmless for tax revenue losses resulting from the increased homestead exemption. Any hold-harmless funding for future biennia must be approved in a subsequent legislative session, and the District can make no representation that such funding will occur.

Senate Bill 1 also prohibits a school district from reducing the amount of or repealing an optional homestead exemption that was in place for the 2014 tax year (fiscal year 2015) for a period ending December 31, 2019. An optional homestead exemption reduces both the tax revenue and State aid received by a school district.

Wealth Transfer Provisions

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

The equalized wealth levels that subject Chapter 41 districts to wealth equalization measures for fiscal year 2015–16 are set at (i) $514,000 per student in WADA with respect to that portion of a district's M&O tax effort that does not exceed its compressed tax rate (for most districts, the first $1.00 per $100 of taxable value) and (ii) $319,500 per WADA with respect to that portion of a district's M&O tax effort that is beyond its compressed rate plus $.06 (for most districts, M&O taxes levied above $1.06 per $100 in taxable value). M&O taxes levied above $1.00 but below $1.07 per $100 of taxable value are not subject to the wealth equalization provisions of Chapter 41. Chapter 41 districts with a wealth per student above the lower equalized wealth level but below the higher equalized wealth level must equalize their wealth only with respect to the portion of their M&O tax rate, if any, in excess of $1.06 per $100 of taxable value. Chapter 41 districts may be entitled to receive ASATR from the State in excess of their recapture liability of $514,000 for the 2015-16 and 2016-17 school years, and certain of such districts may use their ASATR funds to offset their recapture liability.

Under Chapter 41, a district has five options to reduce its wealth per student so that it does not exceed the equalized wealth levels: (1) a district may consolidate by agreement with one or more districts to form a consolidated district; all property and debt of the consolidating districts vest in the consolidated district; (2) a district may detach property from its territory for annexation by a property-poor district; (3) a district may purchase attendance credits from the State; (4) a district may contract to educate nonresident students from a property-poor district by sending money directly to one or more property-poor districts; or (5) a district may consolidate by agreement with one or more districts to form a consolidated taxing district solely to levy and distribute either M&O taxes or both M&O taxes and I&S taxes. A Chapter 41 district may also exercise any combination of these remedies. Options (3), (4) and (5) require prior approval by the Chapter 41 district's voters; certain Chapter 41 districts may apply ASATR funds to offset recapture and to achieve the statutory wealth equalization requirements, as described above, without approval from voters.

A district may not adopt a tax rate until its effective wealth per student is at or below the equalized wealth level. If a district fails to exercise a permitted option, the Commissioner must reduce the district's property wealth per student to the equalized wealth level by detaching certain types of property from the district and annexing the property to a property-poor district or, if necessary, consolidate the district with a property-poor district. Provisions governing detachment and annexation of taxable property by the Commissioner do not provide for assumption of any of the transferring district's existing debt. The Commissioner has not been required to detach property in the absence of a district failing to select another wealth-equalization option.

The School Finance System as Applied to the District

The District's wealth per student for the 2015-16 school year is less than the equalized wealth value. Accordingly, the District has not been required to exercise one of the permitted wealth equalization options.

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 of the financial performance of the annexing district.

The District is unable to predict the future actions of courts and the Texas legislature with respect to funding of the Finance System. Changes made to the Finance System as a result of on-going litigation or otherwise could materially affect the financial condition of the District. See "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS - Current Litigation Related to the Texas Public School Finance System."

TAX RATE LIMITATIONS

A school district is authorized to levy maintenance and operation taxes ("M&O tax") 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 next succeeding paragraph. The maximum voted M&O tax rate for the District is $1.50 per $100 of assessed valuation as approved by the voters at an election held on May 16, 1970 under Chapter 20, Texas Education Code (now codified at Section 45.003, Texas Education Code).

The maximum tax rate per $100 of assessed valuation that may be adopted by the District may not exceed the lesser of (A) $1.50 and (B) the sum of (1) the rate of $0.17, and (2) the product of the "state compression percentage" multiplied by $1.50. The state compression percentage has been set, and will remain, at 66.67% for fiscal years 2007-08 through 2016-17. The state compression percentage is set by legislative appropriation for each State fiscal biennium or, in the absence of legislative appropriation, by the Commissioner. For a more detailed description of the state compression percentage, see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Overview." Furthermore, a school district cannot annually increase its tax rate in excess of the district's "rollback tax rate" without submitting such tax rate to a referendum election and a majority of the voters voting at such election approving the adopted rate (see "AD VALOREM TAX PROCEDURES – Public Hearing and Rollback Tax Rate").

The voters of the District approved a tax ratification election held within the District on September 10, 2016 authorizing the District to increase its M&O tax rate from $1.04 to $1.17.

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

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

RATINGS

Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), has assigned a municipal bond rating of "AAA" to the Bonds based upon the Permanent School Fund Guarantee (see "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM"). S&P generally rates all bond issues guaranteed by the Permanent School Fund of the State of Texas "AAA". The District's underlying ratings for the Bonds (without consideration for the Permanent School Fund Guarantee or other credit enhancement) is "AA+" by S&P.

An explanation of the significance of such rating may be obtained from S&P. The ratings reflect only the view of S&P and the District makes no representation as to the appropriateness of such ratings. The ratings are not a recommendation to buy, sell or hold the Bonds, and such ratings may be subject to revision or withdrawal at any time by S&P. Any downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

In addition, due to the ongoing uncertainty regarding the economy and debt of the United States of America, including, without limitation, general economic conditions and political developments that may affect the financial condition of the United States government, the United States debt limit, and bond and credit ratings of the United States and its instrumentalities, the ratings of obligations issued by state and local governments, such as the Bonds, could be adversely affected.

LEGAL MATTERS

The District will furnish to 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 the State of Texas to the effect that the Bonds are valid and legally binding obligations of the District, and based upon examination of such transcript of proceedings, the approving legal opinion of Bracewell LLP, Bond Counsel, with respect to the Bonds being issued in compliance with the provisions of applicable law and the interest on the Bonds being excludable from gross income for purposes of federal income tax. The form of Bond Counsel's opinion is attached hereto as Appendix C.

Though it represents the Financial Advisor and the Underwriters from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel was engaged by, and only represents, the District. Except as noted below, Bond Counsel did not take part in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein except that in its capacity as Bond Counsel, such firm has reviewed the information appearing under captions, "THE BONDS" (except under the subcaptions "Payment Record," "Permanent School Fund Guarantee" and "Sources and Uses of Funds"), "REGISTRATION, TRANSFER AND EXCHANGE," "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS," "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" (except under the subcaption "The School Finance System as Applied to the District"), "TAX RATE LIMITATIONS," "LEGAL MATTERS" (except for the last two sentences of the second paragraph thereof), "TAX MATTERS," "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS," "REGISTRATION AND QUALIFICATION OF BONDS FOR SALE" and "CONTINUING DISCLOSURE OF INFORMATION" and such firm is of the opinion that the information relating to the Bonds and legal matters contained under such captions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the Order. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the definitive Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by their counsel, Mahomes Bolden PC, Dallas, Texas. The legal fee of such firm is contingent upon the sale and delivery of the Bonds.

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

TAX MATTERS

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 Internal Revenue Code of 1986, as amended (the "Code"), and, as such, interest on the Bonds is not subject to the alternative minimum tax on individuals and corporations, except as described below in the discussion regarding the adjusted current earnings adjustment for corporations.

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 Bond Order that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Bond Order pertaining to those sections of the Code that affect the exclusion from gross income of interest on the Bonds 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 Grant Thornton LLP, certified public accountants, regarding the mathematical accuracy of certain computations. If the District fails to comply with the covenants in the Bond 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.

The Code also imposes a 20% alternative minimum tax on the "alternative minimum taxable income" of a corporation if the amount of such alternative minimum tax is greater than the amount of the corporation's regular income tax. Generally, the alternative minimum taxable income of a corporation (other than any S corporation, regulated investment company, REIT, or REMIC), includes 75% of the amount by which its "adjusted current earnings" exceeds its other "alternative minimum taxable income." Because interest on tax-exempt obligations, such as the Bonds, is included in a corporation's "adjusted current earnings," ownership of the Bonds could subject a corporation to alternative minimum tax consequences.

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.

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 Bonds. The issue price of all or a portion of the Bonds may exceed 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 Accounting Treatment of Original Issue Discount Bonds. The issue price of all or a portion of the Bonds may be less than the stated redemption price payable at maturity of such Bonds (the "Original Issue Discount Bonds"). In such case, the difference between (i) the amount payable at the maturity of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds. Generally, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Bonds under the captions "TAX MATTERS – Tax Exemption" and "TAX

MATTERS – Additional Federal Income Tax Considerations – Tax Legislative Changes" generally applies and should be considered in connection with the discussion in this portion of the Official Statement.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

The foregoing discussion assumes that (i) the Underwriters have purchased the Bonds for contemporaneous sale to the public and (ii) all of the Original Issue Discount Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the inside cover page of this Official Statement. Neither the District nor Bond Counsel has made any investigation or offers any comfort that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each Original Issue Discount Bond accrues daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (i) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (ii) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

The federal income tax consequences of the purchase, ownership, and redemption, sale or other disposition of Original Issue Discount 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 Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

Tax Legislative Changes. Current law may change so as to directly or indirectly reduce or eliminate the benefit of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed or pending 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 proposed, pending or future legislation.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

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

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

INVESTMENT AUTHORITY AND INVESTMENT OBJECTIVES OF THE DISTRICT

Available District funds are invested as authorized by Texas law and in accordance with investment policies approved by the Board of Trustees. Both State law and the District's investment policies are subject to change. Under Texas law, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the

United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit and share certificates meeting the requirements of the Public Funds Investment Act, (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 are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for District deposits or (ii) where (a) the funds are invested by the District through (I) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the District as required by law or (II) a depository institution that has its main office or a branch office in the State of Texas that is selected by the District; (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 2257.04(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); (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party selected and approved by the District and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (9) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (11) through (13) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less; (10) 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; (11) 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; (12) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share; and (13) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or its equivalent. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

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

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 Public Funds Investment Act. All District funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

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

Under Texas 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 family relationships with firms seeking to sell securities to the District to disclose the relationship and file a statement with the Texas Ethics Commission and the District, (4) require the registered principal of firms seeking to sell securities to the District to: (a) receive and review the District's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements, (5) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the District's investment policy, (6) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement, (7) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the District's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, (8) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements and (9) provide specific investment training for the Treasurer, the chief financial officer (if not the Treasurer) and the investment officer; and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the District.

Current Investments

As of May 31, 2016, the District's investable funds were invested in the following investment instruments:

Investment Instrument	Book Value	Percentage
Local Investment Pools[(A)]	$144,392,322	87.20%
US Agencies	21,200,000	12.80%
Total	**$179,853,955**	**100.00%**

[(A)] The District invests in the LoneStar, TexPool, TexStar and Texas Class investment pools, which operate pursuant to Chapter 2256 of the Texas Government Code, as amended, as money market equivalents, in a manner consistent with the SEC's Rule 2a-7 under the Investment Company Act of 1940.

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

The information below concerning the Permanent School Fund and the Guarantee Program for School District Bonds has been provided by the Texas Education Agency and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of 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 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"). As of August 31, 2015, the General Land Office (the "GLO") managed approximately 20% of the PSF, as reflected in the fund balance of the PSF at that date.

The Texas Constitution describes the PSF as "permanent" and "perpetual." 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 2015, distributions to the ASF amounted to $172.75 per student and the total amount distributed to the ASF was $838.67 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, 2015, 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, 2015 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, 2015 and for a description of the financial results of the PSF for the year ended August 31, 2015, the most recent year for which audited financial information regarding the Fund is available. The 2015 Annual Report speaks only as of its date and the TEA has not obligated itself to update the 2015 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, when filed, is incorporated herein and made a part hereof for all purposes.

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 2006, 2008, 2010, 2012, 2014 and 2016. 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, is as follows: (i) an equity allocation of 35% (consisting of U.S. large cap equities targeted at 13%, emerging and international equities at17% 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, 2015, the Fund's financial assets portfolio was invested as follows: 44.96% in public market equity investments; 14.43% in fixed income investments; 10.80% in absolute return assets; 5.11% in private equity assets; 6.30% in real estate assets; 6.44% in risk parity assets; 5.55% in real return assets; 6.04% in emerging market debt; and 0.37% in cash.

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

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

The asset allocation of the Fund's financial assets portfolio is subject to change by the SBOE from time to time based upon a number of factors, including recommendations to the SBOE made by internal investment staff and external consultants, changes made by the SBOE without regard to such recommendations and directives of the Legislature. Fund performance may also be affected by factors other than asset allocation, including, without limitation, the general performance of the securities markets in the United States and abroad; political and investment considerations including those relating to socially responsible investing; 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 three-member SLB, which consists of the elected Commissioner of the GLO, an appointee of the Governor, and an appointee of the Attorney General. 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. Since 2005, the Guarantee Program has 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.

The IRS Notice and the Proposed 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.

During fiscal year 2015, PSF staff was tasked with undertaking due diligence with the rating agencies that currently rate the Bond Guarantee Program (see "Ratings of Bonds Guaranteed Under the Guarantee Program" below) regarding ratings maintenance for the Fund in anticipation of consideration by the SBOE of an amendment to the SDBGP Rules and CDBGP Rules (as defined below) to provide for an increase in the multiplier that establishes the State law capacity limitation. 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. As originally approved, the change to the State Law Capacity would have been effective August 22, 2016. However, at its meeting in November, 2015, the SBOE took action to make the change to the State Law Capacity effective on February 1, 2016.

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, 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, 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, among other factors, could adversely affect the ratio of Fund assets to guaranteed bonds and the growth of the Fund in general. 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.

The SBOE has approved and modified the SDBGP Rules in recent years, most recently in May 2010. 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.

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.

The capacity of the Charter District Bond Guarantee Program is limited to the amount that equals the result of the percentage of the number of students enrolled in open-enrollment charter schools in the State compared to the total number of students enrolled in all public schools in the State multiplied by the available capacity of the Guarantee Program. Available capacity is defined as the maximum amount under SBOE rules, less Capacity Reserve and minus existing guarantees. The CDBGP Rules authorize the Commissioner to determine that ratio based on information provided to the TEA by school districts and open-enrollment charter schools, and the calculation will be made annually, on or about March 1 of each year. As of March 2016 (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 4.68%. As of July 2016, there were 188 active open-enrollment charter schools in the State, and there were 675 charter school campuses operating under such charters (though as of such date, 39 of such campuses' operations have not begun serving students for various reasons). Section 12.101, Texas Education Code, as amended by the Legislature in 2013, provides that the Commissioner may grant not more than 215 charters through the end of fiscal year 2014, with the number increasing in each fiscal year thereafter through 2019 to a total number of 305 charters permitted by the statute. 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.

On February 27, 2015, the Attorney General issued an opinion (Op. Tex. Att'y Gen. No. KP-0005 (2015)) in response to a request by the Commissioner for clarification of Section 45.0532, Texas Education Code ("Section 45.0532"), which defines how the capacity of the Charter District Bond Guarantee Program should be calculated. In the opinion, the Attorney General ruled that the proper method for determining charter district capacity is a limitation on the total amount of charter district bonds that the Commissioner may approve for guarantee in the cumulative amount. The opinion rejected an alternative reading of the statute that would have imposed a limitation on the total amount of charter district bonds that the Commissioner may approve each month, but not a cumulative limitation, and which, over time, could produce Charter District Bond Guarantee Program guarantees potentially exceeding the charter student ratio limitation in Section 45.0532.

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.

With respect to the Charter District Bond Guarantee Program, the Act establishes a bond guarantee reserve fund in the State treasury (the "Charter District Reserve Fund"). 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 1/10 of one percent of the principal amount of guaranteed bonds outstanding. The Commissioner has approved a rule governing the calculation and payment amounts into the Charter District Reserve Fund. That rule has been codified at 19 TAC 33.1001, and is available at http://ritter.tea.state.tx.us/rules/tac/chapter033/ch033aa.html#33.1001.

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.

Beginning in July 2015, TEA began limiting new guarantees under the Charter District Bond Guarantee Program to conform to the Act and, subsequently, with CDBGP Rules that require the maintenance of a capacity reserve for the Charter District Bond Guarantee Program. Following the increase in the Program multiplier in February 2016 and the update of the percentage of students enrolled in open-enrollment charter schools to the total State scholastic census in March 2016, some new capacity became available under the Charter District Bond Guarantee Program, but that capacity was quickly exhausted. New guarantees under the Charter District Bond Guarantee Program will not be approved until new capacity for that Program becomes available, which could occur as a result of Fund investment performance, an increase in the Guarantee Program multiplier, growth in the relative percentage of students enrolled in open-enrollment charter schools to the total State scholastic census, or a combination of such circumstances.

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, open enrollment charter schools do not receive a dedicated funding allocation from the State to assist with the construction and acquisition of new facilities. 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. However, for a variety of reasons, the CDBGP Rules do not require that TEA receive a lien against charter district property as a condition to receiving a guarantee under the Charter District Bond Guarantee Program, and consequently, it is possible that other creditors of a charter district, but not TEA, might have a security interest in the properties of a charter district 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 July 31, 2016, the Charter District Reserve Fund contained $1,882,615.46.

Recent Charter District Complaint

During May 2016, a complaint was made to the TEA by a Washington, D.C. law firm in connection with a charter district that has participated in the Charter District Bond Guarantee Program. A supplemental complaint was filed with TEA by the law firm in July 2016. According to published reports, the law firm was hired in late 2015 by the Turkish government to lead its case against Fethullah Gulen, a political enemy of Turkish President Tayyip Erdogan. The complaints were filed with respect to Harmony Public Schools ("HPS"), and alleged a variety of legal violations including that HPS misused bond money guaranteed under the Charter District Bond Guarantee Program to operate charter schools in Arkansas, that HPS has hired Turkish contractors in violation of competitive bidding requirements, and that Mr. Gulen is connected to HPS through a network of Turkish men who enter the U.S. on H 1B visas and then move between the different charter school networks. In published statements, a spokesman for HPS has denied any wrong doing and has stated that HPS has no affiliation of any kind with any religious or social organizations or movements.

At the time of the filing of the complaints with TEA, HPS was the largest single charter district guaranteed under the Charter District Bond Guarantee Program, with some $268,040,000 of its revenue bonds guaranteed under the program. The complaint process against a school district or a charter district may be initiated by any person who completes a form posted to the TEA website, and complaints are common for a variety of reasons in connection with both school districts and charter districts. When a complaint is filed, TEA makes a determination of whether it has jurisdiction over the matter or whether the substance of the all or part of the complaint should be referred to other State or federal agencies. If TEA determines it has jurisdiction, it will make a request for documents to the school district or charter district and after reviewing the documents received, it may open a formal investigation. In the case of HPS, certain of the allegations have been referred to other agencies and certain allegations have been determined to be within the investigative jurisdiction of TEA. TEA is reviewing the complaint with respect to those matters.

Ratings of Bonds Guaranteed Under the Guarantee Program

Moody's Investors Service, Standard & Poor's Rating Service, a Standard & Poor's Financial Service LLC business, and Fitch Ratings rate bonds guaranteed by the PSF "Aaa," "AAA" and "AAA," respectively. Not all districts apply for multiple ratings on their bonds, however. See "RATINGS" herein.

Valuation of the PSF and Guaranteed Bonds

Permanent School Fund Valuations

Fiscal Year Ended 8/31	Book Value[(1)]	Market Value[(1)]
2011	$24,789,514,408	$29,900,679,571
2012	25,164,537,463	31,287,393,884
2013	25,599,296,902	33,163,242,374
2014	27,596,692,541	38,445,519,225
2015	29,085,524,714 [(2)]	36,217,270,220 [(2)]

[(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. At August 31, 2015, land, mineral assets, internally managed discretionary real estate, external discretionary real estate investments and cash managed by the SLB had book values of approximately $44.80 million, $13.42 million, $232.88 million, $1.91 billion and $2.60 billion, respectively, and market values of approximately $377.38 million, $2.14 billion, $242.84 million, $1.89 billion and $2.6 billion, respectively.
[(2)] At July 31, 2016, the PSF had a book value of $29,826,283,514 and a market value of $37,511,862,155 (July 31, 2016 values are based on unaudited data).

Permanent School Fund Guaranteed Bonds

At 8/31	Principal Amount[(1)]
2011	$52,653,930,546
2012	53,634,455,141
2013	55,218,889,156
2014	58,364,350,783
2015	63,955,449,047 [(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, 2015, 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 is $103,722,905,410, of which $39,767,456,363 represents interest to be paid. At August 31, 2015, there were $63,955,449,047 of bonds guaranteed under the Guarantee Program and the capacity of the Guarantee Program was $87,256,574,142 based on the three times cost value multiplier approved by the SBOE on May 21, 2010. Such capacity figures include the Reserve Capacity for the Guarantee Program. As a result of the SBOE actions in November 2015 described above, the State Law Capacity increased effective February 1, 2016 from a cost value multiplier of 3 times to 3.25 times. Based on the cost value of the Fund at August 31, 2015, had such increase been effective at that date, it would have produced a State Law Capacity of $94,527,955,321.

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

	School District Bonds		Charter District Bonds		Totals	
At 8/31	Number Of Issues	Principal Amount Guaranteed	Number Of Issues	Principal Amount Guaranteed	Number of Issues	Principal Amount Guaranteed
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	757,935,500	3,117	63,955,449,047

[(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. At July 31, 2016 (based on unaudited data), there were $68,114,902,880 of bonds guaranteed under the Guarantee Program, representing 3,294 school district issues, aggregating $67,232,070,880 in principal amount and 32 charter district issues, aggregating $882,832,000 in principal amount. At July 31, 2016, the capacity of the Charter District Bond Guarantee Program was $1,121,971,382 (based on unaudited data).

Discussion and Analysis Pertaining to Fiscal Year Ended August 31, 2015

The following discussion is derived from the Annual Report for the year ended August 31, 2015, 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, 2015, 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 2015, the Fund balance was $33.8 billion, a decrease of $1.1 billion from the prior year, primarily due to disbursement of $0.8 billion in support of public education. During the year, the SBOE continued implementing the long term strategic asset allocation, diversifying the PSF(SBOE) with the intent to strengthen the Fund. The asset allocation is projected to increase returns over the long run while reducing risk and portfolio return volatility. The one year, three year, five year and ten year annualized total returns for the PSF(SBOE) assets were -3.36%, 7.27%, 8.95% and 5.99% 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, three year, and five year annualized total returns for the PSF(SLB) real assets, including cash, were 5.79%, 7.69%, and 8.83% 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, 2015, the PSF(SBOE) portion of the Fund had diversified into emerging market 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. Emerging international equities securities will be strategically added commensurate with the economic environment and the goals and objectives of the SBOE. As of August 31, 2015, the SBOE had approved and the PSF(SBOE) made capital commitments to real estate investments in the amount of $2.32 billion and capital commitments to four private equity limited partnerships in the total amount of $2.35 billion. Unfunded commitments at August 31, 2015 were $801 million in real estate and $982 million in private equity.

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, 2015, the remaining commitments totaled approximately $1.95 billion.

The PSF(SBOE)'s investment in public equity securities experienced a return of -4.4% during the fiscal year ended August 31, 2015. The PSF(SBOE)'s investment in domestic fixed income securities produced a return of 1.5% during the fiscal year and absolute return investments yielded a return of 2.6%. The PSF(SBOE) real estate and private equity investments returned 13.0% and 13.0%, respectively. Risk parity assets produced a return of -9.5%, while real return assets yielded -15.3%. Emerging market debt produced a return of -21.3. The emerging market equity asset class initiated during the year yielded a -15.3% return since inception. Combined, all PSF(SBOE) asset classes produced an investment return of -3.36% for the fiscal year ended August 31, 2015, out-performing the benchmark index of -3.7% by approximately 35 basis points. All PSF(SLB) real assets (including cash) returned 5.79% for the fiscal year ending August 31, 2015.

For fiscal year 2015, total revenues, inclusive of unrealized gains and losses and net of security lending rebates and fees, totaled -$144.1 million, a decrease of $5.4 billion from fiscal year 2014 earnings of $5.3 billion. This decrease reflects the performance of the securities markets in which the Fund was invested in fiscal year 2015. In fiscal year 2015, 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, increased 40.1% for the fiscal year ending August 31, 2015. This increase is primarily attributable to the operational costs related to managing alternative investments due to diversification of the Fund, and from generally lower margins on sales of purchased gas.

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 2014 and 2015, the distribution from the SBOE to the ASF totaled $838.7 million and $838.7 million, respectively. There was no contribution to the ASF by the SLB in fiscal year 2015.

At the end of the 2015 fiscal year, PSF assets guaranteed $63.955 billion in bonds issued by 846 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 6,164 school district and charter district bond issues totaling $138.5 billion in principal amount. During the 2015 fiscal year, the number of outstanding issues guaranteed under the Guarantee Program increased by 238, or 8.3%. The dollar amount of guaranteed school and charter bond issues outstanding increased by $5.6 billion or 9.6%. The guarantee capacity of the Fund increased by $4.24 billion, or 5.4%, during fiscal year 2015 due to growth in the cost basis of the Fund.

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. The new calculation base is required to be used to determine all payments to the ASF from the Fund beginning with the 2012-13 biennium.

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% and 3.5% for each of two year periods 2008-2009, 2010-2011, 2012-2013, 2014-2015 and 2016-2017, respectively. In September 2015, in accordance with the 2016-2017 Distribution Rate determination, the SBOE approved the distribution of $1.056 billion to the ASF in fiscal year 2016, which represents a per student distribution of $217.51, based on 2015 final student average daily attendance of 4,854,882.

Changes in the Distribution Rate for each biennial period has been the result of 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. As an illustration of the impact of the broader base for the Distribution Rate calculation, PSF management calculates that the effect on transfers made by the SBOE in 2012-13 was an increase in the total return distribution by approximately $73.7 million in each year of that biennium. If the SBOE were to maintain a Distribution Rate in future years at the level set for 2012-13, as the value of the real asset investments increase annually, distributions to the ASF would increase in the out years, and the increased amounts distributed from the Fund would be a loss to either the investment corpus of the PSF managed by SBOE or, should the SLB increase its transfers to the SBOE to cover this share of the distribution, to the assets managed by the SLB. In addition, the changes made by the amendment are expected to reduce the compounding interest in the Fund that would be derived if those assets remained in the corpus of the Fund. Other factors that may affect the corpus of the Fund that are associated with this change 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. While the SBOE has oversight of the Guarantee Program, it will not have the decision-making power with respect to all transfers to the ASF, as was the case in the past, which could adversely affect the ability of the SBOE to optimally manage its portion of the PSF assets.

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 July 2016. 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. A report of the State Auditor released in March 2016 noted that based on an audit of certain real estate transactions managed by the GLO, during the period from September 2009 to May 2015, the GLO failed to comply with certain of such legal requirements relating to conflict of interest reporting, complying with written procedures and maintenance of documentation and other statutory and procedural requirements. That report, which includes the response of GLO management agreeing to the recommendations of the report, is available at http://www.sao.texas.gov/reports/main/16-018.pdf.

Since 2007, TEA has made supplemental appropriation requests to the Legislature for the purpose of funding the implementation of the 2008 Asset Allocation Policy, but those requests have been denied or partly funded. 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 $30.0 million and $30.2 million for the administration of the PSF for fiscal years 2014 and 2015, respectively, and $30.2 million for each of the fiscal years 2016 and 2017.

As of August 31, 2015, 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 November 19, 2010, 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 15c-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 http://emma.msrb.org/IssueView/NonCUSIP9IssueDetails.aspx?id=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.

Material 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; and (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. (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.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

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

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

CONTINUING DISCLOSURE OF INFORMATION

In the Order, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement while 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 events to the MSRB. This information will be available free of charge via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" for a description of the TEA's continuing disclosure undertaking to provide certain updated financial information and operating data annually with respect to the Permanent School Fund and the State, as the case may be, and to provide timely notice of certain specified events related to the guarantee to the MSRB.

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement in "APPENDIX A – FINANCIAL INFORMATION REGARDING THE DISTRICT" (Tables 1 through 17) and in Appendix D. The District will update and provide this information in the numbered tables within six months after the end of each fiscal year ending in or after 2017 and, if then available, audited financial statements of the District. If audited financial statements are not available when the information is provided, the District will provide audited financial statements when and if they become available. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the District shall file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in Exhibit D or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation. The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule").

The District's current fiscal year end is August 31. Accordingly, updated information included in the above referenced tables must be provided by the last day of February in each year, and audited financial statements must be provided by August 31 of each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Notice of Certain Events

The District shall notify the MSRB, in a timely manner not in excess of ten 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; and (14) appointment of a successor or additional trustee or the change of name of trustee, if material. The District shall notify the MSRB in an electronic format prescribed by the MSRB, in a timely manner, of any failure by the District to provide financial information or operating data in accordance with the Rule.

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

Limitations and Amendments

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

This continuing disclosure agreement may be amended by the District from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the registered owners of a majority in aggregate principal amount (or any greater amount required by any other provision of the Order that authorizes such an 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) determines that such amendment will not materially impair the interest of the registered owners and beneficial owners of the Bonds. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the District amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

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 or operations of the District.

At the time of the initial delivery of the Bonds, the District will provide the Underwriters with a certificate to the effect that no litigation of any nature has been filed or is then pending challenging the issuance of the Bonds or that affects the payment and security of the Bonds or in any other manner questioning the issuance, sale or delivery of the Bonds.

FEDERAL SEQUESTRATION

The American Recovery and Reinvestment Act of 2009 ("ARRA") authorized the issuance of "Build America Bonds," which permitted issuers to elect to receive payments equal to 35% of the interest payable on such "Build America Bonds." Under the "Build America Bonds" program, the District currently receives payments (the "Federal Subsidy") from the federal government with respect to its $40,000,000 Unlimited Tax School Building Bonds, Taxable Series 2010B (Build America Bonds - Direct Subsidy) (the "2010B Bonds"). Pursuant to the requirements of the federal Balanced Budget and Emergency Deficit Control Act of 1985, as amended, certain automatic reductions in federal spending (the "Sequester Cuts") took effect as of March 1, 2013 for federal fiscal year ending September 30, 2013. The Sequester Cuts included a reduction in the amount of the Federal Subsidy to be paid to issuers in connection with "Build America Bonds," which includes the 2010B Bonds. On February 15, 2014, the federal Bipartisan Budget Act of 2013 was amended to, among other things, extend the planned Sequester Cuts to 2024. For federal fiscal year 2017, the IRS has announced a 6.9% Sequester Cut for "Build America Bonds" and other tax-credit obligations for which issuers receive Federal Subsidy payments to offset interest cost.

The District currently uses the Federal Subsidy for maintenance and operations purposes of the District and does not use the Federal Subsidy for debt service payments on the 2010B Bonds or other outstanding bonds of the District. Reductions in Federal Subsidies for 2013 – 2016 have not materially adversely affected the financial condition or operations of the District The District can make no representations as to the amounts, if any, by which the Federal Subsidy ultimately received by the District may be reduced in any future year or as to the effect any future reduction may have on the District.

FINANCIAL ADVISOR

In its role as Financial Advisor, RBC Capital Markets, LLC has relied on the District for certain information concerning the District and the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement. The fee of the Financial Advisor for services with respect to the Bonds is contingent upon the issuance and sale of the Bonds. The Financial Advisor may also receive a fee for conducting a competitive bidding process regarding the investment of certain proceeds of the Bonds.

UNDERWRITING

The Underwriters have agreed, subject to certain customary conditions, to purchase the Bonds at a price equal to the initial offering prices to the public, as shown on page ii, less an underwriting discount of $______________. The Underwriters' obligations are subject to certain conditions precedent, and they will be obligated to purchase all of the Bonds if any Bonds are purchased. The

Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices and such public prices may be changed, from time to time, by the Underwriters.

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

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 issuer 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 issuer.

The Underwriters and their respective affiliates also may communicate independent investment recommendations, market advice, or trading ideas and/or publish or express independent research views in respect of such assets, securities or other financial instruments and at any time may hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and other financial instruments.

Citigroup Global Markets Inc., an underwriter of the Bonds, has entered into a retail distribution agreement with each of TMC Bonds L.L.C. ("TMC") and UBS Financial Services Inc. ("UBSFS"). Under these distribution agreements, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of UBSFS and the electronic primary offering platform of TMC. As part of this arrangement, Citigroup Global Markets Inc. may compensate TMC (and TMC may compensate its electronic platform member firms) and UBSFS for their selling efforts with respect to the Bonds.

VERIFICATION OF ARITHMETICAL COMPUTATIONS

Grant Thornton LLP, a firm of independent public accountants, will deliver to the District, on or before the settlement date of the Bonds, its verification report indicating that it has verified, in accordance with attestation standards established by the American Institute of Certified Public Accountants, the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Escrowed Securities, to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Bonds and (b) the mathematical computations of yield used by Bond Counsel to support its opinion that interest on the Bonds will be excludable from gross income for federal income tax purposes.

The verification performed by Grant Thornton LLP will be solely based upon data, information and documents provided to Grant Thornton LLP by RBC Capital Markets, LLC on behalf of the District. Grant Thornton LLP has restricted its procedures to recalculating the computations provided by RBC Capital Markets, LLC on behalf of the District and has not evaluated or examined the assumptions or information used in the computations.

USE OF AUDITED FINANCIAL STATEMENTS

The financial statements of the District for the year ended August 31, 2015 ("2015 Financial Statements") excerpted and included in Appendix D to this Preliminary Official Statement have been audited by Weaver & Tidwell L.L.P., independent auditors, as stated in its report excerpted in Appendix D. The 2015 Financial Statements audit report refers to certain supplementary information that is not a required part of the basic financial statements, some of which is unaudited.

Weaver & Tidwell L.L.P. has not been engaged to perform and has not performed, since the date of its report included in Appendix D, any procedures on the financial statements addressed in such report. Weaver & Tidwell L.L.P. has not been requested to consent to, and has not consented to, the inclusion of the financial statements contained in Appendix D.

FORWARD-LOOKING STATEMENTS

The statements contained in this Official Statement, and in any other information provided by the District, that are not purely historical are forward-looking statements, including statements regarding the District's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements. It is important to note that the District's actual results could differ materially from those in such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the District. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

CONCLUDING STATEMENT

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

MISCELLANEOUS

The Order authorizing the issuance of the Bonds will delegate to the Pricing Officer the authority to approve the use of this Official Statement and any addenda, supplement or amendment thereto in the reoffering of the Bonds by the Underwriters in accordance with the provisions of the United States Securities and Exchange Commission's rule codified at 17 C.F.R. §240.15c2-12, as amended.

/s/

Pricing Officer
Irving Independent School District

SCHEDULE I
SCHEDULE OF REFUNDED BONDS*

Series	Original Dated Date	Original Principal Amount	Total Principal Amount Outstanding	Maturities Being Refunded		Principal Amount Outstanding	Principal Amount Being Refunded	Redemption Date
Variable Rate Unlimited Tax School	7/15/2004	$20,000,000	$10,090,000	2/1/2031		$ 3,510,000.00	$ 3,510,000.00	2/01/2019 @ Par
Building Bonds, Series 2004-A				2/1/2032	(A)	5,520,000.00	5,520,000.00	2/01/2019 @ Par
(Converted to Fixed Rate)				2/1/2033	(A)	1,060,000.00	1,060,000.00	2/01/2019 @ Par
						$ 10,090,000.00	$ 10,090,000.00	
Variable Rate Unlimited Tax School	7/15/2004	$20,000,000	$10,095,000	2/1/2031		$ 3,510,000.00	$ 3,510,000.00	2/01/2019 @ Par
Building Bonds, Series 2004-B				2/1/2032	(B)	5,525,000.00	5,525,000.00	2/01/2019 @ Par
(Converted to Fixed Rate)				2/1/2033	(B)	1,060,000.00	1,060,000.00	2/01/2019 @ Par
						$ 10,095,000.00	$ 10,095,000.00	
				Total		$ 20,185,000.00	$ 20,185,000.00	

* Preliminary, subject to change.
(A) Represents a sinking fund installment for a term bond maturing on 2/01/2033.
(B) Represents a sinking fund installment for a term bond maturing on 2/01/2033.

APPENDIX A

FINANCIAL INFORMATION REGARDING THE DISTRICT

FINANCIAL INFORMATION INFORMATION REGARDING THE DISTRICT

Table 1
ASSESSED VALUATION[A]

2016/17 Total Assessed Valuation	$	12,320,885,310	
2016/17 Taxable Assessed Valuation	$	11,594,095,283	[B]
2016/17 Exemptions		Total	
Residential Homestead	$	552,942,527	
10% Residential Cap		72,001,535	
Over 65/Disabled Persons		77,919,882	
Disabled/Deceased Veterans		13,338,816	
Pollution Control		1,794,064	
Prorated Total Exempt		635,950	
Productivity Loss		8,157,253	
Total (5.90% of Total Assessed Valuation)	$	726,790,027	

[A] Source: District Records and the Dallas Central Appraisal District (the "DCAD"). Certified values are subject to change throughout the year as contested values are resolved and DCAD updates records.
[B] Includes value of property which is "frozen" at lower levels for homesteads of taxpayers 65 years or older, their surviving spouses and disabled taxpayers.

Table 2
UNLIMITED TAX DEBT OUTSTANDING [A][B]

Unlimited Tax Debt Outstanding (as of August 31, 2016)	$	465,815,000	
Less: The Refunded Bonds		(20,185,000)	*
Plus: The Bonds		19,605,000	*
TOTAL UNLIMITED TAX DEBT OUTSTANDING		465,235,000	
Less: Estimated Interest & Sinking Fund Balance (as of August 31, 2016)		(8,600,000)	[C]
NET UNLIMITED TAX DEBT OUTSTANDING	$	456,635,000	

* Preliminary, subject to change.
[A] Excludes interest accreted on outstanding capital appreciation bonds. At August 15, 2016, the District had $13,001,675 of accumulated accretion on capital appreciation bonds.
[B] Does not include any limited tax debt obligations payable from the District's Maintenance & Operations tax rate.
[C] Unaudited.

2016 Population Estimate	227,030 [A]	Per Capita Total Assessed Valuation	$54,270
2015/16 Enrollment	34,849	Per Capita Taxable Assessed Valuation	$51,069
Area (square miles)	48.5	Per Capita Net Debt	$2,011

[A] Source: The District.

Table 3
ESTIMATED OVERLAPPING GENERAL OBLIGATION DEBT STATEMENT

Taxing Body	Gross Dollar Amount[(A)]	As of	Percent Overlap	Dollar Overlap
Dallas, City of	$ 1,775,105,086	08/31/16	0.22%	$ 3,905,231
Dallas County	73,655,000	08/31/16	5.82%	4,286,721
Dallas County Community College District	294,050,000	08/31/16	5.35%	15,731,675
Dallas County Flood Control District #1	26,905,000	08/31/16	33.65%	9,053,533
Dallas County Hospital District	718,480,000	08/31/16	5.60%	40,234,880
Dallas Co. Utility and Reclamation Dist.	246,055,000	08/31/16	45.85%	112,816,218
Dallas County Schools	50,405,000	08/31/16	5.64%	2,842,842
Grand Prairie, City of	229,195,000	08/31/16	0.64%	1,466,848
Irving, City of	369,860,000	08/31/16	47.41%	175,350,626
Irving Flood Control District Section I	6,165,000	08/31/16	100.00%	6,165,000
The District	**$ 465,235,000** [(B)]	**08/31/16**	**100.00%**	**$ 465,235,000** [(B)]
Total Direct and Overlapping Debt				**$ 837,088,573**

Ratio of Direct Debt to Taxable Assessed Valuation	3.78%
Ratio of Direct and Overlapping Debt to Total Assessed Valuation	6.79%
Ratio of Direct and Overlapping Debt to Taxable Assessed Valuation	7.22%
Per Capita Direct and Overlapping Debt	$3,687

Source: Texas Municipal Reports.
(A) Excludes interest accreted on outstanding capital appreciation bonds. At August 15, 2016, the District had $13,001,675 of accumulated accretion on capital appreciation bonds.
(B) Does not include any limited tax obligations payable from the Maintenance & Operations tax rate of the District. Excludes the Refunded Bonds. Includes the Bonds. Preliminary, subject to change.

Table 4
2015/16 TOTAL TAX RATES OF OVERLAPPING POLITICAL ENTITIES

Dallas, City of	$0.797000
Dallas County	$0.243100
Dallas County Community College District	$0.123650
Dallas County Flood Control District #1	$2.650000
Dallas County Hospital District	$0.286000
Dallas County Utility and Reclamation District	$1.590000
Dallas County Schools	$0.010000
Grand Prairie, City of	$0.669998
Irving, City of	$0.594100
Irving Flood Control District Section I	$0.520000

Source: DCAD.

Table 5
PROPERTY TAX RATES AND COLECTIONS

Tax Year	Taxable Assessed Valuation	Tax Rate	Percent Collections[A] Current	Percent Collections[A] Total	Fiscal Year Ended
2010	$9,179,590,117	$1.4650	98.36%	99.86%	08-31-11
2011	8,991,335,164	1.4650	98.61%	99.54%	08-31-12
2012	9,109,269,209	1.4650	98.43%	99.21%	08-31-13
2013	9,435,793,324	1.4650	98.79%	99.49%	08-31-14
2014	9,987,480,853	1.4350	98.89%	98.11%	08-31-15
	Five Year Average		**98.37%**	**99.42%**	
2015	$10,563,683,328	$1.4450	98.85% [B]	98.84% [B]	08-31-16

[A] Excludes Penalties and Interest.
[B] Unaudited. Provided by the District.

Table 6
TAX RATE DISTRIBUTION

	2016/17	2015/16	2014/15	2013/14	2012/13
Local Maintenance	$1.1700 [A]	$1.0400	$1.0400	$1.0400	$1.0400
Interest & Sinking Fund	0.2750	0.4050	0.3950	0.4250	0.4250
Total	**$1.4450**	**$1.4450**	**$1.4350**	**$1.4650**	**$1.4650**

Sources: District's Audited Financial Statements and District records.
[A] The $1.17 tax rate for maintenance and operations was approved by the voters of the District through a tax ratification election held on September 10, 2016. See also "TAX RATE LIMITATIONS" in the Official Statement.

Table 7
VALUATION AND UNLIMITED TAX DEBT HISTORY

Fiscal Year	Taxable Assessed Valuation	Percent Increase/ (Decrease) In Taxable Assessed Valuation Over Prior Fiscal Year	Principal Amount Of Unlimited Tax Debt Outstanding At End Of Fiscal Year[A][B]	Ratio Of Unlimited Tax Debt To Taxable Assessed Valuation[A][B]
2012/13	$9,109,269,209	1.31%	$534,452,377	5.87%
2013/14	9,435,793,324	3.58%	516,550,635	5.47%
2014/15	9,987,480,853	5.85%	494,412,809	4.95%
2015/16	10,563,683,328	5.77%	465,815,000	4.41%
2016/17	11,594,095,283	9.75%	446,765,000 [C]	3.85% [C]

Source: District records and State Property Tax Reports.
[A] Does not include any limited tax debt obligations payable from the District's Maintenance & Operations tax rate.
[B] Excludes interest accreted on outstanding capital appreciation bonds. At August 15, 2016, the District had $13,001,675 of accumulated accretion on capital appreciation bonds.
[C] Projected. Excludes the Refunded Bonds. Includes the Bonds. Preliminary, subject to change.

Table 8
HISTORICAL TOP TEN TAXPAYERS

PRINCIPAL TAXPAYERS AND THEIR 2015/16 TAXABLE ASSESSED VALUATIONS

Name Of Taxpayer	Type Of Property	Taxable Assessed Valuation	Percent Of T.A.V.
Verizon	Utility	$ 206,274,150	1.95%
F6TAWS LLC	Real Estate - Office Building	200,000,000	1.89%
AG PCPI Urban Towers	Real Estate - Office Building	125,019,680	1.18%
Las Colinas Irving	Real Estate	104,439,410	0.99%
BRE Las Colinas LLC	Real Estate	95,439,410	0.90%
Texas Utilities	Utility	90,629,790	0.86%
Lake Carolyn Reit LLC	Real Estate	86,260,000	0.82%
PPF Amli	Real Estate	77,131,570	0.73%
San Mar Corporation	Imprintable Sportswear	72,200,630	0.68%
Frito Lay Inc.	Manufacturing	68,101,410	0.64%
Total……………………………………………………………………		**$ 1,125,496,050**	**10.65%**

PRINCIPAL TAXPAYERS AND THEIR 2014/15 TAXABLE ASSESSED VALUATIONS

Name Of Taxpayer	Type Of Property	Taxable Assessed Valuation	Percent Of T.A.V.
F6TAWS LLC	Real Estate - Office Building	$ 255,000,000	2.55%
Verizon	Utility	209,182,430	2.09%
AG PCPI Urban Towers	Real Estate - Office Building	110,219,680	1.10%
BRE Las Colinas	Real Estate	110,113,720	1.10%
Texas Utilities	Utility	89,653,160	0.90%
Dr. Pepper Bottling Co.	Beverage Bottling	70,398,750	0.70%
San Mar Corporation	Imprintable Sportswear	66,797,960	0.67%
LPC Northwest PH I LP	Real Estate - Apartments	60,690,000	0.61%
TCI 600 Las Colinas Inc.	Real Estate	58,200,150	0.58%
Frito Lay Inc.	Manufacturing	57,961,110	0.58%
Total……………………………………………………………………		**$ 1,088,216,960**	**10.90%**

PRINCIPAL TAXPAYERS AND THEIR 2013/14 TAXABLE ASSESSED VALUATIONS

Name Of Taxpayer	Type Of Property	Taxable Assessed Valuation	Percent Of T.A.V.
F6TAWS LLC	Real Estate - Office Building	$ 209,397,000	2.22%
Verizon	Utility	198,858,320	2.11%
Texas Utilities	Utility	88,191,180	0.93%
SP Millennium Center LP	Real Estate - Office Building	79,500,000	0.84%
Dr. Pepper Bottling Co.	Beverage Bottling	68,755,110	0.73%
San Mar Corporation	Imprintable Sportswear	66,176,980	0.70%
4150 N. MacArthur Blvd	Real Estate - Hotel	62,081,930	0.66%
Kroger Limited	Grocery/Retail	59,260,350	0.63%
Frito Lay Inc.	Manufacturing	57,964,990	0.61%
LPC Northwest PH I LP	Real Estate - Apartments	56,500,000	0.60%
Total……………………………………………………………………		**$ 946,685,860**	**10.03%**

Source: DCAD and District records.

Table 9
CLASSIFICATION OF ASSESSED VALUATION BY USE CATEGORY

	Total Tax Roll for Fiscal Years				
Property Use Category	**2016/17**	**2015/16**	**2014/15**	**2013/14**	**2012/13**
Real Property[(A)]					
Single-Family Residential	$ 4,642,517,130	$ 4,263,004,860	$ 3,978,085,630	$ 3,812,035,170	$ 3,811,769,220
Multi-Family Residential	1,888,450,680	1,694,181,970	1,401,883,540	1,245,544,180	1,092,897,500
Vacant Lots/Tracts	636,987,560	592,097,880	227,831,260	247,744,480	249,261,920
Acreage (Land Only)	8,335,950	10,924,150	8,880,910	9,334,560	9,058,660
Farm and Ranch Improvements	507,940	507,940	807,840	385,240	464,240
Commercial and Industrial	2,970,301,130	2,728,528,430	2,952,725,200	2,725,045,060	2,635,261,600
Oil & Gas	175,490	1,530,020	415,980	439,870	2,360,110
Inventory	92,036,410	86,935,950	76,703,770	64,528,560	58,459,910
Tangible Personal Property					
Business	1,841,286,920	1,642,336,910	1,550,592,980	1,524,870,000	1,465,449,810
Mobile Homes	10,571,980	9,673,380	9,845,920	9,253,960	9,528,690
Real & Tangible Personal Property					
Utilities	229,714,120	238,238,700	234,438,890	240,449,580	223,418,400
Total Real & Tang. Per. Prop.	**$12,320,885,310**	**$11,267,960,190**	**$10,442,211,920**	**$ 9,879,630,660**	**$ 9,557,930,060**
Less Exemptions:					
Residential Homestead	$ 552,942,527	$ 556,698,915	$ 340,539,386	$ 342,192,943	$ 348,617,699
10% Residential Cap	72,001,535	45,823,245	12,744,506	3,926,756	3,005,730
Over 65/Disabled Persons	77,919,882	76,619,372	78,312,548	76,664,211	76,886,443
Disabled/Deceased Veterans	13,338,816	11,114,411	10,494,974	9,405,700	8,462,319
Pollution Control	1,794,064	1,899,287	2,168,231	2,471,495	2,495,619
Prorated Total Exempt	635,950	1,404,804	1,449,325	-	-
Productivity Loss	8,157,253	10,716,828	9,022,097	9,176,231	9,193,041
Total Exemptions	**$ 726,790,027**	**$ 704,276,862**	**$ 454,731,067**	**$ 443,837,336**	**$ 448,660,851**
Taxable Assessed Valuation	**$11,594,095,283**	**$10,563,683,328**	**$ 9,987,480,853**	**$ 9,435,793,324**	**$ 9,109,269,209**

Source: District Records and DCAD. Certified values are subject to change throughout the year as contested values are resolved and DCAD updates records.
(A) Includes value of property which is "frozen" at lower levels for homesteads of taxpayers 65 years or older, their surviving spouses and disabled taxpayers.

Table 10
PERCENTAGE TOTAL ASSESSED VALUATION BY CATEGORY

	Percent of Total Tax Roll for Fiscal Years				
Property Use Category	**2016/17**	**2015/16**	**2014/15**	**2013/14**	**2012/13**
Real Property					
Single-Family Residential	37.68%	37.83%	38.10%	38.58%	39.88%
Multi-Family Residential	15.33%	15.04%	13.43%	12.61%	11.43%
Vacant Lots/Tracts	5.17%	5.25%	2.18%	2.51%	2.61%
Acreage (Land Only)	0.07%	0.10%	0.09%	0.09%	0.09%
Farm and Ranch Improvements	0.00%	0.00%	0.01%	0.00%	0.00%
Commercial and Industrial	24.11%	24.21%	28.28%	27.58%	27.57%
Oil & Gas	0.00%	0.01%	0.00%	0.00%	0.02%
Inventory	0.75%	0.77%	0.73%	0.65%	0.61%
Tangible Personal Property					
Business	14.94%	14.58%	14.85%	15.43%	15.33%
Mobile Homes	0.09%	0.09%	0.09%	0.09%	0.10%
Real & Tangible Personal Property					
Utilities	1.86%	2.11%	2.25%	2.43%	2.34%
Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Source: State Property Tax Reports.

Table 11
OUTSTANDING UNLIMITED TAX DEBT SERVICE

	Outstanding Debt Requirements[B]		Less: The Refunded Bonds*	Plus: The Bonds*		Total Debt Service	Percent Of Principal Retired Total Debt Service
Year[A]	Principal	Interest		Principal	Interest	Requirements	Debt Service
2016/17	18,130,000.00	28,543,293.76	$ 993,892.50	$ 340,000.00	$ 652,463.19	$ 46,671,864.45	
2017/18	17,540,000.00	29,032,331.26	993,892.50	200,000.00	789,250.00	46,567,688.76	
2018/19	20,765,000.00	25,817,218.76	993,892.50	210,000.00	782,050.00	46,580,376.26	
2019/20	29,345,000.00	17,255,106.26	993,892.50	220,000.00	773,450.00	46,599,663.76	
2020/21	29,845,000.00	16,480,768.76	993,892.50	225,000.00	764,550.00	46,321,426.26	25.11%
2021/22	31,050,000.00	15,272,593.76	993,892.50	235,000.00	755,350.00	46,319,051.26	
2022/23	32,405,000.00	13,924,743.76	993,892.50	245,000.00	744,525.00	46,325,376.26	
2023/24	32,255,000.00	13,924,268.76	993,892.50	260,000.00	731,900.00	46,177,276.26	
2024/25	33,650,000.00	12,532,643.76	993,892.50	275,000.00	718,525.00	46,182,276.26	
2025/26	31,850,000.00	11,269,965.63	993,892.50	285,000.00	704,525.00	43,115,598.13	60.04%
2026/27	21,665,000.00	9,203,125.00	993,892.50	300,000.00	689,900.00	30,864,132.50	
2027/28	20,060,000.00	7,251,200.00	993,892.50	315,000.00	674,525.00	27,306,832.50	
2028/29	20,990,000.00	6,318,337.50	993,892.50	335,000.00	658,275.00	27,307,720.00	
2029/30	21,885,000.00	5,414,537.50	993,892.50	350,000.00	641,150.00	27,296,795.00	
2030/31	22,800,000.00	4,466,163.65	7,842,780.00	5,695,000.00	518,500.00	25,636,883.65	83.12%
2031/32	23,910,000.00	3,399,498.83	11,423,303.75	9,580,000.00	213,000.00	25,679,195.08	
2032/33	13,395,000.00	2,541,316.71	2,172,470.00	535,000.00	10,700.00	14,309,546.71	
2033/34	6,230,000.00	2,086,232.43	-	-	-	8,316,232.43	
2034/35	6,530,000.00	1,786,282.13	-	-	-	8,316,282.13	
2035/36	6,845,000.00	1,468,648.18	-	-	-	8,313,648.18	94.70%
2036/37	7,200,000.00	1,118,401.43	-	-	-	8,318,401.43	
2037/38	7,570,000.00	749,585.23	-	-	-	8,319,585.23	
2038/39	4,810,000.00	424,291.95	-	-	-	5,234,291.95	
2039/40	5,090,000.00	144,072.45	-	-	-	5,234,072.45	100.00%
TOTAL	**$ 465,815,000.00**	**$ 230,424,627.46**	**$ 35,353,048.75**	**$ 19,605,000.00**	**$ 10,822,638.19**	**$ 691,314,216.90**	

* Preliminary, subject to change.
[A] Represents debt service payments from September 1 through August 31.
[B] Interest on the District's outstanding bonds does not reflect use of the Federal subsidy on Build America Bonds to reduce interest expense.

Note: Table 11 does not include any potential funding the District may receive from the State of Texas from either the Instructional Facilities Allotment and/or Existing Debt Allotment Programs. For fiscal year ended August 31, 2016, the District received $8,037,783 of State funding assistance from a combination of these programs and has budgeted to receive $6,475,017 from these programs during fiscal year ending August 31, 2017. The amount of State funding aid for debt service may substantially differ from year to year, depending on a number of factors, including amounts, if any, appropriated for that purpose by the Texas Legislature from time to time. Table 11 does not include any limited tax obligations payable from the District's Maintenance & Operations tax rate.

Table 12
INTEREST & SINKING FUND BUDGET INFORMATION[A]

Tax Supported Debt Service Requirements, Fiscal Year Ending 8-31-17		$ 46,673,293 [B]
Interest and Sinking Fund Balance at 8-31-16	$ 8,600,000 [C]	
Existing Debt Allotment & Instructional Facilities Allotment State Assistance	6,475,017	
Local Taxes & Other Revenues	28,366,731	
Transfer-In from General Fund	12,000,000	55,441,748
Projected Interest and Sinking Fund Balance at 8-31-17		$ 8,768,455

[A] Based on District's anticipated budget for FY2016/17. Reflects anticipated budget amendment to be approved related to passage of the tax ratification election on September 10, 2016.
[B] Includes paying agent fees and other debt administration costs in addition to bond debt service.
[C] Unaudited.

Table 13
AUTHORIZED BUT UNISSUED BONDS

The District has no authorized but unissued bonds and does not anticipate seeking voter approval for, or issuing, debt to fund new construction until fiscal year 2018, at the earliest. Those plans are subject to revision by the Board of the District.

The District may incur other financial obligations payable from its collection of taxes and other sources of revenue, including maintenance tax notes payable from its collection of maintenance taxes, public property finance contractual obligations, delinquent tax notes, and leases for various purposes payable from State appropriations and maintenance taxes. For information on non-bonded, long-term liabilities of the District, see Note 8 to the audited financial statements of the District.

Table 14
TAX ADEQUACY - UNLIMITED TAX DEBT SERVICE REQUIREMENTS*

Principal and Interest Requirements, 2016/17	$ 46,671,864 [A][B]
$0.4108 Tax Rate at 98.0% Collection Produces	$ 46,675,973 [C]
Maximum Principal and Interest Requirements, Year 2016/17	$ 46,671,864 [A][B]
$0.4108 Tax Rate at 98.0% Collection Produces	$ 46,675,973 [C]

* Preliminary, subject to change.
[A] Represents projected debt service payments from September 1 through August 31, without netting out the Federal Subsidy the District anticipates receiving on its Series 2010B Taxable Bonds. See "FEDERAL SEQUESTRATION."
[B] Excludes the Refunded Bonds. Includes the Bonds.
[C] Based upon 2016/17 taxable assessed valuation of $11,594,095,283.
Note: Table 11 does not include any potential funding the District may receive from the State of Texas from either the Instructional Facilities Allotment and/or Existing Debt Allotment Programs. For fiscal year ended August 31, 2016, the District received $8,037,783 of State funding assistance from a combination of these programs and has budgeted to receive $6,475,017 from these programs during fiscal year ending August 31, 2017. The amount of State funding aid for debt service may substantially differ from year to year, depending on a number of factors, including amounts, if any, appropriated for that purpose by the Texas Legislature from time to time. Table 11 does not include any limited tax obligations payable from the District's Maintenance & Operations tax rate.

Table 15
COMBINED GENERAL OPERATING FUND BALANCE SHEET

	Fiscal Year Ending August 31,				
	2015	**2014**	**2013**	**2012**	**2011**
Assets:					
Cash & Temporary Investments	$ 115,685,817	$ 108,900,352	$ 99,563,008	$ 83,972,686	$ 73,816,162
Receivables:					
Property Taxes - Delinquent	4,275,114	4,436,801	4,896,459	5,346,186	5,207,758
Allowance for Uncollectible Taxes	(1,909,862)	(1,911,423)	(1,665,233)	(1,801,752)	(1,789,872)
Due from Other Governments	-	-	4,587,462	5,990,178	8,193,976
Accrued Interest	23,753	30,391	48,377	227,548	92,066
Due From Other Funds	1,890,382	1,671,014	1,710,165	1,755,740	4,358,091
Other Receivables	3,640,403	3,792,623	4,323,383	3,608,249	2,186,047
Inventories, at Cost	807,882	725,030	827,185	705,451	654,755
Deferred Expenditures	168,992	626,006	472,217	67,534	403,976
Other Current Assets	-	-	-	5,250	-
Total Assets	**$ 124,582,481**	**$ 118,270,794**	**$ 114,763,023**	**$ 99,877,070**	**$ 93,122,959**
Liabilities and Fund Equity:					
Liabilities:					
Accounts Payable	$ 4,530,627	$ 7,340,704	$ 5,628,963	$ 2,567,839	$ 2,988,045
Payroll Deductions & Withholdings	2,295,956	2,059,013	2,531,023	2,142,039	545,292
Accrued Wages Payable	7,155,095	6,610,245	6,281,058	5,841,562	5,614,161
Due to Other Funds	66,337	294,705	-	76,497	845,771
Due to Other Governments	492,265	668,796	7,880	5,397	2,249
Unearned Revenue	107,291	253,450	3,475,320	3,776,292	3,710,076
Total Liabilities	**$ 14,647,571**	**$ 17,226,913**	**$ 17,924,244**	**$ 14,409,626**	**$ 13,705,594**
Deferred Inflows of Resources					
Unavailable Revenue	$ 2,365,252	$ 2,525,378	$ -	$ -	$ -
Total Deferred Inflows of Resources	**$ 2,365,252**	**$ 2,525,378**	**$ -**	**$ -**	**$ -**
Fund Equity:					
Nonspendable Fund Balances					
Inventory	$ 807,882	$ 725,030	$ 827,185	$ 705,451	$ 654,755
Prepaid Items	168,992	626,006	472,217	67,534	403,976
Outstanding Encumbrances	-	-	-	-	-
Assigned Fund Balances					
Capital Expenditures	11,050,414	-	1,755,967	-	4,479,121
Campus Activity Funds	2,595,661	2,547,723	2,801,653	2,667,723	2,396,029
TIF	2,283,842	1,416,826	-	-	-
Budgetary Deficit	-	995,914	-	-	-
Other Assigned Fund Balances	1,161,601	958,620	1,753,087	706,299	869,190
Unreserved, Undesignated Fund Balance:	89,501,266	91,248,384	89,228,670	81,320,437	70,614,294
Total Fund Equity	**$ 107,569,658**	**$ 98,518,503**	**$ 96,838,779**	**$ 85,467,444**	**$ 79,417,365**
Total Liabilities & Fund Equity	**$ 124,582,481**	**$ 118,270,794**	**$ 114,763,023**	**$ 99,877,070**	**$ 93,122,959**

Source: District's Audited Financial Statements and District records.

Table 16
COMPARATIVE STATEMENT OF GENERAL OPERATING FUND REVENUES AND EXPENDITURES

	Fiscal Year Ending August 31,				
	2015	2014	2013	2012	2011
Beginning Fund Balance	**$ 98,518,503**	**$ 96,838,779**	**$ 85,467,444**	**$ 79,417,365**	**$ 77,086,023**
Revenues:					
Local Sources	$ 111,758,252	$ 99,648,828	$ 99,656,604	$ 96,143,077	$ 96,769,157
State Program Revenues	177,008,374	172,162,044	155,271,530	147,179,869	131,442,707
Federal Program Revenues	4,935,486	3,955,515	3,808,141	3,753,385	3,872,674
Total Revenues	**$ 293,702,112**	**$ 275,766,387**	**$ 258,736,275**	**$ 247,076,331**	**$ 232,084,538**
Expenditures:					
Instruction	$ 177,391,782	$ 173,745,395	$ 157,517,628	$ 146,464,615	$ 147,015,630
Instructional Resources & Media Services	4,604,704	4,972,477	4,727,817	4,469,404	2,624,685
Curriculum & Instr. Staff Development	5,187,380	4,816,334	3,095,869	2,826,646	2,733,164
Instructional Leadership	4,051,194	4,320,586	4,453,938	4,640,327	4,234,840
School Leadership	19,643,303	19,002,038	16,793,797	16,283,592	17,807,769
Guidance, Counseling & Eval Services	14,215,516	13,600,219	12,850,730	12,111,459	12,393,490
Social Work Services	1,537,760	566,369	452,578	423,082	414,143
Health Services	2,787,156	2,581,134	2,519,268	2,434,386	2,495,145
Student (Pupil) Transportation	4,579,893	5,680,713	4,013,744	3,367,212	3,108,165
Food Services	359,992	339,116	291,838	349,246	299,472
Co-Curricular/Extracurricular Activities	5,572,816	5,376,387	5,288,952	5,232,892	4,999,416
General Administration	7,038,599	7,996,682	7,396,435	7,028,558	7,108,795
Plant Maintenance & Operations	21,557,138	20,881,568	20,778,082	21,174,705	16,848,218
Security & Monitoring Services	3,181,074	3,168,345	2,983,793	2,891,112	2,844,050
Data Processing Service	3,846,819	3,594,631	3,578,546	3,471,855	3,017,524
Community Service	359,325	409,662	430,467	371,926	372,314
Facilities Acquisition and Construction	5,011,435	2,899,869	6,918,093	7,981,571	3,720
Payments to JJAEP	173,772	116,850	56,430	86,526	64,752
Payments to TIF	6,465,553	2,182,197	3,100,836	1,742,264	1,010,907
Other Governmental Charges	538,945	534,086	520,707	519,552	531,534
Total Expenditures	**$ 288,104,156**	**$ 276,784,658**	**$ 257,769,548**	**$ 243,870,930**	**$ 229,927,733**
Other Resources and (Uses):					
Other Financing Sources	$ 688,561	$ 2,697,995	$ 10,404,608 (B)	$ 7,323,799 (B)	$ 174,537
Other Financing Uses	-	-	-	(4,479,121)	-
Total Other Resources and (Uses)	**$ 688,561**	**$ 2,697,995**	**$ 10,404,608**	**$ 2,844,678**	**$ 174,537**
Excess / (Deficiency) of Revenues & Other Sources Over/(Under) Expenditures & Other Uses	$ 6,286,517	$ 1,679,724	$ 11,371,335	$ 6,050,079	$ 2,331,342
Extraordinary Item:					
Eminent Domain Transaction(C)	$ 2,764,638	$ -	$ -	$ -	$ -
Fund Balance, End of Year(A)	**$ 107,569,658**	**$ 98,518,503**	**$ 96,838,779**	**$ 85,467,444**	**$ 79,417,365**

Source: District's Audited Financial Statements and District records.
(A) Includes Reserved, Designated and Undesignated Fund Balance. The District's estimated unaudited fund balance as of August 31, 2016 is $105,000,000.
(B) Reflects $9,654,036 and $7,268,016 in insurance recoveries in 2013 and 2012, respectively, resulting from hail storm damages to District facilities.
(C) See Note 17 in the District's Audited Financial Statements for fiscal year ending August 31, 2015.

Table 17
CHANGE IN NET POSITION[A]

	Fiscal Year Ending August 31,				
Revenues:	**2015**	**2014**	**2013**	**2012**	**2011**
Program Revenues					
Charges for Services	$ 5,673,148	$ 5,362,989	$ 6,998,922	$ 5,646,811	$ 4,643,979
Operating Grants and Contributions	57,542,541	51,231,188	48,772,209	57,192,756	74,113,382
Total Program Revenues	$ 63,215,689	$ 56,594,177	$ 55,771,131	$ 62,839,567	$ 78,757,361
General Revenues					
Maintenance & Operations Taxes	$ 96,135,459	$ 91,269,145	$ 89,907,666	$ 89,463,642	$ 90,847,221
Debt Service Taxes	36,447,373	37,578,332	36,708,071	36,363,206	37,126,703
State Grants	187,211,926	184,171,041	165,468,694	157,790,019	139,197,880
Investment Earnings	285,316	254,184	410,848	692,064	871,377
Miscellaneous	6,489,584	2,693,365	3,985,381	4,490,730	2,849,167
Total General Revenues	$ 326,569,658	$ 315,966,067	$ 296,480,660	$ 288,799,661	$ 270,892,348
Total Revenues……………………………………	**$ 389,785,347**	**$ 372,560,244**	**$ 352,251,791**	**$ 351,639,228**	**$ 349,649,709**
Expenses:					
Instruction	$ 211,808,998	$ 209,800,052	$ 188,974,526	$ 190,308,817	$ 202,027,719
Instructional Resources & Media Services	5,488,376	5,915,181	5,595,410	5,448,807	5,395,741
Curriculum and Instr. Staff Development	9,135,362	8,471,201	6,703,099	4,751,709	5,230,001
Instructional Leadership	4,577,973	5,112,718	5,311,012	5,624,822	5,302,420
School Leadership	20,401,286	19,926,467	17,688,291	17,229,739	19,274,337
Guidance, Counseling & Evaluation Services	15,721,776	15,040,908	14,731,022	13,715,505	14,456,133
Social Work Services	1,576,516	584,649	452,558	422,845	452,483
Health Services	3,001,895	2,814,171	2,728,362	2,652,074	2,677,435
Student (Pupil) Transportation	5,267,894	6,354,947	4,600,440	4,086,234	4,462,792
Food Services	19,738,827	19,309,738	19,032,015	17,531,841	17,047,841
Co-Curricular / Extracurricular Activities	6,538,184	6,559,814	6,338,475	6,270,809	6,243,463
General Administration	7,122,438	8,104,538	7,559,425	7,199,150	7,248,095
Plant Maintenance and Operations	22,191,155	21,912,291	21,523,347	22,012,072	21,587,242
Security and Monitoring Services	3,130,271	3,182,215	2,998,649	2,905,808	2,849,399
Data Processing Services	4,031,182	4,261,484	3,888,670	3,893,178	3,549,859
Community Services	1,724,124	1,818,555	1,839,893	1,195,296	1,246,312
Debt Service - Interest & Fiscal Charges	20,023,429	26,343,364	27,340,450	28,718,685	28,495,578
Facilities Acquisition & Construction	71,682	10,703	2,559	3,974	-
Payments to JJAEP	173,772	116,850	56,430	86,526	64,752
Payments to TIF	6,465,553	2,182,197	3,100,836	1,742,264	1,010,907
Other Governmental Charges	538,945	534,086	520,707	519,552	531,534
Total Expenses……………………………………	**$ 368,729,638**	**$ 368,356,129**	**$ 340,986,176**	**$ 336,319,707**	**$ 349,154,043**
Change in Net Position	$ 21,055,709	$ 4,204,115	$ 11,265,615	$ 15,319,521	$ 495,666
Net Position - Beginning	$ 77,870,766	$ 78,686,893	$ 67,421,278	$ 52,101,757	$ 51,606,091
Extraordinary Item[B]	2,764,638	-	-	-	-
Prior Period Adjustments[C]	(53,944,079)	(5,020,242)	-	-	-
Net Position Ending………………………………	**$ 47,747,034**	**$ 77,870,766**	**$ 78,686,893**	**$ 67,421,278**	**$ 52,101,757**

Source: District's Audited Financial Statements and District records.
[A] Financial operations for all governmental activities in accordance with GASB Statement No. 34.
[B] See Note 17 in the District's Audited Financial Statements for fiscal year ending August 31, 2015.
[C] See Note 18 in the District's Audited Financial Statements for fiscal year ending August 31, 2015.

APPENDIX B

GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY

GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY

Located in west Dallas County, Texas, the Irving Independent School District (the "District") includes the major portion of the City of Irving (the "City") and portions of the cities of Dallas and Grand Prairie. The District encompasses 48.5 square miles and has a student enrollment of 34,849. An estimated 227,030 people live within the District's boundaries.

The District is governed by a seven member Board of Trustees (the "Board"). The Board of Trustees serve three-year staggered terms, with 2 members elected in at large districts and 5 members elected in single member Districts. Board policy and decisions are decided by a majority vote of the Board. The Superintendent of Schools is selected by the Board; other District officials are employed as a result of action by the Superintendent and the Board.

The District owns and operates 37 instructional facilities which are fully accredited by the Texas Education Agency. Students attend classes in air-conditioned schools complete with cafeterias, library/media centers and gymnasiums. The number and types of instructional facilities are as follows:

Alternative Programs, Career Center and Special Education Facilities	2
Early Childhood Facilities	3
Elementary Schools	20
Middle Schools	8
High Schools	4
Total	**37**

In addition, the District owns and operates additional facilities which include an administration building, a maintenance service center, a safety and security department, a technology and staff development center, an instructional media center and an athletic stadium.

DISTRICT ENROLLMENT INFORMATION

Scholastic Enrollment History – Peak Enrollment

Year	Enrollment	Increase/ (Decrease)	Percent Change
2006/07	33,124	288	0.88%
2007/08	33,189	65	0.20%
2008/09	33,223	34	0.10%
2009/10	33,798	575	1.73%
2010/11	34,289	491	1.45%
2011/12	34,851	562	1.63%
2012/13	35,114	263	0.75%
2013/14	35,403	289	0.81%
2014/15	35,171	(232)	(0.66%)
2015/16	34,849	(322)	(0.92%)

Source: District records.

Projected Student Enrollment

Year	Enrollment	Increase/ (Decrease)	Percent Change
2016/17	34,265	(584)	(1.68%)
2017/18	33,889	(377)	(1.10%)
2018/19	33,695	(193)	(0.57%)
2019/20	33,431	(265)	(0.78%)
2020/21	33,181	(250)	(0.75%)

Source: District projections.

Peak Student Enrollment By Grades

Year	EE	PK	K	1	2	3	4	5	6	7	8	9	10	11	12	Total
2006/07	104	1,837	2,564	2,769	2,585	2,450	2,449	2,418	2,443	2,351	2,330	3,123	2,055	1,897	1,749	33,124
2007/08	99	1,876	2,703	2,743	2626	2,581	2,378	2,401	2,362	2,423	2,311	3,074	2,055	1,905	1,652	33,189
2008/09	100	1,744	2,664	2,734	2,581	2,568	2,463	2,423	2,326	2,347	2,402	2,979	2,173	1,935	1,784	33,223
2009/10	125	1,824	2,580	2,772	2,608	2,613	2,468	2,459	2,387	2,361	2,345	3,091	2,169	2,110	1,886	33,798
2010/11	107	1,913	2,628	2,707	2,756	2,595	2,538	2,512	2,433	2,392	2,377	2,997	2,259	2,053	2,023	34,290
2011/12	111	2,017	2,696	2,688	2,715	2,758	2,574	2,578	2,409	2,486	2,431	3,138	2,144	2,187	1,919	34,851
2012/13	140	2,017	2,710	2,746	2,692	2,702	2,741	2,527	2,461	2,453	2,501	3,305	2,007	2,117	1,995	35,114
2013/14	102	2,030	2,705	2,779	2,705	2,643	2,700	2,742	2,407	2,492	2,456	3,026	2,420	2,148	2,048	35,403
2014/15	47	1,832	2,647	2,767	2,769	2,623	2,580	2,647	2,586	2,429	2,444	2,874	2,682	2,201	2,043	35,171
2015/16	69	1,799	2,414	2,685	2,717	2,738	2,586	2,568	2,548	2,631	2,402	2,810	2,480	2,374	2,028	34,849

Source: District records.

Peak Student Enrollment By School Type

Year	Elementary Schools (Grades EE-5)	Middle Schools (Grades 6-8)	High Schools (Grades 9-12)	Total Enrollment
2006/07	17,176	7,124	8,824	33,124
2007/08	17,407	7,096	8,686	33,189
2008/09	17,313	7,043	8,867	33,223
2009/10	17,470	7,402	8,926	33,798
2010/11	17,764	7,244	9,281	34,289
2010/11	18,137	7,326	9,388	34,851
2012/13	18,275	7,415	9,424	35,114
2013/14	18,406	7,355	9,642	35,403
2014/15	17,912	7,459	9,800	35,171
2015/16	17,576	7,581	9,692	34,849

Source: District records.

EMPLOYMENT OF THE DISTRICT

Teachers	2,444
Administrators	240
Professional Support Staff, Teachers Aids & Secretaries	805
Auxiliary Employees	1,143
Total Number of Employees	**4,632**

The District employs a staff of approximately 4,632. Beginning with the 2015/16 school year, entry level teachers without advanced degrees earn $51,000 annually. Teachers with advanced degrees and longevity can earn between $52,500 and $75,678 annually. All teachers receive life and health insurance benefits worth approximately $342 monthly.

Source: District records.

PRESENT SCHOOL FACILITIES

Location	2015/16 Student Enrollment	Functional Capacity[A]	Excess (Over)/Under Capacity	Grades Served
Irving High School	2,351	2,975	624	9-12
MacArthur High School	2,770	2,950	180	9-12
Nimitz High School	2,470	3,225	755	9-12
Jack E. Singley Academy	1,773	1,750	(23)	9-12
High School Total	**9,364**	**10,900**	**1,536**	
Austin Middle School	1,051	1,350	299	6-8
Bowie Middle School	990	1,325	335	6-8
Crockett Middle School	943	1,350	407	6-8
de Zavala Middle School	845	1,350	505	6-8
Houston Middle School	911	1,400	489	6-8
Johnson Middle School	1,017	1,350	333	6-8
Lamar Middle School	831	1,350	519	6-8
Travis Middle School	992	1,475	483	6-8
Middle School Total	**7,580**	**10,950**	**3,370**	
Barton Elementary	836	1,078	242	K-5
Brandenburg Elementary	846	1,034	188	K-5
Britain Elementary	665	1,232	567	K-5
Brown Elementary	775	1,144	369	K-5
Davis Elementary	869	1,122	253	K-5
Elliott Elementary	720	1,122	402	K-5
Farine Elementary	821	1,122	301	K-5
FM Gilbert Elementary	778	1,100	322	K-5
Good Elementary	830	1,056	226	K-5
Hanes Elementary	775	968	193	K-5
John Haley Elementary	851	1,100	249	K-5
Johnston Elementary	728	1,056	328	K-5
Keyes Elementary	859	1,166	307	K-5
Lee Elementary	782	1,078	296	K-5
Lively Elementary	667	1,100	433	K-5
Schulze Elementary	882	1,078	196	K-5
Stipes Elementary	723	1,056	333	K-5
Thomas Haley Elementary	690	1,034	344	K-5
Townley Elementary	730	1,078	348	K-5
Townsell Elementary	892	1,056	164	K-5
Elementary School Total	**15,719**	**21,780**	**6,061**	
Clifton Early Childhood[C]	661	800	136	PK
Kinkeade Early Childhood[C]	614	800	186	PK
Pierce Early Childhood[C]	582	800	218	PK
Early Childhood Schools Total[B]	**1,857**	**2,400**	**543**	
Juvenile Justice Alternative Ed. Program	5	0	(5)	--
Barbara Cardwell Career Prep Center	324	394	70	6-12
Wheeler Development Center	0	50	50	
Learning Centers Total	**329**	**444**	**115**	
Total	**34,849**	**46,474**	**11,625**	

[A] Includes student capacity of portable building at such campus.
[B] Students attending Early Childhood Schools attend in two-half day sessions.
Source: District records.

CITY OF IRVING, TEXAS – ECONOMIC AND DEMOGRAPHIC INFORMATION

Location

The City is located in the Dallas-Fort Worth metropolitan area in the western portion of Dallas County. Bisected by U. S. Highway 183, Irving has easy access to Interstate 35 that accesses the north and south, and Interstate 30 that accesses the east and west. Other nearby cities include Dallas to the east on U.S. Highway 183, Arlington to the southwest on Interstate 30, Coppell to the north on Interstate 35 and Grand Prairie to the south on Interstate 30.

Approximate Mileage from Irving to:	Miles
D/FW International Airport	Borders City Limits
Alliance Airport	15
Dallas	10
Fort Worth	20

The City had a 2000 U.S. Census population of 191,615 and a 2010 U.S. Census population of 216,920, reflecting a 13.2% increase over the decade. The 2015 estimated population for the City is 236,607.

Dallas County (the "County") is located in north central Texas, bordered by Kaufman and Rockwall counties to the east, Tarrant County to the west, Denton and Collin counties to the north, and Ellis County to the south, and is strategically central to the economic region including the states of Texas, Louisiana, Arkansas, Oklahoma and New Mexico. Dallas County is also centrally located within the United States.

The County encompasses an area of 909 square miles of which 880 square miles are land and 29 square miles are water. The 2000 Census reported a population of 2,218,899. The 2010 Census population was 2,368,139. The 2015 estimated population for the County is 2,553,385.

Source: United States Census Bureau.

Economy

The City of Irving has a diverse and robust economy and benefits from being part of the broader Dallas-Fort Worth Metropolitan area. The City is home to the headquarters of five Fortune 500 companies and to 8,500 local and multi-national companies. The following table includes a list of the largest employers in the City and companies that are headquartered in Irving.

Largest Employers and Companies Headquartered in Irving

Aegis Communications Group, Inc.	Kimberly-Clark
Allstate Insurance Co.	La Quinta Inn and Suites
Chuck E Cheese's	Michaels Stores
Citigroup	Microsoft Corp.
City of Irving	NCH Corporation
Commercial Metals	NEC Corporation of America
DFW International Airport	Neiman Marcus Direct
Flour Corporation	Nokia
Freedom Airlines	Omni Hotels
Gruma	Roadway Express, Inc
H.D. Vest	Southern Star Concrete
Health Management Systems	Stellar
Irving ISD	Verizon Communications
Irving Mall	Zale Corporation

Source: Greater Irving-Las Colinas Chamber of Commerce.

Healthcare

Irving has access to major medical care within the city limits through Baylor Medical Center at Irving, Las Colinas Medical Center, Irving Health Center, Las Colinas Surgery Center, the Medical and Surgical Clinic of Irving and Las Colinas Urgent Care. The City is served by countless private practice doctors and dentists. Additionally, residents have access to an extensive offering of hospitals, surgical centers and specialty care facilities throughout the metroplex.

Source: Greater Irving-Las Colinas Chamber of Commerce.

Transportation

Dallas-Fort Worth's success as a world-class leader in transportation is a result of its excellent airports, rail routes and interstate highway systems. Positioned nearly equidistant to both United States coasts, Dallas-Fort Worth is easily accessible to all areas of the U.S., Canada and Mexico. In addition, Dallas is the center point between North America's four largest business centers - New York, Los Angeles, Chicago and Mexico City.

Air – Dallas/Fort Worth International Airport, just 17 miles from downtown Dallas, is the third busiest airport in the world, as measured by total landings and take-offs. Over 58 million passengers traveled through the airport in 2012. As a major hub of Fort Worth–based American Airlines, DFW Airport offers business travelers a high-frequency schedule and access to any major city in the continental U.S. in less than four hours. Cargo operations, which grew to 662,000 tons in FY 2012, serve 13 major markets around the world, including several key markets in Asia.

The region is also served by Love Field, which is located only seven miles from downtown Dallas. The airport, which served more than 7.7 million passengers in 2009, has undergone a $519 million renovation, including a centralized terminal with 20 gates, a new lobby, and an expanded baggage claim area. Flight restrictions were lifted in 2014, allowing domestic long-haul service on any aircraft. Currently, a financing is being undertaken to design and construct an approximately 5,000 space parking garage and related improvements to increase public parking capacity at Love Field.

Rail – Dallas is a major hub for several rail routes. The nation's two largest railroads, Fort Worth-based Burlington Northern Santa Fe Corp. and Union Pacific Corp., have major operation nodes in the region, offering business-efficient access to other key ports and distribution centers across the United States and into Mexico. Amtrak provides passenger train service at Union Station in downtown Dallas with two lines: Chicago and San Antonio.

Mass Transit – Mass Transit in the region is growing. The Dallas Area Rapid Transit ("DART") system, which includes light rail and bus service, is the nation's fastest-growing network, enabling easy access to key job centers in the city of Dallas and its suburbs. DART's expansion includes future links to Dallas/Fort Worth International Airport. DART also interfaces with the Trinity Rail Express ("TRE"), a commuter train, to transport passengers between downtown Dallas and the City of Fort Worth, with stops at several suburbs in between. City of Fort Worth residents are served by the T, which also connects to the TRE. The A-Train operated by the Denton County Transit Authority ("DCTA") connects DART riders in the City of Carrollton to an additional five stations ending in the City of Denton.

Source: Greater Irving-Las Colinas Chamber of Commerce.

Higher Education

The region is home to a robust variety of public and private higher education opportunities as well as countless trade and skill educational opportunities. In addition, several institutions have remote educational sites in the area. The following is a list of some of the major universities, community colleges and other institutions in the area.

Major Universities	Community Colleges and Other
Dallas Baptist University	Collin County Community College System
Southern Methodist University	Dallas County Community College System
Texas A&M University - Commerce	Dallas Theological Seminary
Texas Christian University	Devry University
Texas Wesleyan University	ITT Technical Institute
Texas Woman's University	Le Cordon Bleu College of Culinary Arts Dallas
University of Dallas	LeTourneu University
University of North Texas	Navarro College
University of Texas at Arlington	North Central Texas College
University of Texas at Dallas	Tarrant County College System
University of Texas Health Sciences Center at Dallas	Weatherford College
University of Texas Southwestern Medical Center at Dallas	University of Phoenix

Source: Dallas Area Chamber of Commerce.

Comparative Unemployment Rates

	2012	2013	2014	2015	2016[A]
City of Irving	6.5%	5.9%	4.8%	3.8%	3.6%
Dallas County	7.1%	6.5%	5.4%	4.3%	4.1%
State of Texas	6.7%	6.2%	5.1%	4.5%	4.8%
United States of America	8.1%	7.4%	6.2%	5.3%	5.1%

[A] As of June 2016.
Source: Labor Market Information Department, Texas Workforce Commission.

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

Texas
New York
Washington, DC
Connecticut
Seattle
Dubai
London

214.468,3800 Office
214.468.3888 Fax

Bracewell LLP
1445 Ross Avenue
Suite 3800
Dallas, Texas
75202-2711

[CLOSING DATE]

$__________
IRVING INDEPENDENT SCHOOL DISTRICT
UNLIMITED TAX REFUNDING BONDS
SERIES 2016A

WE HAVE ACTED as bond counsel for Irving Independent School District (the "District"), in connection with the bonds hereinafter described (the "Bonds"):

> IRVING INDEPENDENT SCHOOL DISTRICT UNLIMITED TAX REFUNDING BONDS, SERIES 2016A, dated September 15, 2016, in the aggregate principal amount of $_________.
>
> 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 (the "Bond Order") adopted by the Board of Trustees of the District on August 22, 2016, authorizing their issuance and the pricing certificate authorized therein (collectively, the "Order").

WE HAVE ACTED as bond counsel for the sole purpose of rendering our 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 exclusion 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.

IN OUR CAPACITY as bond counsel, we have participated in the preparation of and have examined a transcript of proceedings pertaining to the Bonds and the bonds being refunded, on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the District; an escrow agreement (the "Escrow Agreement") between the Issuer and U.S. Bank National Association as escrow agent (the "Escrow Agent"); the report (the "Report") of Grant Thornton LLP, Certified Public Accountants (the "Verification Agent"), verifying the sufficiency of the deposits made with the Escrow Agent for defeasance of the obligations being refunded and the mathematical accuracy of certain computations of the yield on the Bonds and obligations acquired with the proceeds of the Bonds; 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 and the firm banking and financial arrangements for the discharge and final payment of the obligations being refunded. 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. ICI-1 of this issue. Capitalized terms used herein, unless otherwise defined, have the meanings set forth in the Order adopted by the District with respect to the issuance of the Bonds.

BASED ON SUCH EXAMINATION, IT IS OUR OPINION THAT:

(A) The transcript of 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;

(B) Firm banking and financial arrangements have been made for the discharge and final payment of the bonds being refunded pursuant to an Escrow Agreement entered into between the Issuer and the Escrow Agent on the date of delivery of the Bonds, and, therefore, such bonds are deemed to be fully paid and no longer outstanding except for the purpose of being paid from the funds provided therefor in such Escrow Agreement; and

(C) A continuing ad valorem tax, without limit as to rate or amount, has been levied on all taxable property in the District and pledged irrevocably to the payment of the principal of and interest on the Bonds.

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:

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

(2) 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 on individuals and corporations, except that interest on the Bonds will be included in the "adjusted current earnings" of a corporation (other than an S corporation, regulated investment company, REIT, or REMIC) for purposes of computing its alternative minimum tax liability.

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, respectively, which we have not independently verified, and have assumed continuing compliance with the covenants in the Order pertaining to those sections of the Code that affect the exclusion 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. If such representations or the Report are determined to be inaccurate or incomplete or the District fails to comply with the foregoing provisions of the Order, interest on the Bonds could become includable in gross income from the date of original delivery, 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 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 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 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).

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement 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.

APPENDIX D

AUDITED FINANCIAL STATEMENT
FOR THE YEAR ENDED AUGUST 31, 2015

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Trustees
Irving Independent School District
Irving, 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 Irving Independent School District (the District), as of and for the year ended August 31, 2015, 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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

AN INDEPENDENT MEMBER OF BAKER TILLY INTERNATIONAL
WEAVER AND TIDWELL, L.L.P. CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS
12221 MERIT DRIVE, SUITE 1400, DALLAS, TX 75251
P: 972.490.1970 F: 972.702.8321

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 District, as of August 31, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 18 to the financial statements, in 2015 the District adopted new accounting guidance, GASB Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68". 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 (on pages 14–23), the schedule of revenues, expenditures and changes in fund balances – budget and actual for the General Fund and Food Service Fund (on pages 64–65), and the Teacher Retirement System of Texas pension schedules (on pages 66–67) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, other supplementary information, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The other supplementary 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Weaver and Tidwell LLP

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
January 6, 2016

IRVING

Independent School District

As management of the Irving Independent School District (the "District"), we offer readers of the District's basic financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended August 31, 2015. We encourage readers to consider the information presented here in conjunction with the District's financial statements and in conjunction with additional information that we have furnished in our letter of transmittal.

FINANCIAL HIGHLIGHTS

- General revenues accounted for $329,334,296, or 84%, of all fiscal year 2015 revenues. Program-specific revenues in the form of charges for services and grants and contributions accounted for $63,215,689, or 16%, of total fiscal year 2015 revenues.

- The District had $368,729,638 in expenses related to governmental activities, of which $63,215,689 was offset by program-specific charges for services or grants and contributions. General revenues of $329,334,296 were adequate to provide for the remaining costs of these programs, resulting in an $23,820,347 increase in net position.

- Among major funds, the General Fund had $293,702,112 in revenues, which primarily consisted of state aid and property taxes, and $288,104,156 in expenditures. The General Fund's fund balance increased $9,051,155, from $98,518,503 as of August 31, 2014 to $107,569,658 as of August 31, 2015.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements and required supplementary information. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business. These statements include the statement of net position and the statement of 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.

The statement of net position presents information on all of the District's assets, deferred inflows/outflows of resources, liabilities and net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unpaid salary).

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation, and operation of non-instructional services.

Fund financial statements. The *fund financial statements* report the District's operations in more detail than the government-wide statements by providing information about the District's major funds, as opposed to the District as a whole as presented in the government-wide financial statements. The District's major funds are the general fund, food service fund, debt service fund, and capital projects fund. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District and how the sales revenues covered the expenses of the goods or services. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.

The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

Notes to the basic financial statements. The notes provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

Other information. The combining and individual fund statements contain even more information about the District's individual funds. The section labeled compliance schedules contains data used by monitoring or regulatory agencies, such as TEA, for assurance that the District is using funds supplied in compliance with the terms of grants.

The combining and individual fund statements referred to earlier are presented immediately following the general fund and food service fund budgetary comparison.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities by $47,747,034 as of August 31, 2015. This is an increase of $23,820,347 over the prior year's adjusted net position ($23,926,687), indicating an overall positive position for the District.

A portion of the District's net position represents resources subject to external restrictions on how they may be used. As of August 31, 2015, the District's restricted net position for food service was $5,434,057 and restricted net position for future debt service payments was $10,505,814. Unrestricted net position can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements. As of August 31, 2015, the District's unrestricted net position was a deficit of $482,474. This decrease of $25,914,187 is due to the implementation of GASB No. 68 – *Accounting and Financial Reporting for Pensions- an Amendment to GASB Statement No. 27*, which resulted in a $53,944,079 reduction to beginning net position.

Net investment in capital assets was $32,289,637. The District uses capital assets to provide services; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following table presents a summary of the District's net position for the fiscal years ended August 31, 2015 and 2014.

Table I
Statement of Net Position
Governmental
Activities

	2015	2014	Difference
Current and other assets	$ 164,334,541	$ 169,642,792	$ (5,308,251)
Capital assets (net)	511,355,007	520,512,087	(9,157,080)
Total assets	675,689,548	690,154,879	(14,465,331)
Deferred outflows	32,913,205	13,909,659	19,003,546
Current liabilities	42,769,128	50,961,588	(8,192,460)
Long-term liabilities	603,522,079	575,232,184	28,289,895
Total liabilities	646,291,207	626,193,772	20,097,435
Deferred inflows	14,564,512	-	14,564,512
Net investment in capital assets	32,289,637	34,787,416	(2,497,779)
Restricted	15,939,871	17,651,637	(1,711,766)
Unrestricted	(482,474)	25,431,713	(25,914,187)
Total net position, as restated	$ 47,747,034	$ 77,870,766	$ (30,123,732)

The following are significant current-year transactions that have had an impact on the statement of net position:

- Current and other assets decreased by $5.3 million, or 3.1%, due to an increase in construction expenditures. The bond investment pools decreased by $9,359,027 during the 2015 fiscal year.
- Deferred outflows increased by $19,003,546, or 137%, due to a change in the deferred charges on refunding of $8,076,752 and the implementation of GASB No. 68, which resulted in recording a deferred outflow of resources of $10,926,794.
- Deferred inflows of resources were also impacted by GASB No. 68, resulting in an increase of $14,564,512.

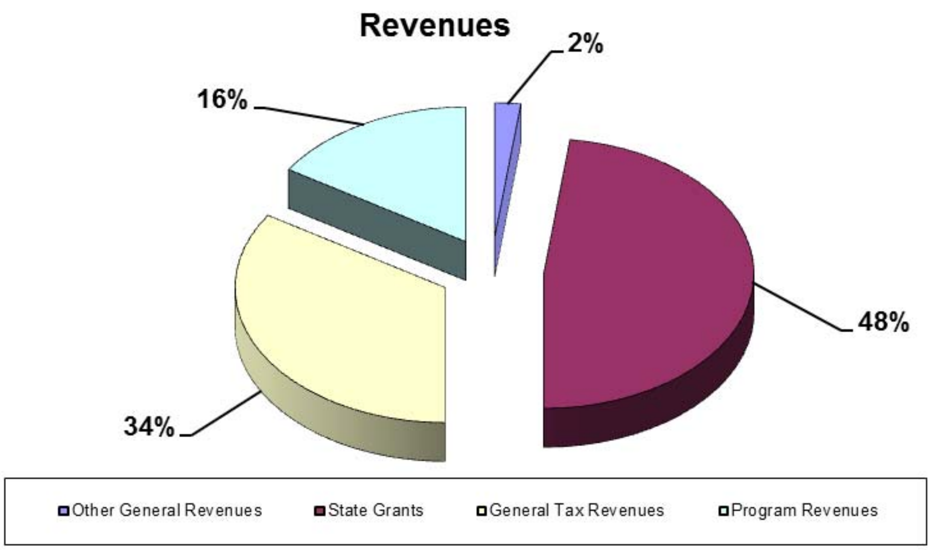
The District's total revenues for the fiscal year ended August 31, 2015 were $392,549,985. The total cost of all programs and services was $368,729,638. The following table presents a summary of the changes in net position for the fiscal years ended August 31, 2015 and 2014.

Table II
Change in Net Position
Governmental
Activities

	2015	2014	Difference
Revenues:			
Program revenues:			
Charges for services	$ 5,673,148	$ 5,362,989	$ 310,159
Operating grants and contributions	57,542,541	51,231,188	6,311,353
General revenues:			
Maintenance and operations taxes	96,135,459	91,269,145	4,866,314
Debt service taxes	36,447,373	37,578,332	(1,130,959)
State grants	187,211,926	184,171,041	3,040,885
Investment earnings	285,316	254,184	31,132
Miscellaneous	6,489,584	2,693,365	3,796,219
Extraordinary item	2,764,638	-	2,764,638
Total revenue	392,549,985	372,560,244	19,989,741
Expenses:			
Instruction, curriculum, and media services	226,432,736	224,186,434	2,246,302
Instructional and school leadership	24,979,259	25,039,185	(59,926)
Student support services, child nutrition and co-curricular activities	51,845,092	50,664,227	1,180,865
General administration	7,122,438	8,104,538	(982,100)
Plant maintenance, security, and data processing	29,352,608	29,355,990	(3,382)
Community services	1,724,124	1,818,555	(94,431)
Interest and fiscal charges	20,023,429	26,343,364	(6,319,935)
Other facility costs	71,682	10,703	60,979
Intergovernmental charges	712,717	650,936	61,781
Payments to TIF	6,465,553	2,182,197	4,283,356
Total expenses	368,729,638	368,356,129	373,509
Change in net position	23,820,347	4,204,115	19,616,232
Beginning net position, as restated	23,926,687	73,666,651	(49,739,964)
Ending net position	$ 47,747,034	$ 77,870,766	$ (30,123,732)

Net position of the District's governmental activities increased from $23,926,687 to $47,747,034, or $23,820,347.

The District's reliance upon tax revenues is demonstrated by the graph below, which indicates that 35% of total revenues for governmental activities come from local taxes.



The District's total revenue this year were $392,549,985, up $19,989,741 from the prior year. The increase can be attributed to the additional Tax Increment Financing (TIF) collections received during the year due to the increase in property values located in that zone, and the settlement received for the eminent domain lawsuit.

The cost of all governmental activities this year was $368,729,638. However, as shown in the statement of activities, the amount that our taxpayers ultimately financed for these activities through district taxes was $108,713,989 because some of the costs were paid by those who directly benefited from the programs ($5,673,148), by other governments and organizations that subsidized certain programs with grants and contributions ($57,542,541), or by state aid ($187,211,926), investment income ($285,316), and other miscellaneous or extraordinary income ($9,254,222).

The following table presents the total cost of the District's major functional activities and the net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs):

	Total Expenses	Net Expenses
Instruction, curriculum, and media services	$ 226,432,736	$ 200,156,113
Instructional and school leadership	24,979,259	24,029,401
Student support services, child nutrition and co-curricular activities	51,845,092	25,165,782
General administration	7,122,438	6,978,093
Plant maintenance, security, and data processing	29,424,290	21,829,902
Community services	1,724,124	300,168
Interest and fiscal charges	20,023,429	20,023,429
Intergovernmental charges	712,717	698,100
Payments to TIF	6,465,553	6,332,961
Total expenses	$ 368,729,638	$ 305,513,949

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds reported a combined fund balance of $140,840,192, which is an increase of $3,311,478 from the prior year.

The schedule below indicates the fund balance by fund type as of August 31, 2015 and August 31, 2014.

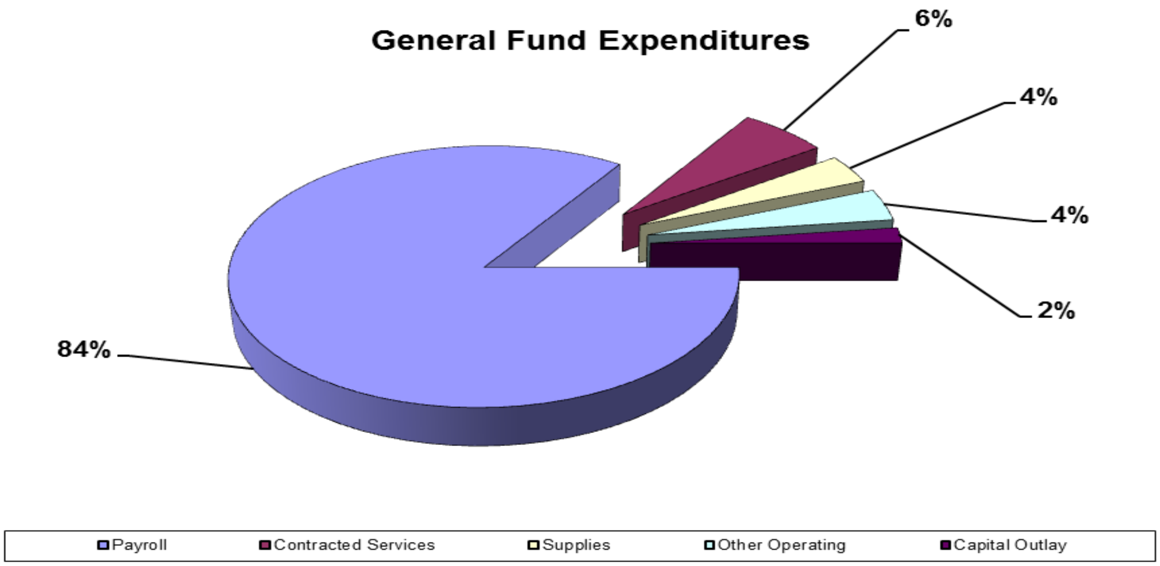
	Fund Balance August 31, 2015	Fund Balance August 31, 2014	Change in Fund Balance
General Fund	$ 107,569,658	$ 98,518,503	$ 9,051,155
Food Service	5,434,057	5,840,117	(406,060)
Debt Service	14,470,943	15,495,011	(1,024,068)
Capital Projects	13,365,534	17,675,083	(4,309,549)
Total	$ 140,840,192	$ 137,528,714	$ 3,311,478

General Fund

The fund balance of the General Fund increased $9,051,155 from the prior year. The District's original budget plan was to decrease fund balance $995,914. The following factors contributed to the $10,047,069 million difference:

- A net decrease of $2,228,442 in payroll costs due to attrition and decreased student enrollment.
- An additional $1,273,577 was received from the District's participation in the School Health and Related Services (SHARS) program, from the final settle-up from 2013 SHARS cost report.
- $2,749,165 increase in intermediate revenue, due to an increase in Tax Increment Financing rebates received from the City of Irving.
- An increase in Other Financing Sources of $3,350,000, for the eminent domain lawsuit settlement.

The District is a service entity; therefore, the largest portions of the General Fund expenditures are related to payroll and contracted services such as utilities, as illustrated below.



Food Service Fund

The fund balance of the Food Service Fund decreased $406,060 from the prior year. During the year, $3,462,267 in construction related projects were funded by the Food Service Fund. These additional expenditures were offset by higher than anticipated local (vending) and federal (lunch and summer feeding programs) revenue.

Debt Service Fund

The Debt Service fund balance decreased $1,024,068. The original budget for the Debt Service Fund anticipated a $952,257 decrease in the fund balance. However, $1,557,164 of Interest & Sinking tax collections were contributed to the TIF zone, which was $99,239 more than originally planned for the fiscal year.

Capital Projects Fund

The Capital Projects fund balance decreased $4,309,549 from the prior year due to the use of funds spent during the year for the completion of construction projects. Although these and other capital expenditures reduce available fund balances as projects are completed, they create new assets for the District as reported in the statement of net position and as discussed in Note 5 in the financial statements.

BUDGETARY HIGHLIGHTS

Over the course of the year, budget amendments are necessary to realign funds, which will increase and/or decrease various function levels and object series within the budget. All necessary budget amendments, which change the function level for appropriations and object series for revenues, are formally approved by the School Board and recorded in the board minutes each month.

The difference between the original budget and the final amended budget were necessary amendments for changes in situations and estimates. Expenditures had budget amendments increasing the appropriation budget by $19,858,955. Revenues had budget amendment increases of $6,503,527. Other Financing Sources had budget amendment increases of $3,370,108. The major components of these changes are reflected on Exhibit G-1 and the key factors for the changes can be summarized as follows:

- $17,082,195 supplemental appropriation to capital projects (Facilities) for the following projects: Athletic Turf Replacement, Fine Arts, Locker Room, Outdoor Learning Center, Roof Repairs and Administration Building Renovation.
- $3,665,554 supplemental appropriation to offset the increase in property values located in the Tax Increment Financing (TIF) zone, which is submitted to the City of Irving.

These increases are possible because of additional revenues generated from:

- $3,665,554 (local revenues) increase in TIF zone tax collections and a $2,746,165 increase in revenue received from the City of Irving for the District's portion of the TIF collections: TIF tax collections are collected by the District, and remitted to the City of Irving. The city reimburses the District 75% of the revenue collected.
- $3,350,000 (other sources) was received by the District from the eminent domain settlement with the Texas Department of Transportation.

The remaining balance is a planned use of the District's fund balance for onetime construction projects.

Additional amendments to the budget can be summarized as follows:

- $1,728,588 decrease in local tax revenue is due to the increase in tax collections contributed in property in the TIF Zone.
- $1,350,000 increase in School Health and Related Services (SHARS) federal program revenues due to the final settlement of the 2013 reimbursements.
- $850,000 decrease in contracted pupil transportation due to a change in the program for the District's homeless students.
- $3,390,418 decrease in payroll costs due to staff attrition and the decrease in student enrollment.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of August 31, 2015, the District had invested $511,355,007 in capital assets, net of accumulated depreciation of $359,573,807, including land and improvements, facilities, and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net decrease in capitalized cost of ($9,157,080) from last year. The decrease is due to reduction of spending on capital assets, offset by the current year's depreciation. The total depreciation expense for the year was $23,245,112. The following schedule presents capital asset balances net of depreciation for the fiscal year ended August 31, 2015:

Land and Improvements	$	28,520,545
Furniture and Equipment		16,985,672
Buildings and Improvements		456,445,895
Construction in Progress		9,402,895
Total	$	511,355,007

More detailed information about the District's capital assets is presented in Note 5 in the financial statements.

Debt

As of August 31, 2015, the District had $555,783,299 in general obligation bonds payable, with $20,191,698 due within one year. The District continues to have favorable general obligation bond ratings indicated by Aa2 and AA+ rating from Moody's Investors Service and Standard & Poor's Ratings Group, respectively.

Additional information on the District's long-term debt can be found in Note 8 in the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when preparing the 2015-2016 budget and setting the 2015 tax rates. For the fourth year, property values increased. The certified tax roll reflected values of $10,783,826,362, which is a 7.7% increase in value compared to last year.

With 63% of the District's tax base in commercial and business personal property, this was the fourth year that the District experienced a significant increase (8.1%) in its values. The residential property for the 2015 tax year incurred a 7.1% increase in value.

The Board approved a total tax rate of $1.445 for the 2015 tax year. While the Maintenance and Operations tax rate remained the same, the Interest and Sinking tax rate increased 1 penny from $.395 to $.405. The increase in property values, along with the increase in the Interest and Sinking tax rate, will generate an additional $7.1 million and $3.7 million in revenue for the General and Debt Service funds respectively. However, for the amount deposited in the Debt

Service fund, $2.2 million will be for TIF collections and will be transferred to the General Fund to be paid to the City of Irving.

As of August 31, 2015, the fund balance for the general fund totaled $107,569,658. During the current fiscal year, the unassigned fund balance decreased by $1,747,118, to $89,501,266. A total of $18,068,392 of the fund balance has been designated as non-spendable or assigned and is therefore not available for any other public purpose. On-going construction projects increased the assigned fund balance by $11,050,414. While many of these projects will be paid out of TIF proceeds, they could constitute a temporary use of the fund balance reserves while waiting for future years' TIF collections. The TIF will end in the 2018-2019 fiscal year.

State Foundation and Available School Fund revenue for the 2015-2016 budget is estimated $2,912,874 less than the previous year. The primary reasons for this revenue decrease are declining student enrollment, the increase in the district's local share from property value increases from the prior year, and the loss of the state's one-time contribution to offset the 1.5% increase in the TRS employer contribution under SB1458. The district will have less total state funds in the 2016-2017 fiscal year due to the current year's increase in property value since there is no increase in other state funding elements under HB1 for the second year of the biennium. A loss of $5.9 in state revenue is projected for the 2016-2017 budget, assuming no changes in student enrollment.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Questions concerning any of the information provided in this report, or requests for additional information, should be addressed to the Director of Business Operations, Irving Independent School District, P.O. Box 152637, Irving, Texas, 75015-2637.

BASIC FINANCIAL STATEMENTS

IRVING

Independent School District

GOVERNMENT-WIDE
FINANCIAL STATEMENTS

IRVING

Independent School District

IRVING INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2015

EXHIBIT A-1

DATA CONTROL CODES		GOVERNMENTAL ACTIVITIES
	ASSETS	
1110	Cash and Cash Equivalents	$ 130,258,338
1120	Investments	22,982,926
1220	Delinquent Taxes Receivable - Net of Estimated Uncollectible Taxes	3,277,693
1240	Due from Other Governments	2,616,557
1250	Accrued Interest	23,753
1290	Other Receivables	3,640,403
1310	Inventories	1,365,879
1490	Other Assets	168,992
1510	Land	20,085,090
1515	Land Improvements	19,943,000
1520	Buildings and Improvements	690,422,094
1530	Furniture and Equipment	131,075,735
1580	Construction in Progress	9,402,895
1570	Accumulated Depreciation	(359,573,807)
1000	TOTAL ASSETS	675,689,548
	DEFERRED OUTFLOWS OF RESOURCES	
1701	Deferred charges on refunding	21,986,411
1705	Deferred outflows of resources - pension	10,926,794
1700	TOTAL DEFERRED OUTFLOWS OF RESOURCES	32,913,205
	LIABILITIES	
2110	Accounts Payable and Claims Liabilities	6,795,827
2150	Payroll Deductions and Withholdings	2,295,956
2160	Accrued Wages Payable	7,155,095
2140	Interest Payable	4,877,570
2180	Due to Other Governments	580,711
2300	Unearned Revenue	298,718
	Due Within One Year:	
2121	Bonds Payable	20,191,698
2123	Claims Payable	573,553
	Noncurrent Liabilities:	
	Due in More than One Year:	
2800	Claims Payable	314,429
2510	Bonds Payable	555,596,106
2540	Net Pension Liability	47,611,544
2000	TOTAL LIABILITIES	646,291,207
	DEFERRED INFLOWS OF RESOURCES	
2605	Deferred inflows of resources - pension	14,564,512
2600	TOTAL DEFERRED INFLOWS OF RESOURCES	14,564,512
	NET POSITION	
3800	Net Investment in Capital Assets	32,289,637
3840	Restricted for Federal and State Programs	5,434,057
3850	Restricted for Debt Service	10,505,814
3900	Unrestricted	(482,474)
3000	TOTAL NET POSITION	$ 47,747,034

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

IRVING INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2015

EXHIBIT B-1

Data Control Codes	Functions/Programs	1 Expenses	2 Program Revenues: Charges for Services	3 Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Total Governmental Activities
	Governmental Activities:				
11	Instruction	$ 211,808,998	$ 360,438	$ 21,719,753	$ (189,728,807)
12	Instructional Resources and Media Services	5,488,376	-	94,432	(5,393,944)
13	Curriculum Development and Instructional Staff Development	9,135,362	-	4,102,000	(5,033,362)
21	Instructional Leadership	4,577,973	-	546,407	(4,031,566)
23	School Leadership	20,401,286	-	403,451	(19,997,835)
31	Guidance, Counseling, and Evaluation Services	15,721,776	-	1,271,040	(14,450,736)
32	Social Work Services	1,576,516	-	85,239	(1,491,277)
33	Health Services	3,001,895	-	161,638	(2,840,257)
34	Student (Pupil) Transportation	5,267,894	-	754,753	(4,513,141)
35	Food Services	19,738,827	3,110,102	19,368,208	2,739,483
36	Co-Curricular/Extracurricular Activities	6,538,184	1,814,044	114,286	(4,609,854)
41	General Administration	7,122,438	-	144,345	(6,978,093)
51	Plant Maintenance and Operations	22,191,155	388,564	442,083	(21,360,508)
52	Security and Monitoring Services	3,130,271	-	65,235	(3,065,036)
53	Data Processing Services	4,031,182	-	130,181	(3,901,001)
61	Community Services	1,724,124	-	1,423,956	(300,168)
71	Debt Service - Interest and Fiscal Charges	20,023,429	-	-	(20,023,429)
81	Other Facility Costs	71,682	-	6,568,325	6,496,643
95	Payments to Juvenile Justice Alternative Education Program	173,772	-	3,565	(170,207)
97	Payments to TIF	6,465,553	-	132,592	(6,332,961)
99	Other Intergovernmental Charges	538,945	-	11,052	(527,893)
	Total Governmental Activities	$ 368,729,638	$ 5,673,148	$ 57,542,541	$ (305,513,949)

Data Control Codes	General Revenues:	
	Taxes:	
MT	M & O Property Taxes	$ 96,135,459
DT	Debt Service Property Taxes	36,447,373
SF	State Aid - Not Restricted to Specific Programs	187,211,926
IE	Investment Income	285,316
MI	Miscellaneous	6,489,584
TG	Total General Revenues	326,569,658
E1	Extraordinary Item- Eminent Domain Transaction	2,764,638
CN	Change in Net Position	23,820,347
NB	Net Position - Beginning	77,870,766
PA	Cumulative Adjustment from Change in Accounting Principle	(53,944,079)
NE	Net Position - Ending	$ 47,747,034

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

FUND FINANCIAL STATEMENTS

IRVING INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2015

DATA CONTROL CODES		MAJOR GENERAL	MAJOR FOOD SERVICE
	ASSETS		
	Current Assets:		
1110	Cash and Cash Equivalents	$ 92,702,891	$ 6,484,782
1120	Investments	22,982,926	-
	Receivables:		
1220	Property Taxes - Delinquent	4,275,114	-
1230	Allowance for Uncollectible Taxes	(1,909,862)	-
1240	Due from Other Governments	-	611,793
1250	Accrued Interest	23,753	-
1260	Due from Other Funds	1,890,382	-
1290	Other Receivables	3,640,403	-
1310	Inventories, at cost	807,882	268,747
1410	Prepaid Items	168,992	-
1000	TOTAL ASSETS	$ 124,582,481	$ 7,365,322
	LIABILITIES		
	Current Liabilities:		
2110	Accounts Payable	$ 4,530,627	$ 1,931,265
2150	Payroll Deductions and Withholdings	2,295,956	-
2160	Accrued Wages Payable	7,155,095	-
2170	Due to Other Funds	66,337	-
2180	Due to Other Governments	492,265	-
2300	Unearned Revenue	107,291	-
2000	TOTAL LIABILITIES	14,647,571	1,931,265
	DEFERRED INFLOWS OF RESOURCES		
2600	Unavailable Revenue	2,365,252	-
2600	TOTAL DEFERRED INFLOWS OF RESOURCES	2,365,252	-
	FUND BALANCES		
	Nonspendable		
3410	Inventory	807,882	268,747
3430	Prepaid Items	168,992	-
	Restricted		
3450	Food Service	-	5,165,310
3470	Capital Acquisition and Contractual Obligation	-	-
3480	Retirement of Long-Term Debt	-	-
	Assigned		
3590	Campus Activity Funds	2,595,661	-
3590	TIF	2,283,842	-
3590	Construction Projects	11,050,414	-
3590	Other	1,161,601	-
3600	Unassigned	89,501,266	-
3000	TOTAL FUND BALANCE	107,569,658	5,434,057
4000	TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	$ 124,582,481	$ 7,365,322

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

EXHIBIT C-1

MAJOR		NONMAJOR	TOTALS
DEBT SERVICE	CAPITAL PROJECTS	OTHER FUNDS	GOVERNMENTAL FUNDS
$ 14,495,537	$ 13,476,732	$ 218,768	$ 127,378,710
-	-	-	22,982,926
1,519,801	-	-	5,794,915
(607,360)	-	-	(2,517,222)
-	-	2,004,764	2,616,557
-	-	-	23,753
66,337	-	-	1,956,719
-	-	-	3,640,403
-	-	-	1,076,629
-	-	-	168,992
$ 15,474,315	$ 13,476,732	$ 2,223,532	$ 163,122,382
$ 2,485	$ 111,198	$ 141,723	$ 6,717,298
-	-	-	2,295,956
-	-	-	7,155,095
-	-	1,890,382	1,956,719
88,446	-	-	580,711
-	-	191,427	298,718
90,931	111,198	2,223,532	19,004,497
912,441	-	-	3,277,693
912,441	-	-	3,277,693
-	-	-	1,076,629
-	-	-	168,992
-	-	-	5,165,310
-	13,365,534	-	13,365,534
14,470,943	-	-	14,470,943
-	-	-	2,595,661
-	-	-	2,283,842
-	-	-	11,050,414
-	-	-	1,161,601
-	-	-	89,501,266
14,470,943	13,365,534	-	140,840,192
$ 15,474,315	$ 13,476,732	$ 2,223,532	$ 163,122,382

Irving

Independent School District

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
AUGUST 31, 2015

Total Fund Balances - Governmental Funds		$ 140,840,192
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is $870,928,814 and the accumulated depreciation is $359,573,807.		511,355,007
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.		3,277,693
Internal Service Funds are used by the district's management to charge the cost of health insurance, workers compensation, unemployment, and benefits administration to the funds. The assets and liabilities of the Internal Service Funds are included with governmental activities.		2,202,367
The deferred loss on refundings is not a current period transaction and therefore is not reported in the funds. The deferred loss on refundings is included in the deferred outflows of resources with governmental activities.		21,986,411
Included in the items related to debt is the recognition of the District's proportionate share of the TRS net pension liability ($47,611,544) and a deferred inflow of resources ($14,564,512), and a deferred outflow of resources ($10,926,794). The result is a decrease in net position.		(51,249,262)
Bonds payable are not due and payable in the current period and therefore are not reported as liabilities in the funds. Bonds payable and related accounts at year-end consist of:		
Bonds Payable	$ (555,783,299)	
Premium/Discount on Bonds Payable	(20,004,505)	
Interest Payable	(4,877,570)	(580,665,374)
Net Position - Governmental Activities		$ 47,747,034

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

IRVING INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
AUGUST 31, 2015

DATA CONTROL CODES		MAJOR	
		GENERAL	FOOD SERVICE
	REVENUES		
5700	Local and Intermediate Sources	$ 111,758,252	$ 3,112,454
5800	State Program Revenues	177,008,374	119,678
5900	Federal Program Revenues	4,935,486	19,241,145
5020	TOTAL REVENUES	293,702,112	22,473,277
	EXPENDITURES		
	Current:		
0011	Instruction	177,391,782	-
0012	Instructional Resources and Media Services	4,604,704	-
0013	Curriculum Development and Instructional Staff Development	5,187,380	-
0021	Instructional Leadership	4,051,194	-
0023	School Leadership	19,643,303	-
0031	Guidance, Counseling, and Evaluation Services	14,215,516	-
0032	Social Work Services	1,537,760	-
0033	Health Services	2,787,156	-
0034	Student (Pupil) Transportation	4,579,893	-
0035	Food Services	359,992	21,081,990
0036	Co-Curricular/Extracurricular Activities	5,572,816	504,468
0041	General Administration	7,038,599	-
0051	Plant Maintenance and Operations	21,557,138	585,223
0052	Security and Monitoring Services	3,181,074	-
0053	Data Processing Services	3,846,819	-
0061	Community Services	359,325	-
	Debt Service:		
0071	Principal on Long-Term Debt	-	-
0072	Interest and Charges on Long-Term Debt	-	-
0073	Bond Issuance Costs and Fees	-	-
0081	Facilities Acquisition and Construction	5,011,435	707,656
0095	Payments to Juvenile Justice Alternative Education Program	173,772	-
0097	Payments to TIF	6,465,553	-
0099	Intergovernmental Charges	538,945	-
6030	TOTAL EXPENDITURES	288,104,156	22,879,337
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	5,597,956	(406,060)
	OTHER FINANCING SOURCES		
7901	Issuance of Refunding Bonds	-	-
7912	Proceeds from Sale of Capital Assets	668,453	-
7916	Premium on Issuance of Debt	-	-
7919	Insurance Recoveries	20,108	-
8940	Payment to Refunded Bond Escrow Agent	-	-
7080	TOTAL OTHER FINANCING SOURCES	688,561	-
7918	Extraordinary Item- Eminent Domain Transaction	2,764,638	-
1200	Net Change in Fund Balances	9,051,155	(406,060)
0100	Fund Balance - September 1 (Beginning)	98,518,503	5,840,117
3000	Fund Balance - August 31 (Ending)	$ 107,569,658	$ 5,434,057

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

MAJOR		NONMAJOR	TOTALS
DEBT SERVICE	CAPITAL PROJECTS	OTHER FUNDS	GOVERNMENTAL FUNDS
$ 36,478,013	$ 20,001	$ 519,512	$151,888,232
10,203,552	-	5,767,381	193,098,985
-	729,102	19,520,964	44,426,697
46,681,565	749,103	25,807,857	389,413,914
-	3,179,852	18,081,891	198,653,525
-	383,971	-	4,988,675
-	-	3,995,618	9,182,998
-	69,439	463,328	4,583,961
-	14,237	616	19,658,156
-	-	979,514	15,195,030
-	-	53,703	1,591,463
-	-	104,479	2,891,635
-	-	660,830	5,240,723
-	-	-	21,441,982
-	247,604	-	6,324,888
-	-	-	7,038,599
-	24,400	-	22,166,761
-	10,976	-	3,192,050
-	167,835	51,291	4,065,945
-	-	1,416,587	1,775,912
22,133,623	-	-	22,133,623
24,989,938	-	-	24,989,938
1,147,082	-	-	1,147,082
-	960,338	-	6,679,429
-	-	-	173,772
-	-	-	6,465,553
-	-	-	538,945
48,270,643	5,058,652	25,807,857	390,120,645
(1,589,078)	(4,309,549)	-	(706,731)
60,010,000	-	-	60,010,000
-	-	-	668,453
8,319,033	-	-	8,319,033
-	-	-	20,108
(67,764,023)	-	-	(67,764,023)
565,010	-	-	1,253,571
-	-	-	2,764,638
(1,024,068)	(4,309,549)	-	3,311,478
15,495,011	17,675,083	-	137,528,714
$ 14,470,943	$ 13,365,534	$ -	$ 140,840,192

IRVING INDEPENDENT SCHOOL DISTRICT EXHIBIT C-3
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, 2015

Total Net Change in Fund Balances - Governmental Funds			$ 3,311,478
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation ($23,245,112) exceeded capital outlay ($14,128,220) in the current period.			(9,116,892)
The disposal of capital assets is not recognized in the governmental funds.			(40,188)
Because some property taxes will not be collected for several months after the district's fiscal year ends, they are not considered "available" revenues and are deferred inflows in the governmental funds. Unavailable revenue, net of bad debt, decreased by this amount this year.			(244,783)
Internal Service Funds are used by the district's management to charge the cost of health insurance, workers compensation, unemployment, and benefits administration to the funds. The net revenue (expense) of the Internal Service Funds is reported with governmental activities.			(466,289)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.			22,133,623
Bond issuances and refundings and related costs are shown as "other sources" and "other uses" in the governmental funds, but are shown on the statement of net position with related costs amortized over the life of the bonds. Differences consist of the following:			
	Refunded Bonds	$ (60,010,000)	
	Payment to Escrow Agent	67,764,023	
	Discount/Premium on Bonds Issued	(8,319,033)	
	Amortization of Refunding Loss/Gain	326,931	
	Amortization of Bond Premium/Discount	2,878,393	2,640,314
The implementation of GASB 68 requires that certain expenditures be de-expended and recorded as deferred resource inflows. Contributions made after the measurement date caused the change in the ending net position to increase in the amount of $8,159,098. Contributions before the measurement date also caused an increase in the change in net position of $7,095,662. The net share of the District's amount of deferred inflows and outflows of resources decreased the change in net position by $12,559,945.			2,694,817
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. Differences consist of the following:			
	Change in Accrued Interest	$ (196,981)	
	Interest Accretion	(6,219,714)	
	Accretion Retirement	9,324,962	2,908,267
Change in Net Position - Governmental Activities			$ 23,820,347

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

IRVING INDEPENDENT SCHOOL DISTRICT **EXHIBIT D-1**
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2015

DATA CONTROL CODES		GOVERNMENTAL ACTIVITIES- INTERNAL SERVICE FUNDS
	ASSETS	
	Current Assets:	
1110	Cash and Temporary Investments	$ 2,879,628
1310	Inventories, at cost	289,250
1000	TOTAL ASSETS	3,168,878
	LIABILITIES	
	Current Liabilities:	
2110	Accounts Payable	78,529
2800	Claims Due Within One Year	573,553
	Total Current Liabilities	652,082
	Noncurrent Liabilities:	
	Due to Other Funds	
	Claims Due in More than One Year	314,429
	Total Long-Term Liabilities	314,429
2000	TOTAL LIABILITIES	966,511
	NET POSITION	
3900	Unrestricted Net Position	2,202,367
3000	TOTAL NET POSITION	$ 2,202,367

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

IRVING INDEPENDENT SCHOOL DISTRICT **EXHIBIT D-2**
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2015

DATA CONTROL CODES			GOVERNMENTAL ACTIVITIES- INTERNAL SERVICE FUNDS
	OPERATING REVENUES		
5700	Charges for Services	$	1,406,593
5020	Total Operating Revenues		1,406,593
	OPERATING EXPENSES		
6100	Payroll Costs		349,022
6200	Professional/Contracted Services		107,843
6300	Supplies and Materials		274,875
6400	Claims, Administration, and Other Expenses		1,142,278
6030	Total Operating Expenses		1,874,018
	OPERATING INCOME		(467,425)
	NONOPERATING REVENUES		
7955	Interest Income		1,136
	CHANGE IN NET POSITION		(466,289)
0100	Total Net Position - September 1 (Beginning)		2,668,656
3000	Total Net Position - August 31 (Ending)	$	2,202,367

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

IRVING INDEPENDENT SCHOOL DISTRICT **EXHIBIT D-3**
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2015

		GOVERNMENTAL ACTIVITIES- INTERNAL SERVICE FUNDS
Cash Flows from Operating Activities:		
Cash Received for Premiums and Services	$	1,395,116
Cash Paid to Employees		(349,022)
Cash Paid for Claims and Administration, and Other Costs		(1,692,568)
Net Cash Used In Operating Activities	$	(646,474)
Cash Flows from Investing Activities:		
Interest Received	$	1,136
Net Cash Provided by Investing Activities		1,136
Net Decrease in Cash and Cash Equivalents		(645,338)
Cash and Cash Equivalents at Beginning of the Year		3,524,966
Cash and Cash Equivalents at End of the Year	$	2,879,628
Reconciliation of Operating Income to Net Cash Used In Operating Activities		
Operating Loss	$	(467,425)
Adjustments to Reconcile Operating Income to Net Cash Used In Operating Activities		
Change in Current Assets and Liabilities:		
Decrease in Inventories		19,598
Decrease in Accounts Payable and Claims Liability		(21,847)
Decrease in Long-term Claims Reserve		(176,800)
		(179,049)
NET CASH USED IN OPERATING ACTIVITIES	$	(646,474)

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

IRVING INDEPENDENT SCHOOL DISTRICT **EXHIBIT E-1**
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AUGUST 31, 2015

		AGENCY FUNDS
ASSETS		
Cash and Temporary Investments	$	706,736
TOTAL ASSETS	$	706,736
LIABILITIES		
Accounts Payable	$	266,147
Due to Student Groups		440,589
TOTAL LIABILITIES	$	706,736

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Irving Independent School District's (the District) basic financial statements have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units in conjunction with the Texas Education Agency's (TEA) Financial Accountability System Resource Guide (FASRG). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A. REPORTING ENTITY

The Board of Trustees, a seven-member group, has financial accountability for all activities related to public elementary and secondary education within the jurisdiction of the District. Since members of the board are elected by the public, they have the authority to make decisions and to appoint administrators and managers.

In evaluating how to define the government for financial reporting purposes, the District’s management has considered all potential component units. By applying the criteria set forth in generally accepted accounting principles, the District has determined that no other organizations require inclusion in its reporting entity.

The District receives funding from local, state and federal government sources and is required to comply with the requirements of these funding entities.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all non-fiduciary activities of the primary government. As a general rule, the effect of interfund activity has been eliminated from these statements. An exception to this general rule would be amounts that are reasonably equivalent in value to the interfund services provided. The *governmental activities* are supported by tax revenues and intergovernmental revenues. The District has no *business-type activities* that rely, to a significant extent, on fees and charges for support.

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

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

B. GOVERNMENT-WIDE AND FUND ACCOUNTING STATEMENTS – CONTINUED

The District reports the following Major Funds:

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

Food Service Fund - This fund is established to account for Food Service Program transactions. The District's Food Service Fund is considered a special revenue fund since it meets the following criteria: (1) User fees are charged to supplement the National School Lunch Program (NSLP), (2) The General Fund subsidizes the Food Service Program for all expenditures in excess of NSLP, and (3) The District does not consider the Food Service Program completely self-supporting. Food Service fund balances are used exclusively for child nutrition program purposes.

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

Capital Projects Fund - This governmental fund is established to account for proceeds, on the modified accrual basis, from the sale of bonds and other resources to be used for Board authorized acquisition, construction or renovation, and furnishing and equipping of major capital facilities. Upon completion of a project, any unused bond proceeds are transferred to the Debt Service Fund and are used to retire related bond principal.

The District reports the following Proprietary Funds:

Internal Service Funds - The District utilizes Internal Service Funds to account for its workers' compensation, unemployment insurance, science kit refurbishment and district-wide print shop. The General Fund is contingently liable for liabilities of these funds. Sub-fund accounting is employed to maintain the integrity of these activities of the District. See Note 1 (O), (P), and (Q) for additional discussion of the District's self-insurance plans.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's internal service funds are charges to other funds for services. Operating expenses for internal service funds include the cost of providing the services, and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

B. GOVERNMENT-WIDE AND FUND ACCOUNTING STATEMENTS – CONTINUED

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

C. BASIS OF ACCOUNTING/MEASUREMENT FOCUS

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State of Texas are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Grant funds are considered earned to the extent of the expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until the related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount. In accordance with the Financial Accountability System Resource Guide (FASRG), the District has adopted and installed an accounting system that exceeds the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure presented in the Accounting Code Section of the FASRG. Mandatory codes are utilized in the form provided in that section.

D. BUDGETARY DATA

Formal budgetary accounting is employed for the General, Food Service, and Debt Service Funds, as required in TEA's FASRG. The budget is prepared and controlled at the fund and function level (See Note 1 in the Notes to Required Supplementary Information). The official school budget is prepared for adoption for required Governmental Funds prior to August 20 of the preceding fiscal year for the subsequent fiscal year beginning September 1. The Board of Trustees formally adopts the budget at a public meeting held at least ten days after public notice has been given.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, Food Service Special Revenue Fund and Debt Service Fund. 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 generally accepted accounting principles. The budget was properly amended throughout the year by the Board of Trustees. Such amendments are before the fact and are reflected in the official minutes of the Board.

E. ENCUMBRANCE ACCOUNTING

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment of Board appropriations related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent an expenditure for the period, only a commitment to expend resources. Appropriations lapse at August 31 and encumbrances outstanding at that time are either canceled or provided for in the subsequent year's budget. Outstanding encumbrances at August 31, 2015 that were subsequently provided for in the 2015-2016 budget totaled $1,161,601 for the General Fund, $248,670 for the Food Service Fund, $677,987 for the Capital Projects Fund, and $529,878 for the Nonmajor Funds.

F. DEPOSITS AND INVESTMENTS

Cash and Cash Equivalents - For purposes of the Statement of Cash Flows, the Internal Service Funds consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments - Other investments are recorded at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

G. DUE FROM (TO) OTHER FUNDS

Interfund receivables and payables arise from interfund transactions and are recorded in all affected funds in the period in which transactions are executed in the normal course of operations. See Note 10 for additional discussion of interfund receivables and payables.

H. INVENTORIES

The consumption method is used to account for inventories of food products, technology, school supplies and athletic equipment. Under this method, these items are carried in an inventory account of the respective fund at cost, using the first-in, first-out method of accounting and are subsequently charged to expenditures when consumed. The Food Service (Special Revenue Fund) commodity inventories received through the U.S. Department of Agriculture are recorded as inventory on the date received and recognized as revenue. In the governmental funds, inventories are reported as nonspendable fund balance.

I. PREPAID ITEMS

Prepaid items of $168,992 in the General Fund are purchases which benefit the next school year. The consumption method is used to account for these items paid in advance. In the governmental funds, they are reported as nonspendable fund balance.

J. CAPITAL ASSETS

Capital assets, which include land, buildings, furniture and equipment, and construction in progress, are reported in the governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as land, land improvements, buildings with an initial cost of any amount and furniture and equipment with an initial individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. When assets are retired, or otherwise disposed of, the related costs or other recorded amounts are removed. Land and construction in progress are not depreciated.

Buildings, land improvements, furniture and equipment are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Building and Improvements	40
Land Improvements	20
Portable Buildings	20
Food Service/Vocational/Athletic Equipment	15
Furniture, Fixtures and Equipment	10
Library Books/Musical Instruments	10
Vehicles	10
Technology/Maintenance Equipment	5
Software	3

K. LONG TERM DEBT

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Deferred losses on refundings are reported as deferred outflows of resources and are amortized over the shorter of the life of the old debt or the life of the new debt. Issuance costs are included in interest and fiscal charges.

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

L. FUND EQUITY

In fiscal year 2011, the District adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*. The objective of the statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing government fund type definitions. In the fund financial statements, the District classifies governmental fund balances as follows:

Nonspendable -- includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories and prepaid items.

Restricted -- includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts restricted due to contractual provisions or enabling legislation. This classification includes the child nutrition program, retirement of long term debt, construction programs and other federal and state grants.

Committed -- includes fund balance amounts that are constrained for specific purposes that are internally imposed by the District through formal action of the highest level of decision making authority. Committed fund balance is reported pursuant to resolution passed by the District's Board of Trustees.

Assigned -- includes fund balance amounts that are self-imposed by the District to be used for a particular purpose. Board Policy CE (Local) has authorized the Superintendent or Chief Financial Officer to assign fund balance. As of August 31, 2015, the District has assigned fund balance in the General Fund for the following purposes: 1) Campus Activity Funds – assigned to distinguish portion of fund balance allocated to activity funds, 2) TIF – assigned to identify the unexpended proceeds from the revenue generated from Tax Increment Financing (TIF) rebates, 3) Construction projects – assigned to planned capital projects not completed during the fiscal year, and 4) Other Assigned Fund Balance – assigned to outstanding encumbrances as of the fiscal year end.

L. FUND EQUITY – CONTINUED

Unassigned -- includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

When both restricted and unrestricted fund balances are available for use, it is the District's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts and then unassigned amounts.

It is the desire of the Board to attempt to maintain a fund balance in the general operating fund that is approximately 25 percent, or three months of general operating expenditures, excluding any nonspendable fund balance.

Net position on the Statement of Net Position includes the following:

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

Restricted for Food Service -- the component of net position that reports the difference between assets and liabilities with constraints placed on their use by the U.S. Department of Agriculture.

Restricted for Debt Service -- the component of net position that reports the difference between assets, liabilities, and deferred inflows/outflows of resources with constraints placed on their use by law.

Unrestricted -- the difference between the assets and liabilities that are not reported in net investment in capital assets and restricted net position.

M. VACATION AND SICK LEAVE

Vacations are to be taken within the same year they are earned, and any unused days at the end of the year are forfeited. Therefore, no liability has been accrued in the accompanying basic financial statements. Employees of the District are entitled to sick leave based on category/class of employment. Sick leave is allowed to be accumulated but does not vest, therefore, a liability for unused sick leave has not been recorded in the accompanying basic financial statements.

N. DATA CONTROL CODES

Data control codes refer to the account code structure prescribed by the Texas Education Agency's Financial Accountability System Resource Guide.

O. SELF-INSURED WORKERS' COMPENSATION

On September 1, 1992, the District established its self-funded Workers' Compensation program. The District currently maintains a self-insured retention of $600,000 per occurrence and purchases excess coverage to statutory limits from Safety National Casualty Company. Claims administration is currently provided by the third party administrator TRISTAR Risk Management Inc.

The total liabilities for the Workers' Compensation self-insurance fund of $892,239 include incurred but not reported claims in the amount of $887,982 (of which $573,553 is expected to be paid within one year,) and accounts payable of $4,257. The claims liability reported in the fund at August 31, 2015 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements, and the amount of loss can be reasonably estimated. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing the liability does not result necessarily in an exact amount. Lewis & Ellis, Inc. through its actuarial review of the Workers' Compensation self-insurance program, projected an estimated discounted liability of $887,982 as of August 31, 2015 for the ultimate loss reserve of the fund. The fund had net position at August 31, 2015 of $1,351,913.

Changes in the workers' compensation claims liability amounts in fiscal year 2015 and 2014 are presented below:

	Beginning of Fiscal-Year Liability	Current-Year Claims & Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2014 Workers' Compensation	$ 1,318,223	$ 844,852	$ 1,098,293	$ 1,064,782
2015 Workers' Compensation	$ 1,064,782	$ 712,592	$ 889,392	$ 887,982

P. SELF-INSURED UNEMPLOYMENT

The District through a reimbursement program provides unemployment insurance protection through the Texas Workforce Commission (TWC), should an employee experience a job loss through no fault of his own. As a reimbursing employer (IISD employees receive unemployment benefits directly from the Texas Workforce Commission), the District refunds unemployment benefit claims on a quarterly basis to TWC. Unemployment liabilities have been established at $13,328 for claims reported and not paid, and net position as of August 31, 2015 were $496,485.

Q. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The risk is minimized by the purchase of excess workers' compensation insurance, property and liability coverage, and a set-aside loss fund for damages under a particular deductible or for where no other protection exists. Insurance and coverage policies are purchased for the following exposure with the deductible/retention also indicated.
There have been no significant reductions in insurance coverage from coverage in the prior year for any category of risk.

There are no settlements in excess of the insurance coverage in any of the three prior fiscal years.

Insurance/Coverage	Deductible/ Retention	Per Occurrence Limit
Property	$100,000	$932,127,291 blanket RC
	$250,000 Wind/Hail	
Flood/Earthquake/Extra Exp.	$100,000	$10,000,000
EDP Equip/EE/Data & Media	$10,000	$4,293,427
Wind Turbines, Geothermal Systems	$10,000	$5,721,764
BI/EE	$10,000	$25,000
Other Equipment Breakdown	$10,000	$100,000,000
Crime	$10,000	$500,000
Valuable Papers	$100,000	$500,000
Liability (E & O)	$10,000	$2,000,000 PO/2,000,000 Agg.
Liability (General)	$10,000	$2,000,000
Employee Benefits	$10,000	$100,000
Liability (Fleet)	$5,000	$500,000 CSL
Comprehensive ACV	$1,000	
Collision ACV	$1,000	
Catastrophic PD	$10,000	$2,371,647
Workers' Compensation Excess	$600,000	Statutory

During fiscal 2012, the District executed a revised Interlocal agreement with the TASB Risk Management Fund (the Fund). In addition to coverage protection the Fund also provides its members with valuable loss control assistance to include inspections, webinars/seminars, and an annual two-day conference each spring. The District is expected to adhere to standards and best practices in the timely reporting of any claims or potential claims, in the implementation of prudent loss control measures, and address any deficiencies noted in a timely manner. Any subrogation cannot be waived without prior approval of the Fund. The District expects timely payment of any claims and the protection of tort immunity to be exercised as appropriate.

The Fund is to provide legal counsel when appropriate to defend a lawsuit against the District, and that the legal counsel arrangement is agreed to either work independently or collaboratively with the District's legal counsel in defense of legal actions. This Fund agreement can renew every year unless a 30-day notice is given to not renew by any party for any reason. If any breach of the agreement occurs, immediate termination of the agreement can go into effect as well.

R. PENSIONS

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

NOTE 2. DEPOSITS AND INVESTMENTS

Under Texas state law, a bank serving as the school depository must have a bond or, in lieu thereof, deposited or pledged securities with the District or an independent third party agent, in an amount equal to the highest daily balance of all deposits the District may have during the term of the depository contract, less any applicable FDIC insurance.

At August 31, 2015, the carrying amount of the District's cash, not including fiduciary funds, was $21,608. The bank balance was $105,940. During 2014-2015, the District's combined deposits were fully insured by federal depository insurance or collateralized with securities pledged to the District and held in the District's name by the District's agent. In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

1. Name of bank: <u>Comerica, Texas – Irving</u>.
2. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was $20,003,721.
3. Largest combined collected cash account balance required to be collateralized amounted to $14,558,782 and occurred on December 18, 2014.
4. Total amount of FDIC coverage at the time of the largest combined balance was $250,000.

State statutes and Board policy authorize the District to invest in: (1) obligations of the U.S. or its agencies and instrumentalities, (2) obligations of the State of Texas or its agencies, (3) other obligations guaranteed by the U.S. or the State of Texas or their agencies and instrumentalities, (4) obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent, (5) guaranteed or secured certificates of deposit issued by state or national banks domiciled in Texas, and (6) fully collateralized repurchase agreements. Temporary investments are reported at cost or fair market, and are secured, when necessary, by the Federal Deposit Insurance Corporation (FDIC) or obligations that comply with the Public Funds Collateral Act. 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 complied with the requirements of the PFIA and the District's investment policies. The investments owned at period-end are held by the District or its agent in the District's name (Category 1 securities). The District holds securities at fair value.

NOTE 2. DEPOSITS AND INVESTMENTS – CONTINUED

The cash and investments held at period-end are as follows:

	Fair Value	WAM
Cash and Imprest Funds	$ 21,608	1 Day
U.S. Agencies	22,982,926	1158 Days
Investments in TexPool	7,109,392	41 Days
Investments in TexSTAR	8,435,423	47 Days
Investments in Texas Class	77,876,593	54 Days
Investments in Lone Star	5,950,703	27 Days
Investments in LOGIC	31,571,355	38 Days
Total	$ 153,948,000	214 Days

TexPool, LOGIC, TexSTAR, Lone Star Investment Pool, and Texas CLASS are local government investment pools which operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. These types of local government investment pools use amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in these pools is the same as the value of the shares in each pool.

The Texas Local Government Investment Pool (TexPool), Local Government Investment Cooperative (LOGIC), Texas Short Term Asset Reserve Program (TexSTAR) and Lone Star Investment Pool are organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. LOGIC and TexSTAR are co-administered by JP Morgan Chase & Co. and First Southwest Asset Management under an agreement with their Boards of Directors.

The Texas Comptroller of Public Accounts is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company, which is authorized to operate TexPool. In addition, the TexPool Advisory Board advises on TexPool's Investment Policy. This Board is composed equally of participants in TexPool and other persons who do not have a business relationship with TexPool who are qualified to advise TexPool.

Lone Star Investment Pool is administered by First Public which is a wholly owned subsidiary of the Texas Association of School Boards (TASB). First Public is also a registered broker-dealer with the Securities and Exchange Commission. The Lone Star Investment Pool is overseen by a Board of Trustees comprised of pool participants.

Texas CLASS (Texas Cooperative Liquid Assets Security System) was organized in March 1996 under a trust agreement executed by and among Texas local governmental entities in accordance with the Public Funds Investment Act, and the Texas Government Code and remains in full compliance with Chapter 2256. The fund is administered by Public Trust Advisors, LLC and is rated AAAm by Standard & Poor's Rating Services.

NOTE 2. DEPOSITS AND INVESTMENTS – CONTINUED

Furthermore, Public Trust Advisors, LLC provides specialized investment opportunities and a broad range of services to state and local governments, academic institutions, and other public and private-sector investors.

The Government Accounting Standards Board issued Statement No. 40, Deposit and Investment Risk Disclosures to address common deposit and investment risk related to credit risk, custodial risk, concentration of credit risk, interest rate risk, and foreign currency risk. The District employs various strategies to address these risks.

Interest rate risk occurs whenever rising interest rates will cause a fixed income security to lose fair value. The District manages its exposure to interest rate fluctuations and interest rate risk through its investment policy, through diversity of issuer and maturity and by limiting final maturity of its investments for a maximum of five years, with most purchases between 1.5 and 3.5 years. The District's investment policy states under the diversity section that, "The investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity, or specific issuer." Therefore, it manages interest rate risk by laddering the portfolio so that agency positions are not concentrated in one time frame or in one issuer, thereby reducing the overall volatility of the portfolio.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law and the District's investment policy limits the District's investments to high quality rated instruments that have been evaluated by agencies such as Standard and Poor's or Moody's Investor Service. The District controls and monitors credit risk by purchasing only quality rated instruments or investing in local government investment pools that have been evaluated by Standard and Poor's, Fitch, or Moody's Investors Service and complies with the Public Funds Investment Act. The Public Funds Investment Act limits investments in commercial paper to A1P1 ratings issued by at least two of the nationally recognized statistical rating organizations (NRSROs) and this is reflected in the investment policy of the District. The school district currently has no direct holdings of commercial paper. The local government investment pools that the District uses are also rated by the NRSROs. Lone Star is rated AAA by Standard and Poor's. LOGIC, Texas CLASS, TexPool, and TexSTAR are rated AAAm by Standard & Poor's.

Custodial credit risk-deposits occur when deposits are not covered by depository insurance and they are uncollateralized or the collateral is held by the financial institution or their trust department but not in the District's name. The District's investment policy requires the District to control this risk by employing a third party, the Federal Reserve Bank, to hold the collateral for the District in the District's name.

Custodial credit risk-investments occur whenever investments are held by the counterparty's trust department but not in the District's name. The District's investment policy requires the District to control this risk by trading all securities on a delivery vs. payment basis through the Federal Reserve book entry system and safekeeping them with a third party, Comerica Bank, registered in the District's name.

NOTE 2. DEPOSITS AND INVESTMENTS – CONTINUED

Concentration of credit risk is the risk associated with holding investments that are not in pools and in excess of 5% of the total portfolio. As of August 31, 2015 the District held $23,000,000 of securities with a zero par amount, which is 14.78% of the total portfolio. All agency securities held by the District are rated AA+ by Standard and Poor's or Aaa and by Moody's Investors Service. The District controls this risk by laddering the portfolio, limiting the final maturity of each investment of a maximum of five years through its investment policy with most purchases between 1.5 and 3.5 years, and by diversifying between agency types when possible.

Foreign currency risk is the risk of loss due to fluctuations in the exchange rate. The District has no exposure to foreign currency risk.

NOTE 3. PROPERTY TAXES

Property taxes are considered available when they become due and receivable within the current accounting period or within 60 days thereafter. The District levies taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by the lien date, February 1 of the year following the October 1 levy date. The assessed value of the property tax roll on January 1, 2014, upon which the levy for the 2014-2015 fiscal year was based, was $10,011,037,928. The roll was subsequently decreased to a year-end assessed value of $9,875,806,062. Taxes not paid by June 30 are subject to both penalty and interest charges plus 20% delinquent collection fees for attorney costs.

The tax rates assessed for the year ended August 31, 2015, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were $1.04 and $.395 per $100 valuation, respectively, for a total of $1.435 per $100 valuation.

Current tax collections for the year ended August 31, 2015 were 97.32% of the year-end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of August 31, 2015, property taxes receivable, net of estimated uncollectible taxes, totaled $2,365,252 and $912,441 for the General and Debt Service Funds, respectively.

The District elected to participate in a tax increment reinvestment zone with the City of Irving in August 1999. By terms of the participation agreement with the City, the District will contribute 100% of ad valorem taxes collected on the increased assessed valuation of real property in the tax increment reinvestment zone in excess of the tax increment base value established for the zone on January 1, 1998.

NOTE 3. PROPERTY TAXES – CONTINUED

In return, the City will reimburse the District 75% of the taxes collected for the zone to pay for district projects identified in the project plan to be constructed in the zone for educational facilities and maintenance for operating such facilities. The 25% retained by the City will be used to pay for infrastructure in the zone to promote economic development in the zone, specifically that portion of the tax increment reinvestment zone that encompasses the boundaries of the District.

A total of $6,465,553 in tax levy was collected for the zone in the current fiscal year because the assessed valuation of real property in the reinvestment zone was greater than the tax increment base value as provided for in the participation agreement. Under current state funding laws, as well as a "hold harmless" provision in the participation agreement, the District will remain revenue neutral with respect to the total revenue from local ad valorem taxes and state sources. The District can expect to receive funds for each year it contributes to the tax increment reinvestment zone.

NOTE 4. 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. All federal grants included below in Federal & State Special Revenue Funds are passed through the TEA and are reported on the financial statements as Due from Other Governments. Furthermore, there are times when overpayments are received from a State agency and money may be due to a State agency.

Balances at August 31, 2015 consisted of the following Due from Other Governments:

Fund:	State Entitlements	Federal Grants
Food Service Fund	$ -	$ 611,793
Nonmajor Special Revenue Funds	27,342	1,977,422
Total	$ 27,342	$ 2,589,215

NOTE 5. CAPITAL ASSETS

Capital asset activity, as reported in governmental activities, for the year ended August 31, 2015 was as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital Assets not depreciated:					
Land	$ 20,085,090	$ -	$ -	$ -	$ 20,085,090
Construction in Progress	19,799,942	7,552,832	-	(17,949,879)	9,402,895
Total Capital Assets not depreciated	39,885,032	7,552,832	-	(17,949,879)	29,487,985
Capital Assets depreciated:					
Land Improvements	19,912,450	30,550	-	-	19,943,000
Buildings and Improvements	670,845,250	1,626,965	-	17,949,879	690,422,094
Furniture and Equipment	126,750,417	4,917,873	(592,555)	-	131,075,735
Total Capital Assets depreciated	817,508,117	6,575,388	(592,555)	17,949,879	841,440,829
Total Capital Assets	857,393,149	14,128,220	(592,555)	-	870,928,814
Less Accumulated Depreciation for:					
Land Improvements	10,520,453	987,092	-	-	11,507,545
Buildings and Improvements	220,442,483	13,533,716	-	-	233,976,199
Furniture and Equipment	105,918,126	8,724,304	(552,367)	-	114,090,063
Total Accumulated Depreciation	336,881,062	23,245,112	(552,367)	-	359,573,807
Governmental Activities Capital Assets, Net	$ 520,512,087	$ (9,116,892)	$ (40,188)	$ -	$ 511,355,007

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:		
Instruction	$	17,888,174
Instructional Resources & Media Services		926,074
Curriculum Development & Instructional Staff Development		15,475
Instructional Leadership		105,922
School Leadership		939,252
Guidance, Counseling & Evaluation Services		649,412
Health Services		136,744
Student Transportation		27,171
Food Services		1,113,658
Co-Curricular/Extracurricular Activities		663,917
General Administration		145,372
Plant Maintenance & Operations		464,366
Security & Monitoring Services		15,241
Data Processing Services		154,334
Total Depreciation Expense, Governmental Activities	$	23,245,112

The District has active construction projects. These projects include land improvements, construction of a new outdoor learning center, and renovations of existing facilities. An additional $16,959,271 has been budgeted for these projects from the General Fund, but purchase orders were not encumbered as of year end. The total construction commitment as of August 31, 2015 is $52,371.

NOTE 6. EMPLOYEES' RETIREMENT PLAN

Plan Description

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

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

Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at http://www.trs.texas.gov/about/documents/cafr.pdf or 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 in (A) above.

NOTE 6. EMPLOYEES' RETIREMENT PLAN - CONTINUED

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. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2015 as discussed in Note 1 of the TRS 2014 CAFR. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015.

Contribution Rates

	2014	2015
Member	6.4%	6.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%

2014 Employer Contributions	$ 4,518,989
2014 Member Contributions	$ 12,336,438
2014 NECE On-behalf Contributions	$ 9,977,657

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

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

NOTE 6. EMPLOYEES' RETIREMENT PLAN - CONTINUED

Contributions – Continued

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

In addition to the employer contributions listed above, 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.

Actuarial Assumptions

The total pension liability in the August 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2014
Actuarial Cost Method	Individual Entry Age
Normal	
Level Percentage of Payroll, Open	
Remaining Amortization Period	30 years
Asset Valuation Method	5 year Market Value
Discount Rate	8.00%
Long-term expected Investment Rate of Return*	8.00%
Salary Increases*	4.25% to 7.25%
Weighted-Average at Valuation Date	5.55%
Payroll Growth Rate	3.50%

**Includes Inflation of 3%*

The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2010 and adopted on April 8, 2011. With the exception of the post-retirement mortality rates for healthy lives and a minor change to the expected retirement age for inactive vested members stemming from the actuarial audit performed in the Summer of 2014, the assumptions and methods are the same as used in the prior valuation. When the mortality assumptions were adopted in 2011 they contained a significant margin for possible future mortality improvement. As of the date of the valuation there has been a significant erosion of this margin to the point that the margin has been eliminated. Therefore, the post-retirement mortality rates for current and future retirees were decreased to add additional margin for future improvement in mortality in accordance with the Actuarial Standards of Practice No. 35.

NOTE 6. EMPLOYEES' RETIREMENT PLAN – CONTINUED

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, 2014 are summarized below:

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return*
Global Equity			
U.S.	18%	7.0%	1.4%
Non-U.S. Developed	13%	7.3%	1.1%
Emerging Markets	9%	8.1%	0.9%
Directional Hedge Funds	4%	5.4%	0.2%
Private Equity	13%	9.2%	1.4%
Stable Value			
U.S. Treasuries	11%	2.9%	0.3%
Absolute Return	0%	4.0%	0.0%
Stable Value Hedge Funds	4%	5.2%	0.2%
Cash	1%	2.0%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	3.1%	0.0%
Real Assets	16%	7.3%	1.5%
Energy and Natural Resources	3%	8.8%	0.3%
Commodities	0%	3.4%	0.0%
Risk Parity			
Risk Parity	5%	8.9%	0.4%
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.*

NOTE 6. EMPLOYEES' RETIREMENT PLAN – CONTINUED

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2014 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:	$85,078,943	$47,611,544	$19,592,908

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

At August 31, 2014, the District reported a liability of $47,611,544 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	$	47,611,544
State's proportionate share that is associated with District		105,347,641
Total	$	152,959,185

The net pension liability was measured as of August 31, 2014 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, 2013 thru August 31, 2014.

At August 31, 2014 the District's proportion of the collective net pension liability was 0.1782444 %. Since this is the first year of implementation, the District does not have the proportion measured as of August, 31, 2013. The Notes to the Financial Statements for August 31, 2014 for TRS stated that the change in proportion was immaterial and, therefore, disregarded this year.

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

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

NOTE 6. EMPLOYEES' RETIREMENT PLAN – CONTINUED

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

There was a change in employer contribution requirements that occurred after the measurement date of the net pension liability and the employer's reporting date. A 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees went into law effective September 1, 2013. The amount of the expected resultant change in the employer's proportion cannot be determined at this time.

For the year ended August 31, 2014, the District recognized pension expense of $9,739,193 and revenue of $9,739,193 for support provided by the State.

At August 31, 2014, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 736,328	$ -
Changes in actuarial assumptions	3,094,803	-
Difference between projected and actual investment earnings	-	(14,552,032)
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	-	(12,480)
Contributions paid to TRS subsequent to the measurement date	7,095,663	-
Total	$ 10,926,794	$ (14,564,512)

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

	Pension Expense (Income)
Year ended August 31:	
2016	$ (2,993,803)
2017	(2,993,803)
2018	(2,993,803)
2019	(2,993,803)
2020	644,205
Thereafter	597,626
Total	$ (10,733,381)

NOTE 7. RETIREE HEALTH PLAN

Plan Description. The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS Web site at www.trs.state.tx.us, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701-2698, or by calling (800)-223-8778.

Funding Policy. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and amounts are shown in the table below for fiscal years 2015-2013.

	Active Member		State		School District	
Year	Rate	Amount	Rate	Amount	Rate	Amount
2015	0.65%	$1,421,561	1.00%	$2,187,008	0.55%	$1,202,865
2014	0.65%	$1,366,724	1.00%	$2,102,650	0.55%	$1,156,467
2013	0.65%	$1,285,694	0.50%	$988,994	0.55%	$1,087,898

Contributions Made. Contributions made by the State, the District and its employees, and the District's covered payroll for the fiscal years 2015, 2014, and 2013 are as follows:

	2015	2014	2013
Covered payroll	$ 218,700,802	$ 210,264,992	$ 197,798,881
Contributions made by the State	12,237,003	11,777,067	9,672,330
Retirement plan rate	6.800%	6.800%	6.400%
Retiree health care rate	1.00%	1.00%	0.50%
Medicare Part D	884,629	559,371	524,484
ERRP	-	-	-
District required and actual Contributions to TRS & TRS-Care	4,639,605	4,381,768	3,853,344
Employee contributions to TRS & TRS-Care	16,074,522	14,823,692	13,944,816

NOTE 8. LONG-TERM LIABILITIES

Long-term liabilities include actuarially determined claims liabilities (which are typically liquidated by the Internal Service fund). These liabilities are detailed as follows:

	Beginning 09/01/14	Increases	Decreases	Balance 08/31/15	Current Portion
Claims Payable	$ 1,064,782	$ 712,592	$ 889,392	$ 887,982	$ 573,553

Long-term debt also includes par bonds, capital appreciation (deep discount) serial bonds, and variable rate bonds as follows:

Description	Final Maturity	Interest Rate Payable	Amounts Original Issue	Bonds Outstanding at 09/01/2014	Issued	(Retired / Refunding)	Interest Accretion	Accreted Interest Retirements	Bonds Outstanding at 08/31/2015
1997A Refunding	2018	4.85%-5.42%	$ 33,140,000	$ 22,345,417	$ -	$ (2,445,000)	$ 1,041,331	$ (3,745,000)	$ 17,196,748
2002 School Building	2016	2.09%-6.03%	130,853,959	12,553,850	-	(3,353,623)	484,772	(3,241,377)	6,443,622
2004-A School Building	2033	Variable	20,000,000	15,300,000	-	-	-	-	15,300,000
2004-B School Building	2033	Variable	20,000,000	15,300,000	-	-	-	-	15,300,000
2005 Refunding	2016	3.00%-5.25%	92,425,000	10,140,000	-	(10,140,000)	-	-	-
2006 Refunding	2033	3.95%-5.46%	66,472,786	84,244,314	-	(2,999,202)	3,843,280	(2,338,276)	82,750,116
2007 Refunding	2031	3.65%-4.40%	109,045,000	107,330,000	-	(2,665,000)	-	-	104,665,000
2007-A School Building	2033	3.87%-5.00%	20,000,000	14,250,000	-	(11,475,000)	-	-	2,775,000
2008 School Building	2038	3.25%-5.00%	87,020,000	74,980,000	-	(41,630,000)	-	-	33,350,000
2009 School Building	2033	3.00%-5.25%	64,995,000	58,895,000	-	(1,980,000)	-	-	56,915,000
2010A School Building	2030	3.625%-5.00%	18,485,000	16,600,000	-	(1,045,000)	-	-	15,555,000
2010B Build America Bonds	2040	5.561% - 5.661	40,000,000	40,000,000	-	-	-	-	40,000,000
2011 Qualified School Construction Bond	2026	None	21,640,000	21,640,000	-	(1,800,000)	-	-	19,840,000
2012 School Building	2025	2.00%-5.00%	13,985,000	11,925,000	-	(910,000)	-	-	11,015,000
2013 Refunding	2023	2.00%-4.00%	66,145,000	65,795,000	-	(355,000)	-	-	65,440,000
2014 Refunding	2027	4.00%	4,685,000	9,727,481	-	-	246,925	-	9,974,406
2015 Refunding		4.00%	60,010,000	-	60,010,000	(1,350,000)	603,407	-	59,263,407
Total Bonded Indebtedness				$ 581,026,062	$ 60,010,000	$ (82,147,825)	$ 6,219,715	$ (9,324,653)	555,783,299
Less Current Portion									20,191,698
Long term portion as of August 31, 2015									535,591,601
Premium/Discounts				14,563,865	8,319,033	(2,878,393)	-	-	20,004,505
Total Long Term Bonds Payable									$ 555,596,106

Debt service principal requirements to maturity (below) exclude accumulated accretion of $61,370,489, which is included in the interest column:

Year Ended August 31	Principal	Interest	Total Requirements
2016	$ 20,191,698	$ 26,432,228	$ 46,623,926
2017	21,862,366	24,818,999	46,681,365
2018	22,115,923	24,465,051	46,580,974
2019	26,837,767	19,753,867	46,591,634
2020-2024	134,092,244	97,735,909	231,828,153
2025-2029	116,527,814	104,442,675	220,970,489
2030-2034	110,080,000	21,315,503	131,395,503
2035-2039	37,615,000	6,197,990	43,812,990
2040	5,090,000	144,072	5,234,072
Totals	$ 494,412,812	$ 325,306,294	$ 819,719,106

There are a number of limitations and restrictions contained in the various general obligation bond indentures. The District is in compliance with all limitations and restrictions at August 31, 2015.

NOTE 9. DEBT ISSUANCES AND DEFEASED DEBT

On December 10, 2014, the District issued “Irving Independent School District Unlimited Tax Refunding Bonds, Series 2015,” totaling $60,010,000 to refund a portion of the outstanding bonds. These bonds incur an average cost over the life of the bonds at a rate of 4.00% and mature annually with semi-annual interest payments. The proceeds were used to purchase U.S. Government securities and these securities were placed in an irrevocable escrow account until the refunded bonds are redeemed.

This refunding resulted in a decrease in the District’s debt service payments of $9,725,139, which resulted in an economic gain (difference between the present value of the debt service payments of the old debt and new debt) of $7,065,002. As a result of this transaction, $60,010,000 of Unlimited Tax School Building and Refunding Bonds, Series 2005, 2006, 2007 and 2008 were refunded and are considered legally defeased, and are no longer included in the District’s basic financial statements.

In prior years, the District issued refunding bonds for the purpose of restructuring outstanding debt service requirements or decreasing the total debt service payments. These refunding issues defeased selected general obligation and maintenance bonds. The total principal outstanding of the defeased debt as of August 31, 2015 is $56,720,310.

NOTE 10. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

In the fund financial statements, interfund balances are the results of normal transactions between funds and will be liquidated in the subsequent fiscal year. These balances at August 31, 2015 consisted of the following individual fund receivables and payables:

Fund	Receivable	Payable	Reason
General Fund:			
Debt Service Fund	$ -	$ 66,337	To reclassify deficit pooled cash
Other Nonmajor Funds	1,890,382	-	To reclassify deficit pooled cash
Debt Service Fund:			
General Fund	66,337	-	To reclassify deficit pooled cash
Other Nonmajor Funds:			
General Fund	-	1,890,382	To reclassify deficit pooled cash
	$ 1,956,719	$ 1,956,719	

There were no transfers made for the year ended August 31, 2015 that required disclosure.

NOTE 11. LITIGATION, COMMITMENTS, AND CONTINGENCIES

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

NOTE 11. LITIGATION, COMMITMENTS, AND CONTINGENCIES – CONTINUED

The District participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies. Therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2015 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants, therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

NOTE 12. LOCAL, INTERMEDIATE, AND OUT-OF-STATE REVENUES – GOVERNMENTAL FUNDS

During the current year, local, intermediate and out-of-state revenues for the fund statements consisted of the following:

	General Fund	Food Service Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Other Funds	Total
Property Taxes	$ 95,344,030	$ -	$ 36,196,691	$ -	$ -	$ 131,540,721
Food Sales	-	2,594,459	-	-	-	2,594,459
Food Service-Vending	-	515,643	-	-	-	515,643
TIF Proceeds	4,849,165	-	-	-	-	4,849,165
Investment Income	231,187	2,352	30,640	20,001	-	284,180
Rental of Facilities	376,429	-	-	-	-	376,429
Tuition	333,870	-	-	-	-	333,870
Gifts and Bequests	255,645	-	-	-	-	255,645
Penalties, Interest & Other Tax-Related Income	1,036,212	-	250,682	-	-	1,286,894
Co-curricular						
Student Activities	1,572,061	-	-	-	-	1,572,061
Athletics	243,568	-	-	-	-	243,568
Other	7,516,085	-	-	-	519,512	8,035,597
Total	$ 111,758,252	$ 3,112,454	$ 36,478,013	$ 20,001	$ 519,512	$ 151,888,232

NOTE 13. UNEARNED REVENUE AND DEFERRED INFLOWS OF RESOURCES

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned (unearned revenue). Unearned revenue and deferred inflows of resources at year-end for the fund statements consisted of the following:

	General Fund	Debt Service Fund	Nonmajor Other Funds	Total
Deferred Inflows of Resources:				
Net Tax Revenue	$ 2,365,252	$ 912,441	$ -	$ 3,277,693
Total Deferred Inflows of Resources	$ 2,365,252	$ 912,441	$ -	$ 3,277,693
Unearned Revenue:				
Laptop Computer Fees	$ 91,064	$ -	$ -	$ 91,064
Careeer and Technology Incentives	-	-	20,269	20,269
Parking Fees	6,764	-	-	6,764
Other	9,463	-	28	9,491
AP/IB Program	-	-	17,957	17,957
Regional Day School for the Deaf	-	-	153,173	153,173
Total Unearned Revenue	$ 107,291	$ -	$ 191,427	$ 298,718

For government-wide financial statements, unavailable revenue relating to taxes is recognized as revenue.

NOTE 14. SHARED SERVICES ARRANGEMENT

The District is the fiscal agent for the Regional Day School for the Deaf (RDSPD) Shared Services Arrangement (SSA), which provides services to students in its member districts, who have educationally significant hearing loss. In addition to the District, other member districts include Duncanville ISD and Grand Prairie ISD.

The District, acting as the fiscal agent, manages the shared arrangement's financial matters, including the budgeting, accounting, auditing, and reporting. In accordance to guidance provided in the TEA's Financial Accountability System Resource Guide the District has accounted for the activities of the SSA in the appropriate special revenue funds. Additionally, the SSA is accounted for using Model #2 and #3 in Section 1.3.1.6 of the Accounting and Reporting Treatment Guidance.

Expenditures billed to the SSA members as of August 31, 2015 are summarized below:

	2015
Duncanville ISD	$ 136,875
Grand Prairie ISD	213,775
	$ 350,650

NOTE 15. NEW ACCOUNTING PRONOUNCEMENTS

The GASB issued Statement No. 72, Fair Value Measurement and Application. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This standard becomes effective for the District in fiscal year 2016.

The GASB issued Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. This standard becomes effective for the District in fiscal year 2017.

The GASB issued Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans**.** This standard becomes effective for the District in fiscal year 2017.

The GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.* This standard becomes effective for the District in fiscal year 2018.

The GASB issued Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.* This standard becomes effective for the District in fiscal year 2016.

The GASB issued Statement No. 77, Tax Abatement Disclosures. This standard becomes effective for the District in fiscal year 2017.

The GASB issued Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans. This standard becomes effective for the District in fiscal year 2017.

The GASB issued Statement No. 79, Certain External Investment Pools and Pool Participants. This standard becomes effective for the District in fiscal year 2016.

The District will evaluate the impact of the standards on its financial statements and will take the necessary steps to implement them.

NOTE 16. INSTRUCTIONAL MATERIALS ALLOTMENT

In May 2011, Senate Rule 6 repealed the technology allotment used by Texas schools and created an instructional materials allotment (IMA) for the purchase of instructional materials, technology equipment, and technology related services. Under the IMA, instructional materials purchases must be made through TEA’s online registration system. Instructional materials totaling $5,026,214 were purchased with the IMA and were recorded in a state special revenue fund as both revenue and expenditure.

NOTE 17. EXTRAORDINARY ITEM

The District's Administration building was the subject of an eminent domain lawsuit filed by the Texas Department of Transportation. The State paid the District $3,001,539 during the fiscal year. The transaction is considered both infrequent and unusual in nature.

NOTE 18. CUMULATIVE ADJUSTMENT FOR CHANGE IN ACCOUNTING PRINCIPLE

As a result of the implementation of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date", an adjustment for a change in accounting principle has been made to record the District's net pension liability as of September 1, 2014. As a result, beginning net position of the governmental activities has been decreased by $53,944,079.

REQUIRED SUPPLEMENTARY INFORMATION

IRVING
Independent School District

IRVING INDEPENDENT SCHOOL DISTRICT — EXHIBIT G-1
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2015

DATA CONTROL CODES		Original Budget	Final Amended Budget	Fiscal Year Actual	Variance Positive or (Negative)
	REVENUES				
5700	Local and Intermediate Sources	$ 106,798,052	$ 112,200,231	$ 111,758,252	$ (441,979)
5800	State Program Revenues	176,749,903	176,448,251	177,008,374	560,123
5900	Federal Program Revenues	3,526,000	4,929,000	4,935,486	6,486
5020	Total Revenues	287,073,955	293,577,482	293,702,112	124,630
	EXPENDITURES				
	Current:				
0010	Instruction and Instructional-Related Services:				
0011	Instruction	180,101,844	179,653,033	177,391,782	2,261,251
0012	Instructional Resources and Media Services	4,594,188	4,853,716	4,604,704	249,012
0013	Curriculum Development and Instructional Staff Development	5,835,471	5,389,257	5,187,380	201,877
	Total Instruction and Instructional-Related Services:	190,531,503	189,896,006	187,183,866	2,712,140
0020	Instructional and School Leadership:				
0021	Instructional Leadership	4,271,751	4,688,902	4,051,194	637,708
0023	School Leadership	19,445,852	19,800,338	19,643,303	157,035
	Total Instructional and School Leadership:	23,717,603	24,489,240	23,694,497	794,743
0030	Support Services - Student (Pupil):				
0031	Guidance, Counseling, and Evaluation Services	14,707,651	14,321,029	14,215,516	105,513
0032	Social Work Services	1,173,985	1,562,523	1,537,760	24,763
0033	Health Services	2,738,064	2,872,022	2,787,156	84,866
0034	Student (Pupil) Transportation	5,445,666	4,595,666	4,579,893	15,773
0035	Food Services	395,521	405,275	359,992	45,283
0036	Co-Curricular/Extracurricular Activities	5,636,426	6,113,871	5,572,816	541,055
	Total Support Services - Student (Pupil):	30,097,313	29,870,386	29,053,133	817,253
0040	Administrative Support Services:				
0041	General Administration	8,752,648	7,884,935	7,038,599	846,336
	Total Administrative Support Services:	8,752,648	7,884,935	7,038,599	846,336
0050	Support Services - Nonstudent Based:				
0051	Plant Maintenance and Operations	22,834,953	23,161,985	21,557,138	1,604,847
0052	Security and Monitoring Services	3,580,575	3,493,667	3,181,074	312,593
0053	Data Processing Services	4,612,368	4,430,403	3,846,819	583,584
	Total Support Services - Nonstudent Based:	31,027,896	31,086,055	28,585,031	2,501,024
0060	Ancillary Services:				
0061	Community Services	503,515	475,508	359,325	116,183
	Total Ancillary Services:	503,515	475,508	359,325	116,183
0080	Capital Outlay:				
0081	Facilities Acquisition and Construction	-	17,082,195	5,011,435	12,070,760
	Total Capital Outlay:	-	17,082,195	5,011,435	12,070,760
0090	Intergovernmental Charges:				
0095	Payments to JJAEP	140,000	190,000	173,772	16,228
0097	Payments to TIF	2,800,000	6,465,554	6,465,553	1
0099	Intergovernmental Charges	549,391	538,945	538,945	-
	Total Intergovernmental Charges:	3,489,391	7,194,499	7,178,270	16,229
6030	Total Expenditures	288,119,869	307,978,824	288,104,156	19,874,668
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,045,914)	(14,401,342)	5,597,956	19,999,298
	OTHER FINANCING SOURCES (USES)				
7912	Proceeds from Sale of Fixed Assets	50,000	636,901	668,453	31,552
7919	Insurance Recoveries	-	20,108	20,108	-
	Total Other Financing Sources (Uses)	50,000	657,009	688,561	31,552
7918	Extraordinary Item	-	2,763,099	2,764,638	1,539
1200	Net Change in Fund Balances	(995,914)	(10,981,234)	9,051,155	20,032,389
0100	Fund Balance - September 1 (Beginning)	98,518,503	98,518,503	98,518,503	-
3000	Fund Balance - August 31 (Ending)	$ 97,522,589	$ 87,537,269	$ 107,569,658	$ 20,032,389

See Notes to Required Supplementary Information.

IRVING INDEPENDENT SCHOOL DISTRICT — EXHIBIT G-2
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – FOOD SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2015

DATA CONTROL CODES		Original Budget	Final Amended Budget	Fiscal Year Actual	Variance Positive or (Negative)
	REVENUES				
5700	Local and Intermediate Sources	$ 2,726,000	$ 3,195,000	$ 3,112,454	$ (82,546)
5800	State Program Revenues	116,578	119,678	119,678	-
5900	Federal Program Revenues	18,400,000	18,760,000	19,241,145	481,145
5020	Total Revenues	21,242,578	22,074,678	22,473,277	398,599
	EXPENDITURES				
	Current:				
0030	Support Services - Student (Pupil):				
0035	Food Services	19,823,035	22,734,416	21,081,990	1,652,426
0036	Co-Curricular/Extracurricular Activities	511,873	593,992	504,468	89,524
	Total Support Services - Student (Pupil):	20,334,908	23,328,408	21,586,458	1,741,950
0050	Support Services - Nonstudent Based:				
0051	Plant Maintenance and Operations	640,120	643,120	585,223	57,897
	Total Support Services - Nonstudent Based:	640,120	643,120	585,223	57,897
0080	Capital Outlay:				
0081	Facilities Acquisition and Construction	-	822,371	707,656	114,715
	Total Capital Outlay:	-	822,371	707,656	114,715
6030	Total Expenditures	20,975,028	24,793,899	22,879,337	1,914,562
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	267,550	(2,719,221)	(406,060)	2,313,161
1200	Net Change in Fund Balances	267,550	(2,719,221)	(406,060)	2,313,161
0100	Fund Balance - September 1 (Beginning)	5,840,117	5,840,117	5,840,117	-
3000	Fund Balance - August 31 (Ending)	$ 6,107,667	$ 3,120,896	$ 5,434,057	$ 2,313,161

See Notes to Required Supplementary Information.

IRVING INDEPENDENT SCHOOL DISTRICT **EXHIBIT G-3**
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - TRS
FOR THE YEAR ENDED AUGUST 31, 2015

	2015
District's Proportion of the Net Pension Liability (Asset)	0.1782444%
District's Proportionate Share of Net Pension Liability (Asset)	$ 47,611,544
States Proportionate Share of the Net Pension Liability (Asset) associated with the District	105,347,641
Total	$ 152,959,185
District's Covered Employee Payroll	210,264,992
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Employee Payroll	22.64%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	83.25%

Note: GASB 68, 81,2,a requires that the information on this schedule be data from the period corresponding with the period covered as of the measurement date of August 31, 2014 - the period from September 1, 2013 - August 31, 2014.

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

See Notes to Required Supplementary Information.

IRVING INDEPENDENT SCHOOL DISTRICT **EXHIBIT G-4**
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS- TRS
FOR THE YEAR ENDED AUGUST 31, 2015

	2015
Contractually Required Contribution	$ 5,462,612
Contribution in Relation to the Contractually Required Contribution	(5,462,612)
Contribution Deficiency (Excess)	-
District's Covered Employee Payroll	218,700,802
Contributions as a percentage of Covered Employee Payroll	2.50%

Note: GASB 68, Paragraph 81.2.b requires that the data in this schedule be presented as of the District's current fiscal year as opposed to the time period covered by the measurement date of September 1, 2013 - August 31, 2014.

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

See Notes to Required Supplementary Information.

NOTE 1. BUDGETARY LEGAL COMPLIANCE

The Official Budget was prepared for adoption prior to August 20, 2014 for all required Governmental Funds on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles (see Note 1(D) in the Notes to the Financial Statements). The budget is adopted by fund and function for expenditures and by fund and object for revenues. The appropriate department head or campus principal controls the budget. Therefore, management may transfer appropriations at the object level as necessary without the approval of the Board. The Board of Trustees maintains control within Fund Groups at the function code level for appropriations and object code level for revenues.

The Budget is formally adopted by the Board of Trustees at a duly advertised public meeting in accordance with law prior to the expenditure of funds. The approved budget is filed with the TEA through the Public Education Information Management System (PEIMS).

Should any change in the approved budget be required, budget amendment requests are presented to the Board of Trustees for consideration. Amendments are made before the fact and, once approved, are reflected in the official minutes. During the year, the budget was properly amended in accordance with the above procedures. The Board of Trustees approved the final amendment on August 24, 2015.

NOTE 2. PENSION LIABILITY

Changes of benefit terms

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

Changes of assumptions

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

RBC Capital Markets