PRELIMINARY OFFICIAL STATEMENT
Dated September 15, 2016

Ratings:
Moody's: Applied For
Fitch: Applied For
PSF Guarantee – Applied For
(See "OTHER INFORMATION - Ratings" and "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein.)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel (defined below) assuming continuing compliance by the District (defined below) after the date of initial delivery of the Bonds (defined below) with certain covenants contained in the Order (defined herein) and subject to the matters set forth under "TAX MATTERS" herein, interest on the Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income of the owners thereof pursuant to section 103 of the Code (defined herein) and (2) will not be included in computing the alternative minimum taxable income of the owners thereof, who are individuals or, except as hereinafter described, corporations (see "TAX MATTERS" herein).

$84,185,000*
NORTHSIDE INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located primarily in Bexar County)
UNLIMITED TAX REFUNDING BONDS, SERIES 2016A

Dated Date: September 15, 2016 | **Due: August 15, as shown on page 2 hereof**
Interest to Accrue from Date of Delivery

PAYMENT TERMS . . . Interest on the $84,185,000* Northside Independent School District Unlimited Tax Refunding Bonds, Series 2016A (the "Bonds") will accrue from their date of initial delivery to the Underwriters (defined below), will be payable on February 15 and August 15 of each year, commencing February 15, 2017, until stated maturity or prior redemption and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar (defined below) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS - Book-Entry-Only System" herein). The initial Paying Agent/Registrar is Amegy Bank, a division of ZB, National Association, Houston, Texas (see "THE BONDS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly, Chapters 1207 and 1371, as amended, Texas Government Code (together, the "Legal Authority"), and an order (the "Order") adopted by the Board of Trustees (the "Board") of the Northside Independent School District (the "District") on August 16, 2016 (see "THE BONDS - Authority for Issuance"). In the Order and as permitted by the Legal Authority, the Board delegated to certain District officials the ability to execute an approval certificate (the "Approval Certificate") to effectuate the sale of the Bonds.

SECURITY . . . The Bonds are direct obligations of the District payable from a continuing direct annual ad valorem tax levied by the District, without legal limit as to rate or amount, on all taxable property within the District (see "THE BONDS - Security and Source of Payment"). **An application has been filed with and the District has received conditional approval from the Texas Education Agency for the payment of the Bonds to be guaranteed by the Permanent School Fund of Texas, which guarantee will automatically become effective when the Attorney General of Texas approves the issuance of the Bonds (see "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").**

PURPOSE . . . Proceeds from the sale of the Bonds will be utilized to (i) refund certain maturities of the District's currently outstanding indebtedness as disclosed in Schedule I hereto (the "Refunded Obligations") for debt service savings, and (ii) pay the costs of their issuance (see "PLAN OF FINANCING – Use of Bond Proceeds").

CUSIP PREFIX: 66702R
MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page 2

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the initial purchasers thereof named below (the "Underwriters") and subject to the approving opinion of the Attorney General of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, San Antonio, Texas, Bond Counsel (see Appendix C, "FORM OF BOND COUNSEL'S OPINION"). Certain legal matters will be passed upon for the Underwriters by their legal counsel, Kassahn & Ortiz, P.C., San Antonio, Texas.

DELIVERY . . . It is expected that the Bonds will be available for delivery through DTC on or about Thursday, October 20, 2016 (the "Date of Delivery").

RAMIREZ & CO., INC.

RAYMOND JAMES | **RBC CAPITAL MARKETS**

STIFEL, NICOLAUS & COMPANY, INCORPORATED

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* Preliminary, subject to change.

MATURITY SCHEDULE*

CUSIP No. Prefix: 66702R(1)

Principal Amount	Stated Maturity (August 15)	Interest Rate	Initial Yield	CUSIP No. Suffix(1)	Principal Amount	Stated Maturity (August 15)	Interest Rate	Initial Yield	CUSIP No. Suffix(1)
$ 265,000	2017				$ 2,650,000	2028			
6,020,000	2018				2,785,000	2029			
4,720,000	2019				3,060,000	2030			
4,950,000	2020				3,300,000	2031			
5,200,000	2021				4,280,000	2032			
3,930,000	2022				4,410,000	2033			
4,135,000	2023				4,530,000	2034			
5,620,000	2024				4,665,000	2035			
3,610,000	2025				4,800,000	2036			
3,790,000	2026				4,945,000	2037			
2,520,000	2027								

(Interest accrues from the Date of Delivery)

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

The District also reserves the right, at its option, to redeem the Bonds having stated maturities on and after August 15, ____, in whole or in part, at any time prior to August 15, ____, at the Make Whole Redemption Price (as defined herein). The Make Whole Redemption Price means an amount equal to the greater of: (i) one hundred two percent (102%) of the Amortized Value (as defined herein) of the Bonds to be redeemed; or (ii) an amount equal to the sum of the present values of the remaining scheduled payments of principal and interest on the Bonds to be redeemed, from and including the date of redemption to August 15, ____, discounted to the date of redemption on a semiannual basis at a discount rate equal to the Applicable Tax-Exempt Bond Rate (as defined herein).

In addition to the foregoing, any Term Bonds (defined herein) will be subject to mandatory sinking fund redemption.

See "THE BONDS – Redemption" herein for a further description of the redemption provisions applicable to the Bonds.

____

* Preliminary, subject to change.

(1) 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 and are included solely for convenience of the registered 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 is responsible for the selection or correctness of the CUSIP Numbers set forth herein.

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USE OF INFORMATION

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

This Official Statement, which includes the cover page, Schedule I, and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon.

The information set forth herein has been obtained from the District and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and information obtained from sources other than the District is not to be construed as the representation of the District. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described.

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

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

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

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

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

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TABLE OF CONTENTS

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

OFFICIAL STATEMENT SUMMARY

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

THE DISTRICT .... The Northside Independent School District (the "District") is a political subdivision primarily located in Bexar County, Texas with small amounts of taxable property in Medina and Bandera Counties, Texas. The District is approximately 316.49 square miles in area (see "INTRODUCTION - Description of the District").

THE BONDS .... The District is issuing its $84,185,000* Unlimited Tax Refunding Bonds, Series 2016A (the "Bonds"). The Bonds mature on August 15 in each of the years identified in the table appearing on page 2 hereof, unless the Underwriters combine two or more of the maturities into Term Bonds (defined herein).

PAYMENT OF INTEREST .... Interest on the Bonds accrues from the date of initial delivery to the Underwriters (anticipated to occur on or about October 20, 2016), and is payable initially on February 15, 2017 and on each August 15 and February 15 thereafter until stated maturity or prior redemption (see "THE BONDS - Description of the Bonds" and "THE BONDS - Redemption").

AUTHORITY FOR ISSUANCE .... The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas, including particularly, Chapters 1207 and 1371, as amended, Texas Government Code (together, the "Legal Authority"), and an order (the "Order") adopted by the Board of Trustees of the District (the "Board") on August 16, 2016. In the Order, and as permitted by the Legal Authority, the Board delegated to certain District officials the authority to establish the final sales terms of the Bonds and to execute an approval certificate (the "Approval Certificate") to effectuate the sale of the Bonds (see "THE BONDS - Authority for Issuance").

SECURITY FOR THE BONDS .... The Bonds constitute direct obligations of the District payable from a continuing direct annual ad valorem tax levied by the District, without legal limit as to rate or amount, on all taxable property within the District (see "THE BONDS - Security and Source of Payment").

PERMANENT SCHOOL FUND GUARANTEE .... The District has applied for and has received conditional approval from the Texas Education Agency (the "TEA") for the payments on the Bonds to be guaranteed by the corpus of the Permanent School Fund of the State of Texas upon satisfaction of certain conditions (primarily being the Texas Attorney General's approval of the Bonds) (see "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").

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

The District also reserves the right, at its option, to redeem the Bonds having stated maturities on and after August 15, ____, in whole or in part, at any time prior to August 15, ____, at the Make Whole Redemption Price (as defined herein). The Make Whole Redemption Price means an amount equal to the greater of: (i) one hundred two percent (102%) of the Amortized Value (as defined herein) of the Bonds to be redeemed; or (ii) an amount equal to the sum of the present values of the remaining scheduled payments of principal and interest on the Bonds to be redeemed, from and including the date of redemption to August 15, ____, discounted to the date of redemption on a semiannual basis at a discount rate equal to the Applicable Tax-Exempt Bond Rate (as defined herein).

In addition to the foregoing, any Term Bonds will be subject to mandatory sinking fund redemption.

See "THE BONDS – Redemption" herein for a further description of the redemption provisions applicable to the Bonds.

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* Preliminary, subject to change.

TAX EXEMPTION .... In the opinion of Bond Counsel, interest on the Bonds for federal income tax purposes, under and pursuant to statutes, regulations, published rulings, and court decisions existing on the date hereof, (1) will be excludable from the gross income of the owners thereof, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof, who are individuals or, except as hereinafter described, corporations (see "TAX MATTERS" herein).

USE OF PROCEEDS......................... Proceeds from the sale of the Bonds will be utilized to (i) refund certain maturities of the District's currently outstanding indebtedness as disclosed in Schedule I hereto (the "Refunded Obligations") for debt service savings, and (ii) pay the costs of their issuance (see "PLAN OF FINANCING – Use of Bond Proceeds").

RATINGS .... The presently outstanding unlimited tax-supported debt of the District is rated "Aa1" by Moody's Investors Service, Inc. ("Moody's") and "AA+" by Fitch Ratings, Inc. ("Fitch") without regard to credit enhancement. Applications for contract ratings on the Bonds have been made to Moody's and Fitch. The District has determined to not apply to S&P Global Ratings ("S&P"), for a rating on these Bonds. The District has 9 issues outstanding, excluding the Bonds, which are rated "Aaa" by Moody's, "AAA" by S&P and "AAA" by Fitch, and 21 additional issues outstanding which are rated "Aaa" by Moody's and "AAA" by Fitch, all by virtue of the guarantee of the Permanent School Fund of the State of Texas (see "OTHER INFORMATION - Ratings"). The District has five issues that are not subject to the Permanent School Fund Guarantee. The District has applied for and has received conditional approval from the TEA for the Bonds to be guaranteed by the corpus of the Permanent School Fund.

BOOK-ENTRY-ONLY SYSTEM .... The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of the Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS - Book-Entry-Only System").

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

FUTURE DEBT ISSUES .... On May 10, 2014, the District's voters authorized the District to issue $648,340,000 in unlimited tax-supported bonds, the proceeds from which will be utilized to undertake District-wide improvements and are expected to address the District's capital needs at least through 2018. The District has issued four installments of this authorization and applied bond proceeds in the aggregate amount of $275,000,000 (leaving $373,340,000 unissued) against the same. The District does not anticipate the issuance of additional new money bonds from this authority until 2017.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 8/31	Estimated District Population(1)	Taxable Assessed Valuation(2)	Per Capita Taxable Assessed Valuation	Tax Supported Debt	Per Capita Tax Supported Debt	Ratio Tax Supported Debt to Taxable Assessed Valuation	% of Total Tax Collections
2013	574,000	$ 33,191,950,055	$ 57,826	$ 1,858,055,000	$ 3,237	5.60%	99.96%
2014	589,000	35,320,695,238	59,967	1,982,870,000	3,367	5.61%	100.59%
2015	608,000	37,907,088,332	62,347	2,091,145,000	3,439	5.52%	99.67%
2016	608,000 (3)	40,779,480,833	67,072	2,158,560,000	3,550	5.29%	99.68% (5)
2017	608,000 (3)	44,316,750,782	72,889	2,079,210,000 (4)	3,420 (4)	4.69% (4)	N/A

(1) Source: District Officials.
(2) Source: District Comprehensive Annual Financial Reports for years ending 2013 through 2015, and Bexar Appraisal District's Certified Totals for Tax Year 2015 and 2016, subject to change during the ensuing year.
(3) Fiscal Year ending 2015 population held constant for purposes of illustration.
(4) Excludes the Refunded Obligations and includes the Bonds; preliminary, subject to change.
(5) As of July 31, 2016, unaudited.

* Preliminary, subject to change.

CHANGES IN NET POSITION CONSOLIDATED STATEMENT SUMMARY

	Fiscal Year Ended August 31,				
	2015	2014	2013	2012	2011
Beginning Net Position	$ 350,587,327	$ 348,561,296	$ 344,247,565	$ 303,469,895	$ 309,836,430
Total Revenue	1,060,438,605	1,012,088,315	917,938,060	922,956,212	925,101,413
Total Expenses	(1,050,398,014)	(1,004,089,781)	(913,624,329)	(882,178,542)	(931,467,948)
Prior Period Adjustment	(140,161,110) (1)	(5,972,503)	-	-	-
Ending Net Position	$ 220,466,808	$ 350,587,327	$ 348,561,296	$ 344,247,565	$ 303,469,895

Source: The District's Comprehensive Annual Financial Reports.

(1) Prior period adjustment related to District's adoption of GASB Statement No. 68.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	For Fiscal Year Ended August 31,				
	2015	2014	2013	2012	2011
Beginning Balance	$ 289,222,471	$ 259,086,110	$229,063,584	$170,287,720	$142,947,976
Total Revenue	804,214,714	767,956,155	693,467,943	676,759,259	673,726,635
Total Expenditures	779,065,520	733,219,794	662,434,014	617,982,523	646,363,064
Net Funds Available	25,149,194	34,736,361	31,033,929	58,776,736	27,363,571
Other Sources/Uses	(5,325,000)	(4,600,000)	(1,011,403)	(872)	(23,827)
Ending Balance	$ 309,046,665	$ 289,222,471	$259,086,110	$229,063,584	$170,287,720

Source: The District's Comprehensive Annual Financial Reports.

For additional information regarding the District, please contact:

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Northside Independent School District
5900 Evers Road
San Antonio, Texas 78238
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Fax: 210-706-8543
david.rastellini@nisd.net

or

Mr. Raul Villaseñor
FirstSouthwest, a Division of Hilltop Securities Inc.
70 Northeast Loop 410, Suite 710
San Antonio, Texas 78216
Telephone: 210-308-2200
Fax: 210-349-7585
raul.villasenor@hilltopsecurities.com

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DISTRICT OFFICIALS, STAFF AND CONSULTANTS

THE BOARD OF TRUSTEES

Board of Trustees	Length of Service	Term Expires	Occupation
Katie N. Reed President, District 5	26 Years	May 2017	Community Volunteer
M'Lissa M. Chumbley Vice President, District 3	21 Years	May 2019	Insurance Specialist
Dr. Carol Harle Secretary, District 6	3 Years	May 2017	Educational Consultant/ Professor
Joseph Medina Trustee, District 1	1 Year	May 2019	Educator
Gerald B. Lopez Trustee, District 2	1 Year	May 2019	Chief of Staff, City Council District 6
Robert (Bobby) Blount, Jr. Trustee, District 4	17 Years	May 2019	Corporate Manager
Karen Freeman Trustee, District 7	11 Years	May 2017	Community Volunteer

APPOINTED OFFICIALS

ADMINISTRATIVE OFFICERS	POSITION
Superintendent	
Dr. Brian T. Woods	Superintendent of Schools
Deputy Superintendents	
Dr. Janis Jordan	Deputy Superintendent, Curriculum and Instruction
Mr. David Rastellini	Deputy Superintendent, Business and Finance
Mr. Ray Galindo	Deputy Superintendent, Administration
Assistant Superintendents	
Mr. Wesley Scott	Assistant Superintendent, Budget and Finance
Mr. Stephen Daniel	Assistant Superintendent, Secondary Administration
Mr. Leroy San Miguel	Assistant Superintendent, Facilities and Operations
Ms. Levinia Lara	Assistant Superintendent, Elementary Administration
Ms. Patricia Denham Hill	Assistant Superintendent, Human Resources
Mr. Don Schmidt	Assistant Superintendent, Student, Family & Community Services
Ms. Lori Jones	Assistant Superintendent, Technology Services

CONSULTANTS AND ADVISORS

General Counsel..Langley & Banack, Inc.
San Antonio, Texas

Certified Public Accountants..Padgett, Stratemann & Co., L.L.P.
San Antonio, Texas

Bond Counsel..Norton Rose Fulbright US LLP
San Antonio, Texas

Financial Advisor..FirstSouthwest, a Division of Hilltop Securities Inc.
San Antonio, Texas

PRELIMINARY OFFICIAL STATEMENT

RELATING TO

$84,185,000*
NORTHSIDE INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located primarily in Bexar County)
UNLIMITED TAX REFUNDING BONDS,
SERIES 2016A

INTRODUCTION

This Official Statement, which includes the cover page, Schedule I and the Appendices hereto, provides certain information pertaining to the $84,185,000* Northside Independent School District Unlimited Tax Refunding Bonds, Series 2016A (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Order (defined herein), except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Bonds and certain information regarding the Northside Independent School District (the "District") and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District's Financial Advisor, FirstSouthwest, a Division of Hilltop Securities Inc. ("FirstSouthwest"), San Antonio, Texas upon request by electronic mail or upon payment of reasonable copying, handling, and delivery charges.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. A copy of the Final Official Statement and the Escrow Agreement (defined herein) pertaining to the Bonds will be filed by the Underwriters with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("EMMA") system. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the District's undertaking to provide certain information on a continuing basis.

DESCRIPTION OF THE DISTRICT . . . The District is a political subdivision of the State of Texas (the "State" or the "State of Texas") primarily located in Bexar County, Texas but with small amounts of taxable property located in Medina and Bandera Counties, Texas. The District is governed by a seven-member Board of Trustees (the "Board" or "Board of Trustees") who serve staggered four-year terms with elections being held in May of every other year in odd-numbered years. 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. The District covers approximately 316.49 square miles.

PLAN OF FINANCING

USE OF BOND PROCEEDS . . . Proceeds from the sale of the Bonds will be utilized to (i) refund certain maturities of the District's currently outstanding indebtedness as disclosed in Schedule I hereto (the "Refunded Obligations") for debt service savings, and (ii) pay the costs of issuance of the Bonds.

REFUNDED OBLIGATIONS . . . The principal and interest due on the Refunded Obligations are to be paid on the scheduled interest payment dates and the respective redemption dates of such Refunded Obligations, from funds to be deposited pursuant to a certain Escrow and Trust Agreement (the "Escrow Agreement"), dated as of August 16, 2016, between the District and Amegy Bank, a division of ZB, National Association, Houston, Texas (the "Escrow Agent"). The Order provides that from the proceeds of the sale of the Bonds received from the Underwriters, along with a cash deposit from the District (if any), the District will deposit with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Refunded Obligations on their redemption date. Such funds will be held by the Escrow Agent in a special escrow account (the "Escrow Fund") and used to purchase direct obligations of the United States of America or other permitted defeasance securities (the "Federal Securities"). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Obligations.

Grant Thornton LLP, a nationally recognized accounting firm, will verify at the time of delivery of the Bonds to the Underwriters thereof the mathematical accuracy of the schedules that demonstrate the Federal 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 Obligations. **Such maturing principal of and interest on the Federal Securities will not be available to pay the Bonds** (see "OTHER INFORMATION - Verification of Arithmetical and Mathematical Computations").

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

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* Preliminary, subject to change.

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

The defeasance of the Refunded Obligations will result in the cancellation of the Permanent School Fund Guarantee thereof.

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds are dated September 15, 2016 and mature on August 15 in each of the years and in the principal amounts shown in the table appearing on page 2 hereof. Interest accrues from the Bonds' date of initial delivery to the Underwriters (expected to occur on or about October 20, 2016), will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15 and August 15 of each year, commencing February 15, 2017 until stated maturity or prior redemption. The definitive Bonds will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York, ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS - Book-Entry-Only System" herein).

AUTHORITY FOR ISSUANCE . . . The Bonds are issued and the tax levied for their payment pursuant to authority conferred by the Constitution and the laws of the State, including Chapters 1207 and 1371, as amended, Texas Government Code (together, the "Legal Authority"), and an order adopted by the Board on August 16, 2016 (the "Order"). In the Order, and as permitted by the Legal Authority, the Board has delegated to certain District representatives the authority to establish the final sales terms of the Bonds and to execute an approval certificate (the "Approval Certificate") effectuating the sale of the Bonds.

SECURITY AND SOURCE OF PAYMENT . . . All taxable property within the District is subject to a continuing direct annual ad valorem tax levied by the District, without legal limit as to rate or amount, sufficient to provide for the payment of principal of and interest on the Bonds (see "TAX INFORMATION - Tax Rate Limitations" herein).

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

TAX RATE LIMITATION . . . For debt service of unlimited tax debt, there is no limitation on the tax rate (Sections 45.001 and 45.003(b)(1), Texas Education Code, as amended); provided, however, with respect to "new debt", the District must demonstrate to the Attorney General of Texas the ability to pay all such "new debt" with a debt service tax not to exceed $0.50 per $100 assessed valuation in compliance with Section 45.0031, Texas Education Code, as amended. The Bonds are not "new debt" and are, therefore, not subject to the $0.50 threshold tax rate test. For a more detailed description of the $0.50 test, and the exceptions therefrom, see "TAX INFORMATION – Tax Rate Limitations" herein.

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

The District also reserves the right, at its option, to redeem the Bonds having stated maturities on and after August 15, ____, in whole or in part, at any time prior to August 15, ____, at the Make Whole Redemption Price (as defined below).

The Make Whole Redemption Price is equal to the greater of:

i. one hundred two percent (102%) of the Amortized Value (as defined herein) of the Bonds to be redeemed; or

ii. an amount equal to the sum of the present values of the remaining scheduled payments of principal and interest on the Bonds to be redeemed, from and including the date of redemption to August 15, ____, discounted to the date of redemption on a semiannual basis at a discount rate equal to the Applicable Tax-Exempt Bond Rate (as defined herein).

"Amortized Value" means an amount equal to the principal amount of the Bonds to be redeemed multiplied by the price of such Bonds expressed as a percentage, calculated based on the industry standard method of calculating bond prices, with a delivery date equal to the date of redemption, a maturity date equal to August 15, ____ of such Bonds and a yield equal to such Bonds' original offering yields as set forth on page 2 of this Official Statement.

"Applicable Tax-Exempt Bond Rate" means an amount equal to the "Interpolated AAA Yields" rate for August 15, ____ as published by the Municipal Market Data (MMD) at least five calendar days, but not more than 45 calendar days, prior to the redemption date of the Bonds to be redeemed. If no such rate is established for the applicable year, the "Interpolated AAA Yields" rate for the published maturities most closely corresponding to the applicable year will be determined, and the Applicable Tax-Exempt Bond Rate will be interpolated from those rates on a straight-line basis. Should the MMD no longer publish the "Interpolated AAA Yields" rate, then the Applicable Tax-Exempt Bond Rate will equal the "Consensus Scale" rate for the applicable year published by the Municipal Market Advisors (MMA). In the further event that MMA no longer publishes the "Consensus Scale," the Applicable Tax-Exempt Bond Rate will be determined by a qualified financial institution determined by the District as the quotation agent, based upon the rate per annum equal to the semiannual equivalent yield to maturity for those tax-exempt general obligation bonds rated in the highest rating category by Moody's Investors Service, Inc. and S&P Global Ratings, with a maturity date equal to August 15, ____ of such Bonds having characteristics (other than the ratings) most comparable to those of such Bonds in the judgment of the quotation agent. The quotation agent's determination of the Applicable Tax-Exempt Bond Rate shall be final and binding in the absence of manifest error.

In addition to the foregoing, if two or more serial maturities of Bonds are grouped into a single maturity (the "Term Bonds") by the Underwriters, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with applicable provisions of the Order.

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

NOTICE OF REDEMPTION . . . Not less than 30 days prior to a redemption date for the Bonds, the District shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

AMENDMENTS . . . The District, may, without the consent of or notice to any holders of the Bonds, from time to time and at any time, amend the Order in any manner not detrimental to the interests of the holders of the Bonds, including the curing of any ambiguity, inconsistency, or formal defect or omission herein. In addition, the District may, with the written consent of holders of the Bonds holding a majority in aggregate principal amount of the Bonds then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Order; provided, however, that, without the consent of all holders of outstanding Bonds, no such amendment, addition, or rescission shall (1) extend the time or times of payment of the principal of, premium, if any, and interest on the Bonds, reduce the principal amount thereof, the redemption price therefor, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, premium, if any, or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount of Bonds required to be held by holders for consent to any such amendment, addition, or rescission.

DEFEASANCE . . . The Order provides for the defeasance of the Bonds when the payment of the principal of and premium, if any, on the Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent, in trust (1) money sufficient to make such payment, (2) Government Obligations (defined below), certified by an independent public accounting firm of national reputation to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds, or (3) a combination of money and Government Obligations together so certified sufficient to make such payment; provided, however, that no certification by an independent accounting firm of the sufficiency of deposits shall be required in connection with a gross defeasance of Bonds. The District has additionally reserved the right in the Order, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Obligations for the Government Obligations originally deposited, to reinvest the uninvested money on deposit for such defeasance and to withdraw for the benefit of the District money in excess of the amount required for such defeasance. The Order provides that "Government Obligations" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District authorizes the defeasance, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that on the date the governing body of the District adopts or approves the proceedings authorizing the financial arrangements have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, or (d) any additional securities and obligations hereafter authorized by Texas law as eligible for use to accomplish the discharge of obligations such as the Bonds. There is no assurance that the ratings for United States Treasury securities acquired to defease any Bonds, or those for any other Government Obligations, will be maintained at any particular rating category. Further, there is no assurance that current State law will not be amended in a manner that expands or contracts the list of permissible defeasance securities (such list consisting of those securities identified in clauses (a) through (c) above), or any rating requirement thereon, that may be purchased with defeasance proceeds relating to the Bonds ("Defeasance Proceeds"), though the District has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Order does not contractually limit such permissible defeasance securities and expressly recognizes the ability of the District to use lawfully available Defeasance Proceeds to defease all or any portion of the Bonds, registered owners of Bonds are deemed to have consented to the use of Defeasance Proceeds to purchase such other defeasance securities, notwithstanding the fact that such defeasance securities may not be of the same investment quality as those currently identified under State law as permissible defeasance securities.

Upon such deposit as described above, such Bonds will no longer be regarded to be outstanding obligations for purposes of applying any limitation on indebtedness or for purposes of taxation. After firm banking and financial arrangements for the discharge and final payment of the Bonds have been made as described above, all rights of the District to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that, the District's right to redeem Bonds defeased to stated maturity is not extinguished if the District has reserved the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption, at an earlier date, those Bonds which have been defeased to their stated maturity date, if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Defeasance will cancel the Permanent School Fund Guarantee with respect to those defeased Bonds.

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 accredited 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, Underwriters, and Financial Advisor believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.*

The District cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants (defined herein), (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 (defined herein), or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered certificate will be issued for each maturity of the Bonds in the aggregate principal amount of each such maturity and will be deposited with DTC.

DTC, the world's largest 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, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants" and, together with the Direct Participants, the "DTC Participants"). DTC has a Standard & Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the United States Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement. In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the DTC 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.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the District, the Financial Advisor or the Underwriters.

Effect of Termination of Book-Entry-Only System. In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the District, printed Bonds will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Order and summarized under "THE BONDS - Transfer, Exchange and Registration" below.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is Amegy Bank, a division of ZB, National Association, Houston, Texas. In the Order, the District retains the right to replace the Paying Agent/Registrar. The District has covenanted to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District has agreed to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

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 will be paid to the registered owner at the stated maturity or earlier redemption upon presentation to the designated payment/transfer office of the Paying Agent/Registrar. If the date for the payment of the principal of or interest on the Bonds is a Saturday, Sunday, a legal holiday or a day when banking institutions 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, payments of principal of and interest on the Bonds will be made as described in "THE BONDS - Book-Entry-Only System," above.

Transfer, Exchange and Registration . . . In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer (see "THE BONDS - Book-Entry-Only System" herein) for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. Neither the District nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

Record Date for Interest Payment . . . The record date ("Record Date") for determining the person to whom the interest on the Bonds is payable on any interest payment date means the close of business on the last business day of the preceding month.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest (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 holder of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Bondholders' Remedies . . . If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Order, and the State fails to honor the Permanent School Fund Guarantee as hereinafter discussed, the registered owners may seek a writ of mandamus to compel District officials to carry out their legally imposed duties with respect to the Bonds, if there is no other available remedy at law to compel performance of the Bonds or Order and the District's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Order does not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the District to perform in accordance with the terms of the Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Chapter 1371, as amended, Texas Government Code ("Chapter 1371"), which pertains to the issuance of public securities by issuers such as the District, permits the District to waive sovereign immunity in the proceedings authorizing the issuance of the Bonds. Notwithstanding its reliance upon the provisions of Chapter 1371 in connection with the issuance of the Bonds (as further described under the caption "THE BONDS – Authority for Issuance"), the District has not waived the defense of sovereign immunity with respect thereto. Because it is unclear whether the Texas Legislature has effectively waived the District's sovereign immunity from a suit for money damages outside of Chapter 1371, Bondholders may not be able to bring such a suit against the District for breach of the Bonds or Order covenants. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the United States Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it (see "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein for a description of the procedures to be followed for payment of the Bonds by the Permanent School Fund in the event the District fails to make a payment on the Bonds when due). The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors and general principles of equity that permit the exercise of judicial discretion.

SOURCES AND USES OF FUNDS . . . The proceeds from the sale of the Bonds and the District's cash contribution, if any, will be applied approximately as follows:

Sources of Funds:	
Principal Amount of the Bonds	$
Premium	
District Contribution	
Total Sources of Funds	$ -
Uses of Funds:	
Deposit to the Escrow Fund	$
Underwriters' Discount	
Cost of Issuance and Contingency	
Total Uses of Funds	$ -

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

The information below concerning the Texas Permanent School Fund and the Guarantee Program for school district bonds has been provided by TEA (defined below) 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 at 17% 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.

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

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

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, S&P Global Ratings, and Fitch Ratings rate bonds guaranteed by the PSF “Aaa,” “AAA” and “AAA,” respectively. Not all districts apply for multiple ratings on their bonds, however. See “OTHER INFORMATION - 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	757,935,000	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 15c2-12 to make all disclosures and filings relating directly to guaranteed bonds, and the TEA takes no responsibility with respect to such undertakings. Under the TEA agreement, the TEA will be obligated to provide annually certain updated financial information and operating data, and timely notice of specified material events, to the MSRB.

The MSRB has established the Electronic Municipal Market Access ("EMMA") system, and the TEA is required to file its continuing disclosure information using the EMMA system. Investors may access continuing disclosure information filed with the MSRB at www.emma.msrb.org, and the continuing disclosure filings of the TEA with respect to the PSF can be found at 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.

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 INFORMATION – 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 "TAX INFORMATION – 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 INFORMATION – 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 NORTHSIDE INDEPENDENT SCHOOL DISTRICT

The District's wealth per student for the 2016-17 school year is more than the equalized wealth value, which is the first year of such occurrence for the District. Section 41.0041, as amended, Texas Education Code ("Section 41.0041") states that if a school district's wealth per student exceeds the equalized wealth level for the first time in the 2006-07 school year or later, that district's board of trustees may authorize the Commissioner to withhold from certain State revenues to which such district is otherwise entitled an amount equal to that district's cost to purchase attendance credits in an amount sufficient to reduce its wealth per student to the equalized wealth level for the subject school year. The Board has authorized the Commissioner to withhold State revenues pursuant to Section 41.0041; however, as a result of the "hold harmless" provisions of the Reform Legislation and modifications to school district funding enacted through legislation enrolled in 2013, this authorization has not resulted in State funding to which the District is otherwise entitled being withheld (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2006 Legislation".)

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 continues to 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 ratio of taxable property to debt could become diluted. If the District were to detach property voluntarily, a portion of its outstanding debt (including the Bonds) could be assumed by the district to which the property is annexed, in which case timely payment of the Bonds could become dependent in part on the financial performance of the annexing district.

TAX INFORMATION

AD VALOREM TAX LAW . . . The appraisal of property within the District is the responsibility of the Bexar Appraisal District (the "Appraisal District"). Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal District is required under the Property Tax Code to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. 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 market value of the property, or (2) the sum of (a) 10% of the appraised value of the property for the last year in which the property was appraised for taxation times the number of years since the property was last appraised, plus (b) the appraised value of the property for the last year in which the property was appraised plus (c) the market value of all new improvements to the property. The value placed upon property within the Appraisal District is subject to review by an Appraisal Review Board, consisting of three members appointed by the Board of Directors of the Appraisal District. The Appraisal District is required to review the value of property within the Appraisal District at least every three years. The District may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the District by petition filed with the Appraisal Review Board.

Reference is made to the VTCA, Property Tax Code, for identification of property subject to taxation; property exempt or which may be exempted from taxation, if claimed; the appraisal of property for ad valorem taxation purposes; and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Article VIII of the State Constitution ("Article VIII") and State law provide for certain exemptions from property taxes, the valuation of agricultural and open-space lands at productivity value, and the exemption of certain personal property from ad valorem taxation.

Certain residence homestead exemptions from ad valorem taxes for public school purposes are mandated by Section 1-b, Article VIII, and State law and apply to the market value of residence homesteads in the following sequence:

$25,000; and an additional

$10,000 for those 65 years of age or older, or the disabled. A person over 65 and disabled may receive only one $10,000 exemption, and only one such exemption may be received per family, per residence homestead. State law also mandates a freeze on taxes paid on residence homesteads of persons 65 years of age or older which receive the $10,000 exemption. Such residence homesteads shall be appraised and taxes calculated as on any other property, but taxes shall never exceed the amount imposed in the first year in which the property received the $10,000 exemption. The freeze on ad valorem taxes on the homesteads of persons 65 years of age or older and the disabled is also transferable to a different residence homestead. If improvements (other than repairs or improvements required to comply with governmental requirements) are made to the property, the value of the improvements is taxed at the then current tax rate, and the total amount of taxes imposed is increased to reflect the new improvements with the new amount of taxes then serving as the ceiling on taxes for the following years. Also, a surviving spouse of a taxpayer who qualifies for the freeze on ad valorem taxes is entitled to the same exemption so long as (i) the taxpayer died in a year in which he qualified for the exemption, (ii) the surviving spouse was at least 55 years of age when the taxpayer died and (iii) the property was the residence homestead of the surviving spouse when the taxpayer died and the property remains the residence homestead of the surviving spouse. Pursuant to a constitutional amendment approved by the voters on May 12, 2007, legislation was enacted to reduce the school property tax limitation imposed by the freeze on taxes paid on residence homesteads of persons 65 years of age or over or of disabled persons to correspond to reductions in local school district tax rates from the 2005 tax year to the 2006 tax year and from the 2006 tax year to the 2007 tax year (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - Overview" herein). The school property tax limitation provided by the constitutional amendment and enabling legislation apply to the 2007 and subsequent tax years.

In addition, under Section 1-b, Article VIII, and State law, the governing body of a political subdivision, at its option, may grant:

(i) An exemption of not less than $3,000 of the 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;

(ii) An exemption of up to 20% of the market value of residence homesteads; minimum exemption $5,000.

After the exemption described in (i) above is authorized, such exemption may be repealed or decreased or increased in amount (a) by the governing body of the political subdivision or (b) 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 exemption listed in (i) above 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 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.

State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from $5,000 to a maximum of $12,000.

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".

Section 11.131 of the Texas Property Tax Code 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. Furthermore, following the approval by the voters at a November 8, 2011 statewide election, effective January 1, 2012, the surviving spouse of a deceased veteran who had received a disability rating of 100% is entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries.

Following the approval by the voters at a November 5, 2013 statewide election, a partially disabled veteran or the surviving spouse of a partially disabled veteran is entitled to an exemption equal to the percentage of the veteran's disability, if the residence was donated at no cost to the veteran by a charitable organization.

Also approved by the November 5, 2013 election, was a constitutional amendment providing that the surviving spouse of a member of the armed forces who is killed in action is entitled to a property tax exemption for all or part of the market value of such surviving spouse's residences homestead, if the surviving spouse has not remarried since the service member's death and said property was the service member's residence homestead at the time of death. Such exemption is transferable to a different property of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

Article VIII provides that eligible owners of both agricultural land (Section l-d) and open-space land (Section l-d-l), including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified under both Section 1-d and 1-d-1.

The freeze on ad valorem taxes on the homesteads of persons 65 years of age or older for general elementary and secondary public school purposes is also transferable to a different residence homestead.

See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2015 Legislation" for a description of recent legislative changes that resulted in an increase in the minimum amount of residential homestead exemption.

Nonbusiness personal property, such as automobiles or light trucks, are exempt from ad valorem taxation unless the governing body of a political subdivision elects to tax this property. Boats owned as nonbusiness property are exempt from ad valorem taxation.

Article VIII, Section 1-j of the Texas Constitution provides for "freeport property" to be exempted from ad valorem taxation. Freeport property is defined as goods detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Notwithstanding such exemption, counties, school districts, junior college districts and cities may tax such tangible personal property provided official action to tax the same was taken before April 1, 1990. Decisions to continue to tax may be reversed in the future; 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 the Texas Property Tax Code 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 Property Tax Code provision permits local governmental entities, on a local option basis, to take official action after October 1 but by December 31 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 receive only one of the freeport exemptions or the goods-in-transit exemptions for items of personal property.

A city may create a tax increment financing district ("TIF") within the city 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 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 municipalities and counties to initiate tax abatement agreements. Credit will not be given by the Commissioner of Education in determining a district's property value wealth per student for (1) the appraisal value, in excess of the "frozen" value, of property that is located in a tax increment financing zone 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 zone of its intention to create the zone and the zone is created and has 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 "TAX INFORMATION - Public Hearing and Rollback Tax Rate" and "TAX INFORMATION - District Application of Tax Code").

TAX RATE LIMITATIONS . . . A school district is authorized to levy maintenance and operation ("M&O") taxes subject to approval of a proposition submitted to district voters under Section 45.003(d) of the Texas Education Code, as amended. The maximum M&O tax rate that may be levied by a district cannot exceed the voted maximum rate or the maximum rate described in the succeeding paragraphs. The maximum voted M&O tax rate for the District is $1.50 per $100 of assessed valuation as approved by the voters at an election held on September 26, 1998 under Chapter 45, 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 year 2015–16. The State Compression Percentage is set by legislative appropriation for each State fiscal biennium or, in the absence of legislative appropriation, by the Commissioner. For a more detailed description of the State Compression Percentage, see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - Local Funding for School Districts." Furthermore, a school district cannot annually increase its tax rate in excess of the district's "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 "TAX INFORMATION - Public Hearing and Rollback Tax Rate."

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

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

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.

PROPERTY ASSESSMENT AND TAX PAYMENT . . . 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 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. Effective January 1, 2016, the valuation assessment of oil and gas reserves will depend upon pricing information in either the standard edition of the Annual Energy Outlook or, if the most recently published edition of the Annual Energy Outlook was published before December 1 of the preceding calendar year, the Short-Term Energy Outlook report published in January of the current calendar year. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first installment due on February 1 of each year and the final installment due on August 1.

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

Month	Cumulative Penalty	Cumulative Interest[b]	Total
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July	27[a]	6	33

(a) Includes additional penalty of up to 20% assessed after July 1 in order to defray attorney collection expenses.
(b) Interest continues to accrue after July 1 at the rate of 1% per month until paid.

Taxes levied by the District are a personal obligation of the owner of the property. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with tax liens of all other such taxing units. A tax lien on real property has priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty and interest. At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. The ability of the District to collect delinquent taxes by foreclosure may be adversely affected by the amount of taxes owed to other taxing units, adverse market conditions, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer's debt. **Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.**

DISTRICT APPLICATION OF TAX CODE . . . The District grants an exemption to the market value of the residence homestead of persons 65 years of age or older of $13,330; which is in addition to the state-mandated $10,000; the disabled are also granted an exemption by the District of $13,330, which also is in addition to the state-mandated $10,000.

The District has not granted an additional exemption of 20% of the market value of residence homesteads; minimum exemption of $5,000.

See Table 1 for a listing of the amounts of the exemptions described above.

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

Bexar County Tax Assessor/Collector collects taxes for the District. The District does not tax nonbusiness personal property.

The District does permit split payments, but discounts are not allowed.

The District does tax freeport property.

On October 25, 2011, the District's Board of Trustees adopted a resolution authorizing the continued taxation of goods-in-transit for the 2012 tax year and beyond.

TAX ABATEMENT POLICY . . . The District no longer has a tax abatement program.

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TABLE 1 - VALUATION, EXEMPTIONS AND TAX SUPPORTED DEBT

2016/17 Market Valuation Established by Bexar Appraisal District (includes exempt property)		$55,679,272,538
Less Exemptions/Reductions at 100% Market Value:		
Community Housing Development Organization	$ 80,785,810	
$25,000 Residential Homestead Exemptions (State Mandated)	2,644,277,200	
Over-65/Disabled Exemptions	707,173,028	
Disabled Veterans	824,694,183	
Disabled Persons	56,051,305	
Productivity Loss	739,810,252	
Leased Vehicles	188,678,444	
Military Active Service Surviving Spouse	1,942,990	
Value Lost to 10% Residential Cap	382,652,789	
Exempt	1,444,870,295	
Value Lost Due To Tax Freeze	4,257,156,365	
Low Income Housing	33,463,295	
Pollution Control	509,690	
Other	456,110	11,362,521,756
2016/17 Taxable Assessed Valuation		$44,316,750,782
Debt Payable from Ad Valorem Taxes as of August 1, 2016		
Unlimited Tax Bonds(1)	$2,091,225,000	
The Bonds(2)	84,185,000	
Debt Payable from Ad Valorem Taxes(2)		$ 2,175,410,000
Interest and Sinking Fund as of July 31, 2016(3)		$ 93,121,694
Ratio of Tax Supported Debt to Taxable Assessed Valuation		4.91%

2017 Estimated Population - 608,000
Per Capita Taxable Assessed Valuation - $72,889
Per Capita Debt Payable from Ad Valorem Taxes - $3,578

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(1) Excludes the Refunded Obligations; preliminary, subject to change.
(2) Preliminary, subject to change.
(3) Unaudited.

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TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Taxable Appraised Value for Fiscal Year Ended August 31					
	2017		2016		2015	
Category	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$30,565,767,270	54.90%	$28,072,380,876	55.39%	$24,951,702,535	56.25%
Real, Residential, Multi-Family	5,677,853,480	10.20%	4,874,819,594	9.62%	4,161,527,375	9.38%
Real, Vacant Lots/Tracts	1,233,027,354	2.21%	1,119,676,339	2.21%	939,083,224	2.12%
Real, Acreage (Land Only)	746,300,108	1.34%	742,327,960	1.46%	663,459,442	1.50%
Real, Farm and Ranch Improvements	626,135,084	1.12%	582,197,489	1.15%	578,880,914	1.31%
Real, Commercial	11,259,990,449	20.22%	9,953,405,592	19.64%	8,061,624,382	18.17%
Real, Industrial	107,850,766	0.19%	99,992,076	0.20%	94,169,273	0.21%
Real and Tangible Personal, Utilities	105,812,584	0.19%	102,330,937	0.20%	100,698,384	0.23%
Tangible Personal, Commercial	2,615,100,798	4.70%	2,414,301,349	4.76%	2,198,339,805	4.96%
Tangible Personal, Industrial	222,058,927	0.40%	231,067,087	0.46%	243,225,558	0.55%
Tangible Personal, Mobile Homes	39,553,310	0.07%	39,423,660	0.08%	39,183,718	0.09%
Special Inventory	222,548,830	0.40%	208,879,140	0.41%	194,206,960	0.44%
Real Property, Inventory(1)	473,707,694	0.85%	438,444,019	0.87%	405,770,497	0.91%
Exempt	1,748,253,954	3.14%	1,768,887,322	3.49%	1,693,816,679	3.82%
Other Sub-surface interests	35,311,930	0.06%	33,130,020	0.07%	30,587,550	0.07%
Total Appraised Value Before Exemptions	$55,679,272,538	100.00%	$50,681,263,460	100.00%	$44,356,276,296	100.00%
Adjustments	-		-		33,080,485	
Less: Total Exemptions/Reductions	11,362,521,756		9,901,782,627		6,482,268,449	
Taxable Assessed Value	$44,316,750,782		$40,779,480,833		$37,907,088,332	

	Taxable Appraised Value for Fiscal Year Ended August 31,			
	2014		2013	
Category	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$22,984,789,954	55.64%	$22,145,058,290	56.80%
Real, Residential, Multi-Family	3,841,176,251	9.30%	3,003,624,269	7.70%
Real, Vacant Lots/Tracts	904,809,006	2.19%	911,385,127	2.34%
Real, Acreage (Land Only)	676,800,846	1.64%	1,142,131,471	2.93%
Real, Farm and Ranch Improvements	573,898,124	1.39%	100,469,176	0.26%
Real, Commercial	7,444,769,729	18.02%	7,014,478,845	17.99%
Real, Industrial	90,076,133	0.22%	90,076,869	0.23%
Real and Tangible Personal, Utilities	98,879,827	0.24%	108,620,796	0.28%
Tangible Personal, Commercial	2,122,670,108	5.14%	2,139,832,154	5.49%
Tangible Personal, Industrial	272,693,262	0.66%	222,420,130	0.57%
Tangible Personal, Mobile Homes	39,613,577	0.10%	40,367,289	0.10%
Special Inventory	177,141,810	0.43%	148,608,210	0.38%
Real Property, Inventory(1)	375,228,564	0.91%	349,639,287	0.90%
Exempt	1,678,492,036	4.06%	1,570,676,538	4.03%
Other Sub-surface interests	30,504,580	0.07%	-	0.00%
Total Appraised Value Before Exemptions	$41,311,543,807	100.00%	$38,987,388,451	100.00%
Adjustments	(93,661,811)		(92,220,104)	
Less: Total Exemptions/Reductions	5,897,186,758		5,703,218,292	
Taxable Assessed Value	$35,320,695,238		$33,191,950,055	

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(1) Real property, inventory in the hands of developers or builders; each group of properties in this category is appraised on the basis of its value as a whole as a sale to another developer or builder.

NOTE: Valuations shown are certified taxable assessed values reported by the Appraisal District. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

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TABLE 3 - VALUATION AND TAX SUPPORTED DEBT HISTORY

Fiscal Year Ended 8/31	Estimated Population[(1)]	Taxable Assessed Valuation[(2)]	Taxable Assessed Valuation Per Capita	Net Tax Supported Debt Outstanding at End of Year	Ratio of Net Tax Supported Debt to Taxable Assessed Valuation	Net Tax Supported Debt Per Capita
2013	574,000	$ 33,191,950,055	$ 57,826	$ 1,858,055,000	5.60%	$ 3,237
2014	589,000	35,320,695,238	59,967	1,982,870,000	5.61%	3,367
2015	608,000	37,907,088,332	62,347	2,091,145,000	5.52%	3,439
2016	608,000 (3)	40,779,480,833	67,072	2,158,560,000	5.29%	3,550
2017	608,000 (3)	44,316,750,782	72,889	2,079,210,000 (4)	4.69% (4)	3,420 (4)

(1) Source: District Officials.
(2) Source: District Comprehensive Annual Financial Reports for years ending 2013 through 2015, and the Appraisal District's Certified Totals for Tax Year 2015 and 2016, subject to change during the ensuing year.
(3) Fiscal Year ending 2015 population held constant for purposes of illustration.
(4) Excludes the Refunded Obligations and includes the Bonds; preliminary, subject to change.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 8/31	Tax Rate	Local Maintenance	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2012	$ 1.37550	$ 1.04000	$ 0.33550	$ 444,125,370	98.78%	99.60%
2013	1.37550	1.04000	0.33550	456,555,273	98.91%	99.96%
2014	1.37550	1.04000	0.33550	485,836,163	99.22%	100.59%
2015	1.37550	1.04000	0.33550	521,412,000	99.27%	99.67%
2016	1.37550	1.04000	0.33550	560,921,759	99.13% (1)	99.68% (1)

(1) As of July 31, 2016, unaudited.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2016/17 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Microsoft Corporation	Computer Technology	$ 587,264,250	1.33 %
USAA	Insurance	398,332,630	0.90 %
La Cantera Retail LTD	Retail	354,889,660	0.80 %
Methodist Healthcare System	Hospital	297,339,730	0.67 %
Wal-Mart Stores Inc #2404	Retail	255,326,080	0.58 %
H.E.B. Grocery Company LP	Grocery Stores	237,231,275	0.54 %
Hines Global Reit San Antonio Retail I LP	Real Estate	169,040,400	0.38 %
Frost Bank	Bank	139,200,800	0.31 %
Frankel Family Trust	Real Estate	133,360,440	0.30 %
LSREF2 Windmill Reo (Eilan Land) LLC	Real Estate	122,380,000	0.28 %
		$ 2,694,365,265	6.08 %

TAX-SUPPORTED DEBT LIMITATION . . . Section 45.0031, Texas Education Code, as amended, requires a district to demonstrate to the Texas Attorney General that it has the prospective ability to pay debt service on a proposed issue of bonds, together with debt service on other outstanding "new debt" of the district, 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 State allotments to the district which effectively reduce the district's local share of debt service. 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 debt service on 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) are not subject to the foregoing threshold tax rate test. The Bonds are issued as refunding bonds pursuant to Chapter 1207, as amended, Texas Government Code and are, therefore, not subject to the $0.50 tax rate test.

TABLE 6 - TAX ADEQUACY

2016-2017 Principal and Interest Requirements on Unlimited Ad Valorem Tax Bonds[1]	$146,773,642
Less: Estimated Delinquent Tax Collections	(1,000,000)
Less: Estimated Penalty and Interest Collections	(700,000)
Net: 2016-2017 Principal and Interest Requirements - Unlimited Ad Valorem Tax Debt	$145,073,642
$0.3355 Interest and Sinking Fund Tax Rate @ 99% Collections	$147,195,872

(1) Excludes the Refunded Obligations and includes the Bonds; preliminary, subject to change.

TABLE 7 - ESTIMATED OVERLAPPING DEBT

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

Taxing Jurisdiction	2015/2016 Taxable Assessed Value	2015/2016 Tax Rate	Total Tax Supported Debt	Estimated % Applicable	District's Overlapping Tax Supported Debt As of 8/1/2016	Authorized But Unissued Debt As Of 8/1/2016
Alamo Community College District	$131,026,907,607	$0.1492	$ 431,770,000	34.53%	$ 149,090,181	-
Bandera County	1,990,365,197	0.6769	8,020,000	1.23%	98,646	-
Bexar County	116,007,640,675	0.2975	1,497,765,000	34.53%	517,178,255	$ 37,265,887
Bexar County Hospital District	134,117,908,890	0.2763	695,005,000	34.53%	239,985,227	-
Helotes, City of	749,022,707	0.3500	10,965,000	100.00%	10,965,000	-
Leon Valley, City of	710,799,828	0.5616	10,090,000	100.00%	10,090,000	-
Medina County	2,613,047,650	0.5616	2,900,000	2.86%	82,940	-
San Antonio, City of	90,592,113,807	0.5583	1,460,240	35.96%	334,428	53,781,002 [2]
San Antonio MUD # 1	51,595,041	0.6277	930,000	100.00%	930,000	24,396,000
Shavano Park, City of	768,602,275	0.2877	4,115,000	100.00%	4,115,000	-
Northside Independent School District	44,316,750,782	1.3755	2,175,410,000 [1]	100.00%	2,175,410,000 [1]	373,340,000 [3]
Total Direct and Overlapping Net Tax Supported Debt					$ 3,108,279,676	
Ratio of Direct and Overlapping Net Tax Supported Debt to Taxable Assessed Valuation					7.01%	
Per Capita Overlapping Net Tax Supported Debt					$ 5,112	

(1) Excludes the Refunded Obligations and includes the Bonds; preliminary, subject to change.
(2) As of August 31, 2016, all of the City of San Antonio's authorized debt has been issued.
(3) See "Table 10 – Authorized but Unissued Unlimited Tax Bonds" herein.

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DEBT INFORMATION

TABLE 8 - PRO-FORMA TAX SUPPORTED DEBT SERVICE REQUIREMENTS

FYE	Outstanding Debt[(1)]			The Bonds[(2)]			Total	Percent of Principal
8/31	Principal	Interest	Total	Principal	Interest[(3)]	Total	Debt Service	Retired
2017	$ 67,750,000	$ 75,411,185	$ 143,161,185	$ 265,000	$ 3,347,457	$ 3,612,457	$ 146,773,642	
2018	64,830,000	74,743,269	139,573,269	6,020,000	3,886,700	9,906,700	149,479,969	
2019	66,570,000	78,712,771	145,282,771	4,720,000	3,585,700	8,305,700	153,588,471	
2020	66,705,000	82,132,859	148,837,859	4,950,000	3,349,700	8,299,700	157,137,559	13.12%
2021	69,945,000	81,283,946	151,228,946	5,200,000	3,102,200	8,302,200	159,531,146	
2022	74,810,000	81,711,109	156,521,109	3,930,000	2,842,200	6,772,200	163,293,309	
2023	77,620,000	80,719,804	158,339,804	4,135,000	2,645,700	6,780,700	165,120,504	
2024	79,860,000	77,110,179	156,970,179	5,620,000	2,438,950	8,058,950	165,029,129	
2025	85,825,000	73,343,766	159,168,766	3,610,000	2,157,950	5,767,950	164,936,716	32.24%
2026	90,010,000	69,606,804	159,616,804	3,790,000	1,977,450	5,767,450	165,384,254	
2027	80,705,000	65,686,773	146,391,773	2,520,000	1,787,950	4,307,950	150,699,723	
2028	84,430,000	61,801,890	146,231,890	2,650,000	1,661,950	4,311,950	150,543,840	
2029	88,380,000	57,735,528	146,115,528	2,785,000	1,529,450	4,314,450	150,429,978	
2030	92,290,000	53,438,116	145,728,116	3,060,000	1,390,200	4,450,200	150,178,316	53.23%
2031	96,540,000	48,979,013	145,519,013	3,300,000	1,237,200	4,537,200	150,056,213	
2032	98,510,000	44,452,286	142,962,286	4,280,000	1,105,200	5,385,200	148,347,486	
2033	94,045,000	39,973,943	134,018,943	4,410,000	934,000	5,344,000	139,362,943	
2034	84,935,000	35,721,280	120,656,280	4,530,000	757,600	5,287,600	125,943,880	
2035	86,025,000	31,881,820	117,906,820	4,665,000	576,400	5,241,400	123,148,220	75.64%
2036	75,225,000	27,762,881	102,987,881	4,800,000	389,800	5,189,800	108,177,681	
2037	76,955,000	23,929,814	100,884,814	4,945,000	197,800	5,142,800	106,027,614	
2038	78,570,000	20,005,678	98,575,678	-	-	-	98,575,678	
2039	67,590,000	15,981,252	83,571,252	-	-	-	83,571,252	
2040	57,825,000	12,487,680	70,312,680	-	-	-	70,312,680	92.68%
2041	35,565,000	9,462,375	45,027,375	-	-	-	45,027,375	
2042	37,215,000	7,417,413	44,632,413	-	-	-	44,632,413	
2043	32,885,000	5,274,950	38,159,950	-	-	-	38,159,950	
2044	26,025,000	3,249,750	29,274,750	-	-	-	29,274,750	
2045	17,000,000	1,547,900	18,547,900	-	-	-	18,547,900	99.61%
2046	8,400,000	482,100	8,882,100	-	-	-	8,882,100	100.00%
	$ 2,063,040,000	$ 1,342,048,131	$ 3,405,088,131	$ 84,185,000	$ 40,901,557	$ 125,086,557	$ 3,530,174,688	

(1) Excludes the Refunded Obligations. Interest calculated at the Term Rate of 1.20% through July 31, 2017 and 5.25% thereafter for the Series 2010 Variable Rate Unlimited Tax School Building Bonds. Interest calculated at the Term Rate of 2.125% through July 31, 2020 and 5.250% thereafter for the Series 2011 Variable Rate Unlimited Tax School Building Bonds. Interest calculated at the Term Rate of 2.000% through May 31, 2019 and 5.250% thereafter for the Series 2011A Variable Rate Unlimited Tax Refunding Bonds. Interest calculated at the Term Rate of 1.750% through May 31, 2022 and at the Stepped Rate of 7.000% per annum thereafter for the Series 2012 Variable Rate Unlimited Tax School Building Bonds. Interest calculated at the Initial Rate of 1.350% through May 31, 2018 and at the Stepped Rate of 6.000% per annum thereafter for the Series 2013 Variable Rate Unlimited Tax School Building Bonds. Interest calculated at the Initial Rate of 2.000% through July 31, 2019 and at the Stepped Rate of 7.000% per annum thereafter for the Series 2014 Variable Rate Unlimited Tax School Building Bonds. Interest calculated at the Initial Rate of 1.650% through July 31, 2018 and at the Stepped Rate of 8.000% per annum thereafter for the Series 2015 Variable Rate Unlimited Tax School Building Bonds. Interest calculated at the Initial Rate of 2.000% through May 31, 2021 and at the Stepped Rate of 7.000% per annum thereafter for the Series 2016 Variable Rate Unlimited Tax School Building Bonds. Considers as an off-set to debt service the refundable tax credit to be received from the United States Department of the Treasury by the District as a result of its designation and election to treat certain of its outstanding unlimited ad valorem tax supported debt as "build America bonds" and/or "qualified school construction bonds" and "qualified bonds" under the Code. See "OTHER INFORMATION – Effect of Sequestration" herein.

(2) Preliminary, subject to change.

(3) Interest calculated at assumed rates for purposes of illustration.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

2017-2018 Principal and Interest Requirements on Unlimited Ad Valorem Tax Bonds[1]	$ 149,479,969
Less: Estimated Delinquent Tax Collections	(1,000,000)
Less: Estimated Penalty and Interest Collections	(700,000)
Net: 2017-2018 Principal and Interest Requirements - Unlimited Ad Valorem Tax Debt	$ 147,779,969
$0.3355 Interest and Sinking Fund Tax Rate @ 99% Collection[2]	$ 152,347,727

(1) Excludes the Refunded Obligations and includes the Bonds; preliminary, subject to change.
(2) Assumes an estimated $45,867,837,059 Net Taxable Value in 2017-2018.

TABLE 10 - AUTHORIZED BUT UNISSUED UNLIMITED TAX BONDS

Purpose	Date Authorized	Amount Authorized	Amount Previously Issued	Amount Being Issued	Unissued Balance
Construction and Equipping of School Buildings and Purchase of Sites	5/10/14	$ 648,340,000	$ 275,000,000 [1]	$ -	$ 373,340,000 [1]

(1) See "Anticipated Issuance of Unlimited Tax Debt" below for description of additional issuance of unlimited tax bonds.

ANTICIPATED ISSUANCE OF UNLIMITED TAX DEBT . . . On May 10, 2014, the District's voters authorized the District to issue $648,340,000 in unlimited tax-supported bonds, the proceeds from which will be utilized to undertake District-wide improvements and are expected to address the District's capital needs at least through 2018. The District has issued four installments of this authorization and applied bond proceeds in the aggregate amount of $275,000,000 (leaving $373,340,000 unissued) against the same. The District does not anticipate the issuance of additional new money bonds from this authority until 2017.

TABLE 11- OTHER OBLIGATIONS

GENERAL . . . In addition to voter authorized ad valorem tax-supported debt, the District may also enter into other financial obligations, including maintenance tax notes payable from its collection of maintenance taxes, public property finance contractual obligations, delinquent tax notes, and leases for various purposes payable from State appropriations and surplus maintenance taxes. The District currently has no other such debt outstanding.

PENSION FUND AND OTHER POST EMPLOYMENT RETIREMENT BENEFITS . . . 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. For the year ended August 31, 2015, the State contributed $35,485,579 to TRS on behalf of the District's employees and the District paid additional State contributions of $19,345,006. Aside from the District's contribution to the TRS, the District has no pension fund expenditures or liabilities, except for portions of salaries that exceed salary limits of the TRS. The District does not offer any post employment retirement benefits and has no liabilities for "Other Post Employment Retirement Benefits" as defined in GASB Statement No. 45. (For more detailed information concerning the TRS retirement plan, see Appendix B, "Excerpts from the District's Comprehensive Annual Financial Report" - Note 10).

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FINANCIAL INFORMATION

TABLE 12 - CHANGES IN NET POSITION

	Fiscal Years Ended August 31,				
Revenues:	2015	2014	2013	2012	2011
Program Revenues:					
Charges for Services	$ 29,616,003	$ 26,954,056	$ 24,981,631	$ 25,647,008	$ 25,453,986
Operating Grants and Contributions	167,868,620	160,050,774	133,117,871	158,767,680	165,688,887
General Revenues:					
Maintenance and Operations Taxes	393,882,332	371,655,491	346,770,359	336,629,684	329,484,003
Debt Service Taxes	127,012,311	119,635,575	111,640,910	108,452,556	102,933,302
State Aid - Formula Grants	336,185,251	330,494,054	296,324,027	290,774,198	296,791,813
Miscellaneous Local & Intermediate	4,816,426	2,534,043	4,232,836	1,186,218	4,530,018
Investment Earnings	1,057,662	764,322	870,426	1,498,868	219,404
Total Revenues	$1,060,438,605	$1,012,088,315	$917,938,060	$922,956,212	$925,101,413
Expenses:					
Instruction	$ 592,068,785	$ 569,111,930	$507,450,711	$494,991,136	$525,702,955
Instructional Resources & Media Services	13,147,210	12,246,684	11,699,471	11,429,557	13,152,159
Curriculum & Staff Development	20,687,736	18,267,954	17,107,745	16,452,744	20,637,042
Instructional Leadership	19,511,320	18,037,461	16,552,060	16,542,361	17,721,434
School Leadership	50,254,795	48,418,603	43,896,833	41,652,162	43,216,381
Guidance, Counseling & Evaluation Services	33,050,312	31,699,085	28,589,365	27,316,298	29,730,303
Social Work Services	3,085,235	2,932,108	2,420,565	2,427,772	2,853,943
Health Services	9,057,950	8,569,869	7,391,834	7,291,480	7,655,779
Student (Pupil) Transportation	31,433,081	29,815,002	28,346,428	27,530,946	29,497,956
Food Services	54,054,297	52,351,153	50,771,525	45,757,854	43,960,836
Co-curricular/Extracurricular Activities	26,174,474	22,293,852	21,274,001	18,917,552	19,530,711
General Administration	17,224,104	15,732,913	15,031,622	14,256,588	14,984,121
Plant Maintenance and Operations	76,476,147	74,171,357	68,758,166	66,483,383	68,419,162
Security and Monitoring Services	7,951,372	7,595,933	6,340,818	6,562,771	6,571,840
Data Processing Services	13,121,758	12,088,100	11,943,360	10,871,050	10,934,488
Community Services	11,056,229	8,421,466	6,477,334	5,243,623	5,369,833
Debt Service	72,043,209	72,336,311	69,572,491	68,451,265	71,529,005
Total Expenses	$1,050,398,014	$1,004,089,781	$913,624,329	$882,178,542	$931,467,948
Increase (Decrease) in Net Position	10,040,591	7,998,534	4,313,731	40,777,670	(6,366,535)
Net Position - September 1 (Beginning)	350,587,327	348,561,296	344,247,565	303,469,895	309,836,430
Prior Period Adjustment	(140,161,110) [1]	(5,972,503)	-	-	-
Net Position - August 31 (Ending)	$ 220,466,808	$ 350,587,327	$348,561,296	$344,247,565	$303,469,895

Source: The District's Comprehensive Annual Financial Reports.

(1) Prior period adjustment related to District's adoption of GASB Statement No. 68.

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TABLE 12-A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Years Ended August 31,				
	2015	2014	2013	2012	2011
Revenues:					
Local and Intermediate Sources	$ 410,591,023	$ 384,326,684	$ 358,710,347	$ 346,676,419	$ 341,522,423
State Sources	373,775,533	365,413,871	324,660,859	320,630,140	328,941,630
Federal Sources	19,848,158	18,215,600	10,096,737	9,452,700	3,262,582
Total Revenues	$ 804,214,714	$ 767,956,155	$ 693,467,943	$ 676,759,259	$ 673,726,635
Expenditures:					
Instruction	$ 487,241,314	$ 463,340,058	$ 417,689,720	$ 384,358,286	$ 410,562,541
Inst. Resources and Media	11,306,348	10,367,904	9,887,551	9,638,708	7,826,685
Curriculum and Instructional Staff Development	14,535,670	11,714,892	9,386,300	9,127,407	8,860,582
Instructional Leadership	17,066,450	15,282,597	13,972,006	13,135,830	12,011,074
School Leadership	46,809,477	44,689,634	40,327,722	38,387,016	35,357,401
Guidance, Counseling and Evaluation Services	29,368,659	27,963,151	25,373,508	24,254,276	25,865,610
Social Work Services	2,698,678	2,468,215	1,807,753	1,766,214	2,022,575
Health Services	8,296,086	7,782,881	6,660,842	6,595,344	6,892,129
Student (Pupil) Transportation	29,149,732	27,476,120	25,855,067	25,266,487	27,208,943
Food Services	401,961	359,317	292,308	334,399	307,973
Cocurricular/Extracurricular Activities	19,243,756	16,419,587	15,268,063	13,727,461	14,710,573
General Administration	12,002,666	11,875,221	11,177,734	10,685,915	11,085,808
Plant Maintenance and Operation	67,572,889	64,889,389	61,128,904	58,855,503	61,469,070
Security and Monitoring Services	7,597,849	7,241,764	5,849,663	6,104,954	5,881,251
Data Processing Services	12,855,002	11,799,843	11,205,045	10,228,614	10,853,381
Community Services	7,764,984	5,306,223	3,623,227	2,774,309	2,238,187
Debt Service	-	-	-	-	-
Facility Acquisition and Construction	1,165,200	1,010,642	319,052	367,944	482,199
Payments to Juvenile Justice Alternative Education Program	137,073	637,193	72,136	69,419	208,937
Other integovernmental Charges	3,851,726	2,595,163	2,537,413	2,304,437	2,518,145
Total Expenditures	$ 779,065,520	$ 733,219,794	$ 662,434,014	$ 617,982,523	$ 646,363,064
Other Sources/Uses	$ (5,325,000)	$ (4,600,000)	$ (1,011,403)	$ (872)	$ (23,827)
Excess (Deficiency) of Revenues Over Expenditures	$ 19,824,194	$ 30,136,361	$ 30,022,526	$ 58,775,864	$ 27,339,744
Beginning Fund Balance on September 1	$ 289,222,471	$ 259,086,110	$ 229,063,584	$ 170,287,720	$ 142,947,976
Ending Fund Balance on August 31	$ 309,046,665	$ 289,222,471	$ 259,086,110	$ 229,063,584	$ 170,287,720

Source: The District's Comprehensive Annual Financial Reports.

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INVESTMENTS

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

LEGAL INVESTMENTS . . . Under Texas law, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; (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 meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended) that are issued by or through an institution that either has its main office or a branch in Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for District deposits; (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas; (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 United States 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 United States Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in the this paragraph (except for those described in clause (6)), 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, and conform to the requirements relating to the eligibility of investment pools to receive and invest funds. 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 "AAA-m" 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.

Governmental bodies in the State are authorized to implement securities lending programs if (i) the securities loaned under the program are 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) of the first paragraph under this subcaption, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm not less than "A" or its equivalent, or (c) cash invested in obligations that are described in clauses (1) through (6) and (10) through (12) of the first paragraph under this subcaption, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the governmental body, held in the name of the governmental body and deposited at the time the investment is made with the Agency or a third party designated by the Agency; (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.

INVESTMENT POLICIES . . . Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for District funds, maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All District funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each funds' investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

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

ADDITIONAL PROVISIONS . . . Under 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 relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the Board of Trustees; (4) require the qualified representative of firms offering to engage in an investment transaction with the District to: (a) receive and review the District's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the District and the business organization that are not authorized by the District's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the District's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the District and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the District's investment policy; (6) provide specific investment training for the Treasurer, Chief Financial Officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in no load mutual funds in the aggregate to no more than 15% of the District's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements, and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the District.

TABLE 13 - CURRENT INVESTMENTS[(1)]

As of July 31, 2016, the District's investable funds were invested in the following categories:

Description	% of Funds Invested	Book Value	Market Value
Lone Star Corporate Overnight Plus Fund	36.50%	$ 257,043,034	$ 257,043,034
Lone Star Government Overnight Fund	2.18%	15,336,856	15,336,856
LOGIC	12.39%	87,264,387	87,264,387
TexPool	2.09%	14,686,965	14,686,965
TexPool Prime	9.74%	68,567,730	68,567,730
Tex Star	2.18%	15,320,853	15,320,853
Texas Daily	6.07%	42,711,414	42,711,414
Texas CLASS	13.22%	93,061,445	93,061,445
Agency Notes	15.64%	110,147,984	110,255,983
Total	100.00%	$ 704,140,668	$ 704,248,667

As of such date, 92.14% of the District's investment portfolio will mature within 12 months. The market value of the investment portfolio was approximately 100.02% of its purchase price. No funds of the District are invested in derivative securities; i.e, securities whose rate of return is determined by reference to some other instrument, index, or commodity.

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(1) Unaudited.

TexSTAR is a local government investment pool for whom FirstSouthwest Asset Management, LLC ("FirstSouthwest Asset Management"), an affiliate of FirstSouthwest, provides customer service and marketing for the pool. TexSTAR currently maintains a "AAAm" rating from S&P Global Ratings ("S&P"), and has an investment objective of achieving and maintaining a stable net asset value of $1.00 per share. Daily investments or redemptions of funds is allowed by the participants.

Local Government Investment Cooperative ("LOGIC") is a local government investment pool for whom FirstSouthwest Asset Management provides customer service and marketing for the pool. LOGIC currently maintains a "AAAm" rating from S&P and has an investment objective of achieving and maintaining a stable net asset value of $1.00 per share. Daily investments or redemptions of funds are allowed by the participants. LOGIC operates in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940, to the extent such rule is applicable to its operations. Accordingly, LOGIC uses the amortized cost method permitted by SEC Rule 2a-7 to report net assets and share prices since that amount approximates fair value. The investment activities of LOGIC are administered by third party advisors. There is no regulatory oversight by the State over LOGIC.

TAX MATTERS

TAX EXEMPTION . . . The delivery of the Bonds is subject to the opinion of Norton Rose Fulbright US LLP, San Antonio, Texas, Bond Counsel, to the effect that interest on the Bonds for federal income tax purposes (1) is excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), of the owners thereof pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals or, except as described herein, corporations. The statute, regulations, rulings, and court decisions on which such opinion is based are subject to change. A form of Bond Counsel's opinion appears in Appendix C hereto.

Interest on all tax-exempt obligations, including the Bonds, owned by a corporation will be included in such corporation's adjusted current earnings for purposes of calculating the alternative minimum taxable income of such corporation, other than an S corporation, a qualified mutual fund, a real estate investment trust (REIT), a financial asset securitization investment trust (FASIT), or a real estate mortgage investment conduit (REMIC). A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code will be computed.

In rendering the foregoing opinions, Bond Counsel will rely upon the Report of the Verification Agent (see "OTHER INFORMATION – Verification of Arithmetical and Mathematical Computations" herein) and upon representations and certifications of the District made in a certificate dated the date of delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance by the District with the provisions of the Order subsequent to the issuance of the Bonds. The Order contains covenants by the District with respect to, among other matters, the use of the proceeds of the Bonds and the facilities and equipment financed or refinanced therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, if required, the calculation and payment to the United States Treasury of any arbitrage "profits" and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants would cause interest on the Bonds to be includable in the gross income of the owners thereof from date of the issuance of the Bonds.

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the District described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures the IRS is likely to treat the District as the "taxpayer," and the owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the District may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds may adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

TAX CHANGES . . . Existing law may change to reduce or eliminate the benefit to registered owners of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

ANCILLARY TAX CONSEQUENCES . . . Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, property and casualty insurance companies, life insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

TAX ACCOUNTING TREATMENT OF DISCOUNT BONDS . . . The initial public offering price to be paid for certain Bonds may be less than the amount payable on such Bonds at maturity (the "Discount Bonds"). An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bonds. A portion of such original issue discount, allocable to the holding period of a Discount Bond by the initial purchaser, will be treated as interest for federal income tax purposes, excludable from gross income on the same terms and conditions as those for other interest on the Bonds. Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during his taxable year.

However, such accrued interest may be required to be taken into account in determining the alternative minimum taxable income of a corporation, for purposes of calculating a corporation's alternative minimum tax imposed by section 55 of the Code, and the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, property and casualty insurance companies, life insurance companies, S corporations with subchapter C earnings and profits, owners of an interest in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

In the event of the sale or other taxable disposition of a Discount Bond prior to maturity, the amount realized by such owner in excess of the basis of such 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 Discount Bond was held) is includable in gross income.

Purchasers of Discount Bonds should consult with their own tax advisors with respect to the determination for federal income tax purposes of accrued interest upon disposition of Discount Bonds and with respect to the state and local tax consequences of owning Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on the Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

TAX ACCOUNTING TREATMENT OF PREMIUM BONDS . . . The initial public offering price to be paid for certain Bonds may be greater than the stated redemption price on such Bonds at maturity (the "Premium Bonds"). An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and its stated redemption price at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium with respect to the Premium Bonds. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity.

Purchasers of Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

CONTINUING DISCLOSURE OF INFORMATION

In the Order, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB") through its EMMA system, where it will be available to the general public, free of charge, at www.emma.msrb.com.

ANNUAL REPORTS . . . The District will file certain updated financial information and operating data with 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 under Tables numbered 1 through 6 and 8 through 13 and in Appendix B. The District will update and provide this information within six months after the end of each fiscal year ending in and after 2016.

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 EMMA Internet Web site or filed with the SEC, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if the District commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the District will provide unaudited financial statements by the required time and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation.

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

NOTICES OF CERTAIN EVENTS . . . The District will file with the MSRB notice of any of the following events with respect to the Bonds in a timely manner (and not more than 10 business days after occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into 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) appointment of a successor or additional paying agent/registrar or the change of name of a paying agent/registrar, if material. Neither the Bonds nor the Order make any provision for debt service reserves, credit enhancement (except with respect to the Permanent School Fund guarantee), or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports". The District will provide each notice described in this paragraph to the MSRB.

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

AVAILABILITY OF INFORMATION . . . Effective July 1, 2009 (the "EMMA Effective Date"), the SEC implemented amendments to the Rule which approved the establishment by the MSRB of EMMA, which is now the sole successor to the national municipal securities information repositories with respect to filings made in connection with undertakings made under the Rule after the EMMA Effective Date. Commencing with the EMMA Effective Date, all information and documentation filing required to be made by the District in accordance with its undertaking made for the Bonds will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB.

With respect to debt of the District issued prior to the EMMA Effective Date, the District remains obligated to make annual required filings, as well as notices of material events, under its continuing disclosure obligations relating to those debt obligations (which includes a continuing obligation to make such filings with the Texas state information depository (the "SID")). Prior to the EMMA Effective Date, the Municipal Advisory Council of Texas (the "MAC") had been designated by the State and approved by the SEC staff as a qualified SID. Subsequent to the EMMA Effective Date, the MAC entered into a Subscription Agreement with the MSRB pursuant to which the MSRB makes available to the MAC, in electronic format, all Texas-issuer continuing disclosure documents and related information posted to EMMA's website simultaneously with such posting. Until the District receives notice of a change in this contractual agreement between the MAC and EMMA or of a failure of either party to perform as specified thereunder, the District has determined, in reliance on guidance from the MAC, that making its continuing disclosure filings solely with the MSRB will satisfy its obligations to make filings with the SID pursuant to its continuing disclosure agreements entered into prior to the EMMA Effective Date.

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

The District may amend its continuing disclosure agreement 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, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of 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 so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . During the past five years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

The District has, from time to time, filed with the MSRB through EMMA notices concerning the status of Internal Revenue Service examinations of certain of its outstanding tax-exempt bonds. (See "EXAMINATIONS OF OUTSTANDING BONDS BY INTERNAL REVENUE SERVICE" herein.)

EXAMINATIONS OF OUTSTANDING BONDS BY INTERNAL REVENUE SERVICE

The District's Variable Rate Unlimited Tax School Building Bonds, Series 2003 (the "2003 Bonds") were examined by the Internal Revenue Service to confirm compliance with federal tax law. After complying with multiple requests for information, the District, by letter dated October 18, 2011, received notice from the Internal Revenue Service stating that its examination of the 2003 Bonds was closed with no-change to the position that interest received by the beneficial owners of the 2003 Bonds is excludable from gross income under section 103 of the Internal Revenue Code. On October 31, 2011, the District filed a material event notice with the MSRB through EMMA regarding the conclusion of this examination.

On January 22, 2013, the District received notice, dated January 15, 2013, from the Internal Revenue Service that it would be conducting an examination of the District's Variable Rate Unlimited Tax Refunding Bonds, Series 2003-A and Series 2003-B (the "2003-A and 2003-B Bonds"). The District's receipt of this notice, along with a copy thereof, was filed with EMMA on January 31, 2013. After complying with multiple requests for information, the District, by letter dated January 31, 2014, received notice from the Internal Revenue Service stating that its examination of the 2003-A and 2003-B Bonds was closed with no-change to the position that interest received by the beneficial owners of the 2003-A and 2003-B Bonds is excludable from gross income under section 103 of the Internal Revenue Code. On February 14, 2014, the District filed a material event notice with the MSRB through EMMA regarding the conclusion of this examination.

OTHER INFORMATION

RATINGS

The presently outstanding unlimited tax supported debt of the District is rated "Aa1" by Moody's Investors Service, Inc. ("Moody's") and "AA+" by Fitch Ratings, Inc. ("Fitch") without regard to credit enhancement. Applications for contract ratings on the Bonds have been made to Moody's and Fitch. The District has determined to not apply to S&P Global Ratings ("S&P"), for a rating on these Bonds. The District has 9 issues outstanding, excluding the Bonds, which are rated "Aaa" by Moody's, "AAA" by S&P and "AAA" by Fitch, and 21 additional issues outstanding which are rated "Aaa" by Moody's and "AAA" by Fitch, all by virtue of the guarantee of the Permanent School Fund of the State of Texas. The District has five issues that are not subject to the Permanent School Fund Guarantee. The District has applied for and has received conditional approval for the Bonds to be guaranteed by the corpus of the Permanent School Fund. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the District makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by any or all of such rating companies, if in the judgment of any or all of such companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Bonds.

EFFECT OF SEQUESTRATION

The District has determined that the reduced amount of refundable tax credit payments to be received from the United States Treasury in relation to its outstanding obligations designated as "build America bonds" or "qualified school construction bonds" and "qualified bonds" under the Code as a result of the automatic reductions in federal spending effective March 1, 2013 pursuant to the Budget Control Act of 2011 (commonly referred to as "Sequestration"), and extensions thereof pursuant to the Bipartisan Budget Act of 2013, signed into law by the President on December 26, 2013, will not have a material impact on the financial condition of the District or its ability to pay regularly scheduled debt service on its outstanding obligations when and in the amounts due and owing.

LITIGATION

Except as disclosed in this Official Statement, the District is not a party to any litigation or other proceeding pending or to its knowledge, threatened, in any court, agency or other administrative body (either state or federal) which, if decided adversely to the District, would have a material adverse effect on the financial statements 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 said Bonds.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

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

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency (see "OTHER INFORMATION - Ratings" herein). In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with capital of at least one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value.

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.

LEGAL MATTERS

The District will furnish the Underwriters with 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 payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property in the District, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the Bonds are valid and legally binding obligations of the District and, subject to the qualifications set forth herein under "TAX MATTERS," the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes under existing statutes, published rulings, regulations, and court decisions. Bond Counsel has been retained by and only represents the District. A form of Bond Counsel's opinion appears in Appendix C attached hereto.

Though it represents the Underwriters and the "Financial Advisor" from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel was engaged by, and only represents, the District in connection with the issuance of the Bonds. 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 (other than any financial, technical, or statistical data herein) reviewed the information in this Official Statement appearing under the captions and subcaptions "PLAN OF FINANCING – Refunded Obligations", "THE BONDS" (excluding the information under the subcaptions "Permanent School Fund Guarantee", "Book-Entry-Only System", "Bondholders' Remedies", and "Sources and Uses of Funds", as to which no opinion is expressed), "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS", "CURRENT PUBLIC SCHOOL FINANCE SYSTEM", "TAX MATTERS", "CONTINUING DISCLOSURE OF INFORMATION" (except under the subcaption "Compliance with Prior

Undertakings", as to which no opinion is expressed), "OTHER INFORMATION – Registration and Qualification of Bonds for Sale", "OTHER INFORMATION - Legal Investments and Eligibility to Secure Public Funds in Texas", and "OTHER INFORMATION - Legal Matters" (excluding the last sentence of the second paragraph thereof as to which no opinion is expressed), and such firm is of the opinion that the information contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the Order. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. The legal opinion will accompany the Bonds deposited with DTC or will be printed on the 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 legal counsel Kassahn & Ortiz, P.C., San Antonio, Texas, whose fees are contingent on the sale and delivery of the Bonds.

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

FINANCIAL ADVISOR

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

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

OUTSIDE AUDITOR

Padgett, Stratemann & Co., L.L.P. ("PS&Co."), the District's independent auditor, has provided the following sentence for inclusion in this Official Statement. PS&Co. has not been engaged to perform, and has not performed, since the date of its report attached hereto as Appendix B, any procedures on the financial statements addressed in that report. PS&Co. also has not performed any procedures relating to this Official Statement.

VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS

Grant Thornton LLP, a firm of independent public accountants (the "Verification Agent"), will deliver to the District, on or before the settlement date of the Bonds, its verification report (the "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 Federal Securities, to pay, when due, the maturing principal of, interest on and related call premium requirements of the Refunded Obligations and (b) the mathematical computations of yield used by Bond Counsel to support its opinion that interest on the Bonds will be excluded from gross income for federal income tax purposes.

The verification performed by the Verification Agent will be solely based upon data, information and documents provided to the Verification Agent by the District and its representatives. The Verification Agent has restricted its procedures to recalculating the computations provided by the District and its representatives and has not evaluated or examined the assumptions or information used in the computations.

UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the District at the prices indicated on page 2 hereof, less an underwriting discount of $____________, and no accrued interest. The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds, and such public offering prices may be changed, from time to time, by the Underwriters.

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

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

From time to time, the District seeks participation from private industry to support fundraising activities that benefit the District and its mission. The Northside Education Foundation, a legal entity separate from the District but whose purpose is to provide financial support for the District's mission, engages in similar fundraising activities. Like other entities that transact business with the District, one or more of the Underwriters have, over time, contributed financially to these efforts, but such contributions (by District policy) do not impact the District's selection process when determining with whom it transacts business; accordingly, an Underwriter's donation of funds in the manner described above does not represent a potential or actual material conflict of interest with respect to its role as an underwriter for the Bonds.

FORWARD-LOOKING STATEMENTS DISCLAIMER

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

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

MISCELLANEOUS

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

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, Rule 15c2-12.

The Order also approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorized its further use in the reoffering of the Bonds by the Underwriters. This Official Statement has been approved by the Board of the District for distribution in accordance with the provisions of the United States Securities and Exchange Commission Rule codified at 17 C.F.R. Section 240.15c2-12.

/s/
President, Board of Trustees
Northside Independent School District

ATTEST:

/s/
Secretary, Board of Trustees
Northside Independent School District

SCHEDULE I

SCHEDULE OF REFUNDED OBLIGATIONS*

Unlimited Tax School Building and Refunding Bonds, Series 2007

Original Dated Date	Maturity (August 15)	Interest Rate	Amount
March 1, 2007	2018	5.000%	$ 5,330,000
	2019	5.000%	3,995,000
	2020	5.000%	4,190,000
	2021	5.000%	4,405,000
	2022	4.200%	3,095,000
	2023	5.000%	3,230,000
	2024	5.000%	4,675,000
	2025	4.500%	2,615,000
	2026	4.500%	2,730,000
	2027	4.500%	1,400,000
	2032	4.500%	8,005,000 (1)
	2037	4.750%	10,025,000 (1)
			$ 53,695,000

The Refunded Obligations are to be called on August 15, 2017 at par.

Unlimited Tax School Building Bonds, Series 2007B

Original Dated Date	Maturity (August 15)	Interest Rate	Amount
July 1, 2007	2018	5.000%	$ 1,065,000
	2019	5.000%	1,120,000
	2020	5.000%	1,175,000
	2021	5.000%	1,230,000
	2022	5.000%	1,295,000
	2023	5.000%	1,360,000
	2024	5.000%	1,425,000
	2025	5.000%	1,500,000
	2026	5.000%	1,575,000
	2027	5.000%	1,650,000
	2028	5.000%	1,735,000
	2033	4.500%	12,515,000 (1)
	2037	5.000%	14,180,000 (1)
			$ 41,825,000

The Refunded Obligations are to be called on August 15, 2017 at par.

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(1) Term Bond.

* Preliminary, subject to change.

APPENDIX A

GENERAL INFORMATION REGARDING THE DISTRICT

GENERAL INFORMATION REGARDING THE DISTRICT

THE DISTRICT

Established in 1949, Northside Independent School District (the "District") includes property in Bexar, Medina and Bandera Counties. The District contains an area of 316.49 square miles located in Bexar, Medina and Bandera Counties. The District primarily lies in the northwest quadrant of Bexar County and is traversed by Interstate Highway 10, a portion of U.S. Highway 90, Bandera Road and Culebra Road. Loop 410, a major expressway loop (the "Inner Loop") encircling San Antonio, runs through the southern and southwestern portions of the District. The "Outer Loop", Highway 1604, also runs through a portion of the District. The District has a 2016 estimated population of 608,000.

Eleven new schools have opened in the District in the last six years, and five more are planned to open in the next four years. The District is the largest of the 15 school districts in Bexar County and the 4th largest in the State. The District continues to be the "destination" district in San Antonio for many families seeking a quality school system.

BOARD OF TRUSTEES

The District is governed by a seven-member Board of Trustees (the "Board"). Effective as of the May 6, 1995 Board of Trustees election, Trustees are elected from single-member districts. The May 6, 1995 Trustee election was pre-cleared by the United States Department of Justice pursuant to Section 5 of the Federal Voting Rights Act. The District implemented single-member districts to resolve litigation styled "Arriola v. Northside ISD et al," that was finalized pursuant to an Order of Dismissal entered by a Federal District Judge on March 30, 1995. All Trustees stood for election on May 6, 1995 and three Trustees were elected for two-year terms while the other four were elected for four-year terms. Since May 1997 all Trustees have served staggered four-year terms. 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.

Board of Trustees	Length of Service	Term Expires	Occupation
Katie N. Reed President, District 5	26 Years	May 2017	Community Volunteer
M'Lissa M. Chumbley Vice President, District 3	21 Years	May 2019	Insurance Specialist
Dr. Carol Harle Secretary, District 6	3 Years	May 2017	Educational Consultant/ Professor
Joseph Medina Trustee, District 1	1 Year	May 2019	Educator
Gerald B. Lopez Trustee, District 2	1 Year	May 2019	Chief of Staff, City Council District 6
Robert (Bobby) Blount, Jr. Trustee, District 4	17 Years	May 2019	Corporate Manager
Karen Freeman Trustee, District 7	11 Years	May 2017	Community Volunteer

ADMINISTRATIVE OFFICERS

Superintendent of School

Dr. Brian T. Woods, a longtime District educator, became Superintendent in July 2012.

Dr. Woods began his career in the District in 1992 as a high school social studies teacher. He served as both an assistant principal and vice principal at the high school level before becoming Principal of the District's Clark High School.

Dr. Woods moved to the central office in 2006 as the Assistant Superintendent for Secondary Administration and was promoted to Deputy Superintendent of Administration in 2008.

Dr. Woods has a bachelor's degree in political science from the University of Texas at Austin and a master's degree and doctorate in educational leadership from the University of Texas at San Antonio.

Deputy Superintendent, Administration

Ray Galindo started his teaching career at Austin ISD in 1991. He came to the District one year later and taught at Valley Hi and Leon Valley elementary schools. He served as Vice Principal at Lackland City and Leon Springs elementary schools and then as Principal at Leon Valley and Hatchett elementary schools. In 2008, Mr. Galindo was promoted to Assistant Superintendent for Elementary Administration and, in July 2012, to his current position. Mr. Galindo has a bachelor of science degree from the University of Texas at Austin and a master's degree from the University of Texas at San Antonio.

Deputy Superintendent, Instruction

Dr. Janis Jordan is a 25-year veteran educator. Dr. Jordan joined the District in the fall of 2016. Prior to joining the District, Dr. Jordan served as an Assistant Principal at Swansea High School in Swansea, South Carolina, a Curriculum Development Coordinator at Victoria Independent School District, an Executive Director of Curriculum and an Assistant Superintendent for Curriculum and Instruction at Corpus Christi Independent School District, and most recently she was the Assistant Superintendent for Curriculum Services at Lake Travis Independent School District.

Dr. Jordan received a bachelor's degree from Texas A&M University, a master's degree from the University of South Carolina, and a doctorate degree from the University of Houston.

Deputy Superintendent, Business and Finance

David Rastellini, a Certified Public Accountant, was named Deputy Superintendent for Business & Finance effective February 1, 2015. Mr. Rastellini is the Chief Financial Officer overseeing all business functions of the District including accounts payable, payroll, budget, accounting, purchasing, fixed assets, investments, debt management and tax office functions. Since 2008, Mr. Rastellini's previous positions within the District included Assistant Superintendent of Budget & Finance and Director of Accounting. Mr. Rastellini has over 30 years of experience working in Texas school finance. Prior to joining the District, he served in other Texas school districts including Dallas ISD, Waco ISD, Austin ISD, New Braunfels ISD, and San Angelo ISD. Throughout his career, Mr. Rastellini has been active in professional organizations assuming leadership roles, including Past President of the Texas Association of School Business Officials.

OTHER ADMINISTRATIVE PERSONNEL

The District also has seven Assistant Superintendents. There are 318 campus administrators and 95 central office administrators.

EDUCATION PROGRAMS

Instructional Program:

Above-average achievement scores and the District's "Met Standard" rating under the Texas Accountability System indicates the strength of the District's basic instructional program. Students in pre-kindergarten through twelfth grade benefit from instruction designed to offer maximum learning opportunities with emphasis on the core contents: English language arts and Reading (ELAR), math, science, and social studies. High school students still under the 4 x 4 graduation requirements are expected to acquire four credits in each of the core content areas. Students under the new endorsement programs are expected to select a minimum of one endorsement that will lead to a high school diploma. Academically talented students may seek challenges in pre AP, AP, or dual credit courses in English, mathematics, social studies and science in grades 6-12.

In addition to the regular English I – IV courses, the high school ELAR curriculum includes electives such as journalism, debate, photo-journalism, speech, etc. All secondary ELAR teachers are trained in a unique professional development program committed to teaching and learning best practices in the area of writing pedagogy.

Social Studies curriculum emphasizes student involvement in the learning process. All social studies teachers (grades 6-12) are required to attend Document Based Questioning (DBQ) training, a writing program that emphasizes student investigation of multiple documents, categorizing them in a useful format, developing an argument to support a point of view using the documents, and then writing a scholarly essay. This program aligns with the College Board's Advanced Placement testing and furthermore better prepares students for the challenges and rigor of college.

Science curriculum is based on inquiry-based classroom environments where laboratory investigations comprise over 40% of the curriculum to help students further develop scientific literacy. The outdoor classroom is a valuable tool for introducing students to the wonders of San Antonio nature and helps solidify their connection to it.

Students may study up to four years of four different foreign languages including American Sign Language and rich offerings from an array of fine arts and athletics electives.

The District provides a pull-out program for gifted students in grades K-5 that focuses on the development of higher-level thinking skills. At 6th through 8th grades, the GT curriculum has been revamped to provide middle school students access to core courses embedded with project-learning in science, problem-based learning in social studies, and community service projects in ELAR. Independent Study Mentorships are available at the high school level.

The District is a wireless district with campuses committed to the latest and best practices in the use of instructional technology. From Business Careers High School, at which every student has a laptop computer, to NISD's newest high school where teachers work in a wireless, laptop environment, NISD continues its quest to lead the state in instructional innovation.

Magnet Schools:

Northside Health Careers High School, a stand-alone magnet school which the District owns and operates in the South Texas Medical Center, graduates 200 students per year, 90% of whom are college bound. In 1991, area businesses donated more than $75,000 for start-up costs for a second magnet, Business Careers High School, which operates within the comprehensive Holmes High School campus. Other magnet-type schools located within comprehensive high schools include the Science and Engineering Academy at John Jay High School and Communication Arts at William Howard Taft High School. In 2009, the District opened Construction Careers Academy on the Earl Warren High School Campus.

Special Education Program:

A wide variety of special education program alternatives are available for special needs students in the District. These programs are designed to help the visually and auditorily handicapped, seriously emotionally disturbed, mentally challenged and autistic students. Each elementary school has access to a certified Speech/Language/Hearing specialist. Adapted physical education specialists, licensed music therapists, teachers for the audio-handicapped and teachers for the visually handicapped provide highly specialized services. Special education and regular education teachers have been trained on the implementation of the collaborative teach model.

Career and Technology Program:

A wide range of Career and Technology programs are available to District students. All Career and Technical Courses have been aligned into the following Career Clusters:

- Agriculture, Food & Natural Resources
- Architecture & Construction
- Arts, A/V Technology & Communications
- Business Management & Administration
- Education & Training
- Finance
- Health Science
- Hospitality & Tourism
- Human Services
- Information Technology
- Law, Public Safety, Corrections & Security
- Manufacturing
- Marketing
- Science, Technology, Engineering & Mathematics
- Transportation, Distribution & Logistics

Through these programs, students are able to obtain specific skills in occupational areas of personal interest such as automotive, electronics, engineering, architecture, graphic and digital media, metal trades, construction, agricultural production, childcare, fashion design, hospitality, culinary arts, business management, health occupations, computer maintenance and technology and cosmetology.

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State and Federal Programs:

Programs and services are provided for students who are economically disadvantaged, at-risk and/or English language learners. Programs are designed to increase student achievement as well as increase graduation and completion rates. Services for at-risk students are provided for all District campuses. Additional services for economically disadvantaged students are provided at 47 designated Title 1 campuses under (NCLB) No Child Left Behind now Every Student Succeeds Act (ESSA). A few of the programs currently in place include:

- Credit Retrieval/Acceleration at the high schools provides students the opportunity to make-up previously failed credits and/or accelerate credits for students who are over-aged under-credited. The goal is to help students get back on track to graduate in a timely manner.
- Math and Reading Specialists at the elementary and middle school levels work with small groups of students to enhance learning opportunities and close achievement gaps.
- Tutorial opportunities at all campuses support classroom learning as well as preparation for state assessments.
- Even Start Family Literacy Program consists of school-community partnership to break the cycle of poverty and illiteracy by offering early childhood education, adult literacy or adult basic education and parenting education. The program provides services and support for children from birth through age eight, along with their parents. The goal is to support families so that children and their parents develop habits of life-long learning.

FACULTY

Teachers in the District have an average of 11.3 years total teaching experience with 8.0 years' experience in the District. Their experience is enhanced by the quality of their education: 33.0% of the teachers hold masters degrees. The District employs a total of 6,715 teachers.

OTHER EMPLOYEES

The District employs a total of 1,677 professional support and administration personnel as well as 1,103 instructional assistants. In addition, the District employs 3,717 paraprofessionals, maintenance, transportation and other support personnel. Total District employees are 13,212.

EDUCATIONAL FACILITIES AND STUDENT POPULATION

The District includes 15 high schools, 20 middle schools, 76 elementary schools and 7 special schools serving special population students and 14 support centers. The District is accredited by the Texas Education Agency with a "Met Standard" Accountability rating.

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STUDENT ENROLLMENT HISTORY[1]

Year	Enrollment	Increase/ Decrease	Year	Enrollment	Increase/ Decrease
1963-64	8,006	---	1990-91	50,154	684
1964-65	9,333	1,327	1991-92	52,090	1,936
1965-66	10,810	1,477	1992-93	53,994	1,904
1966-67	12,942	2,132	1993-94	55,036	1,042
1967-68	14,777	1,835	1994-95	56,163	1,127
1968-69	16,848	2,071	1995-96	57,489	1,326
1969-70	19,092	2,244	1996-97	59,175	1,686
1970-71	21,297	2,205	1997-98	60,253	1,078
1971-72	23,800	2,503	1998-99	61,330	1,077
1972-73	25,446	1,646	1999-00	62,661	1,331
1973-74	27,906	2,460	2000-01	63,976	1,315
1974-75	28,881	975	2001-02	65,772	1,796
1975-76	29,346	465	2002-03	69,058	3,286
1976-77	30,109	763	2003-04	71,507	2,449
1977-78	30,856	747	2004-05	74,018	2,511
1978-79	31,845	989	2005-06	78,104	4,086
1979-80	32,594	749	2006-07	81,826	3,722
1980-81	33,459	865	2007-08	85,546	3,720
1981-82	34,513	1,054	2008-09	88,400	2,854
1982-83	35,097	584	2009-10	91,578	3,178
1983-84	36,605	2,092	2010-11	94,318	2,740
1984-85	39,151	2,546	2011-12	96,527	2,209
1985-86	42,167	3,016	2012-13	98,424	1,897
1986-87	44,702	2,535	2013-14	100,651	2,227
1987-88	46,889	2,187	2014-15	102,273	1,622
1988-89	48,564	1,675	2015-16	104,020 [2]	1,747
1989-90	49,470	906			

(1) Enrollment figures are for fall semester each year.
(2) As of June 2, 2016.

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STUDENT ENROLLMENT BY GRADE[1]

Year	EE	Pre-K[2]	K	1	2	3	4	5	6	7	8	9	10	11	12	Special Campuses[3]	Total
1970-71			75	1,828	1,851	1,945	1,898	1,876	1,929	1,890	1,842	1,771	1,449	1,211	1,112	620	21,297
1971-72			153	1,867	2,142	2,047	2,186	2,146	2,032	2,122	2,042	2,056	1,722	1,397	1,188	700	23,800
1972-73			234	1,697	2,112	2,315	2,190	2,310	2,277	2,238	2,183	2,364	1,851	1,528	1,340	807	25,446
1973-74			1,289	1,896	1,937	2,223	2,507	2,456	2,464	2,526	2,361	2,512	2,098	1,745	1,479	413	27,906
1974-75			1,501	2,087	1,969	2,032	2,306	2,580	2,563	2,550	2,515	2,534	2,261	1,907	1,575	501	28,881
1975-76			1,644	2,166	2,141	2,043	2,039	2,364	2,597	2,578	2,530	2,680	2,286	2,071	1,737	460	29,336
1976-77			1,759	2,341	2,278	1,149	2,135	2,128	2,448	2,654	2,602	2,796	2,383	2,145	1,882	309	29,009
1977-78			1,609	2,391	2,445	2,398	2,302	2,233	2,276	2,591	2,682	2,853	2,514	2,238	1,960	364	30,856
1978-79			1,706	2,285	2,516	2,537	2,514	2,399	2,397	2,395	2,596	3,035	2,604	2,368	2,069	424	31,845
1979-80			1,664	2,349	2,399	2,611	2,627	2,594	2,535	2,494	2,444	2,901	2,825	2,534	2,173	444	32,594
1980-81			1,755	2,288	2,511	2,535	2,748	2,795	2,801	2,661	2,555	2,888	2,623	2,519	2,380	400	33,459
1981-82		55	1,853	2,431	2,478	2,667	2,757	2,898	2,970	2,927	2,764	2,955	2,519	2,555	2,352	323	34,504
1982-83		42	1,996	2,560	2,454	2,478	2,758	2,832	3,024	3,145	2,937	3,127	2,601	2,448	2,332	363	35,097
1983-84		58	2,172	2,836	2,582	2,570	2,704	2,829	3,085	3,248	3,162	3,415	2,771	2,544	2,248	381	36,605
1984-85		64	2,258	3,209	2,920	2,799	2,846	2,879	3,103	3,318	3,410	4,013	2,856	2,702	2,395	379	39,151
1985-86		356	2,694	3,324	3,215	3,111	3,048	2,997	3,275	3,292	3,492	4,382	3,166	2,894	2,518	403	42,167
1986-87		583	2,870	3,881	3,252	3,388	3,358	3,153	3,296	3,388	3,353	4,327	3,626	3,098	2,744	385	44,702
1987-88		937	3,037	3,922	3,733	3,350	3,548	3,447	3,406	3,426	3,385	4,316	3,600	3,416	2,979	387	46,889
1988-89		1,137	3,291	4,220	3,766	3,789	3,535	3,561	3,642	3,442	3,450	4,159	3,564	3,384	3,219	405	48,564
1989-90		1,079	3,410	4,390	3,841	3,878	3,799	3,642	3,796	3,649	3,440	4,313	3,400	3,319	3,126	388	49,470
1990-91		1,132	3,355	4,575	3,864	3,856	3,925	3,851	3,856	3,685	3,651	4,227	3,548	3,157	3,066	406	50,154
1991-92		1,323	3,712	4,482	4,079	3,976	3,977	4,004	4,154	3,899	3,681	4,585	3,447	3,344	2,958	478	52,099
1992-93		1,424	3,763	4,663	4,222	4,234	4,087	4,091	4,250	4,163	3,816	4,770	3,705	3,189	3,097	520	53,994
1993-94		1,506	3,825	4,555	4,300	4,344	4,356	4,209	4,283	4,137	4,123	4,931	3,712	3,314	2,914	527	55,036
1994-95		1,542	3,910	4,392	4,406	4,361	4,438	4,447	4,351	4,263	4,087	5,109	3,847	3,291	3,073	646	56,163
1995-96		1,365	4,162	4,476	4,450	4,531	4,536	4,530	4,609	4,398	4,265	5,097	3,914	3,412	3,073	671	57,489
1996-97	203	1,174	4,238	4,695	4,547	4,460	4,579	4,661	4,712	4,627	4,409	5,195	4,062	3,689	3,168	756	59,175
1997-98	193	1,280	4,146	4,698	4,646	4,477	4,519	4,685	4,780	4,741	4,521	5,342	4,244	3,843	3,414	724	60,253
1998-99	227	1,343	4,408	4,729	4,711	4,653	4,495	4,589	4,807	4,662	4,710	5,609	4,207	3,941	3,429	810	61,330
1999-00	254	1,357	4,540	4,895	4,807	4,812	4,734	4,598	4,686	4,875	4,575	5,853	4,381	3,932	3,602	760	62,661
2000-01	268	1,409	4,621	5,060	4,926	4,831	4,904	4,847	4,754	4,709	4,861	5,680	4,706	4,053	3,562	785	63,976
2001-02	243	1,304	4,795	5,267	5,028	5,090	4,903	4,969	5,024	4,871	4,727	5,535	4,885	4,434	3,903	794	65,772
2002-03	228	1,479	5,295	5,414	5,293	5,285	5,216	5,175	5,149	5,206	4,939	5,693	5,109	4,635	4,200	742	69,058
2003-04	260	1,563	5,529	5,781	5,477	5,411	5,473	5,344	5,409	5,313	5,251	5,855	5,270	4,745	4,142	684	71,507
2004-05	271	1,696	5,664	6,094	5,669	5,675	5,565	5,672	5,574	5,515	5,416	6,623	4,800	4,923	4,120	741	74,018
2005-06	290	1,649	6,153	6,429	6,137	5,969	5,979	5,895	5,882	5,791	5,681	7,264	5,643	4,297	4,318	727	78,104
2006-07	325	1,855	6,431	6,972	6,499	6,398	6,332	6,249	5,990	6,018	6,005	7,499	5,557	4,524	4,304	868	81,826
2007-08	309	1,886	6,634	7,139	6,855	6,644	6,624	6,468	6,327	6,107	6,225	7,994	6,139	4,798	4,557	840	85,546
2008-09	392	1,976	6,754	7,292	7,019	6,942	6,724	6,661	6,545	6,455	6,314	7,977	6,649	5,188	4,738	774	88,400
2009-10	404	2,335	7,086	7,448	7,152	7,080	7,118	6,846	6,777	6,694	6,691	7,442	6,941	5,804	5,067	693	91,578
2010-11	463	2,394	7,151	7,748	7,376	7,324	7,284	7,308	6,991	6,974	6,858	7,492	6,516	6,228	5,447	764	94,318
2011-12	593	2,669	7,239	7,753	7,637	7,459	7,504	7,445	7,297	7,044	7,104	7,395	6,814	6,103	5,713	758	96,527
2012-13	610	2,762	7,579	7,647	7,696	7,747	7,499	7,485	7,298	7,306	7,150	7,636	6,926	6,512	5,750	821	98,424
2013-14	646	2,780	7,448	8,061	7,666	7,825	7,835	7,605	7,340	7,474	7,397	7,661	7,183	6,585	6,139	1,006	100,651
2014-15	665	2,509	7,589	8,034	8,108	7,838	7,931	7,852	7,291	7,556	7,611	7,865	7,334	6,809	6,175	1,106	102,273
2015-16[4]	697	2,452	7,585	8,123	8,121	8,328	7,962	7,857	7,546	7,554	7,634	8,066	7,503	7,001	6,494	1,097	104,020

(1) All figures are as of the fall semester for each year.
(2) Includes Infant program, Early Childhood Education for the handicapped, and HB 72 Pre-Kindergarten program.
(3) Special Campus counts vary irregularly due to changing methods of accounting for special education students.
(4) As of June 2, 2016.

ENROLLMENT BY CAMPUS

Elementary Schools	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16[1]
1. Adams Hill	667	697	689	678	506	589	610	649	651	686	702	405	398	385	494	431	373	439	411	485	530	533	513	557	533	563	573	536
2. Allen[2]	503	507	514	494	478	484	474	497	560	572	564	610	579	532	519	621	612	617	613	609	617	598	610	600	604	598	577	578
3. Aue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	548	635	732	831	869	957	756	634	647
4. Beard	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	619	806	910	1,076	1,117	1,164	969	998	1,037	915	845	841	789
5. Behlau	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	423	458	599	755	825	868
6. Blattman	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	453	491	586	569	494	508	534	582	596	605	634	544	526
7. Boldt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	495
8. Boone	1,194	986	824	886	867	834	888	912	884	905	877	923	970	947	956	1,018	1,009	999	948	936	658	656	655	654	654	646	597	601
9. Brauchle	-	-	719	772	746	949	1,076	999	988	1,019	823	848	965	907	806	792	767	746	717	931	733	705	624	621	606	594	621	602
10. Braun Station	936	889	755	696	702	721	703	826	855	701	680	592	669	577	560	551	555	606	598	670	648	617	674	643	587	543	579	611
11. Burke	-	-	-	-	-	-	-	-	-	-	-	-	572	663	720	654	717	716	845	607	623	627	505	517	487	500	503	518
12. Cable	562	569	567	583	611	605	604	621	604	565	558	516	513	461	602	627	502	531	548	622	653	646	663	704	751	770	732	736
13. Carlos Coon	1,068	1,017	1,017	1,048	867	901	882	916	1,045	912	903	936	677	685	805	649	676	762	747	751	680	689	749	759	816	854	851	806
14. Carnahan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	573	635	658	627	620	622	640	607
15. Carson	-	-	-	-	-	-	-	-	-	-	546	751	666	1,004	713	739	720	622	645	670	673	710	713	713	691	642	642	633
16. Cody	1,004	995	1,023	1,063	837	873	965	936	977	941	898	902	958	832	901	928	982	1,048	1,038	980	733	824	836	806	779	745	777	699
17. Colonies North	648	599	624	801	749	664	707	705	759	748	770	752	767	740	744	732	771	705	497	533	601	666	606	587	642	710	698	725
18. Driggers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	636	651	658	628	645	617	616	596	604
19. Ellison	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	458	516
20. Elrod	541	710	613	656	648	667	655	687	714	713	734	764	760	730	740	741	745	799	805	618	600	591	581	565	554	556	539	509
21. Esparza	813	795	752	760	807	808	771	754	761	724	734	750	737	752	721	765	758	797	794	797	855	875	772	770	743	746	702	695
22. Evers	-	-	-	-	845	917	940	1,018	1,014	1,019	1,027	897	905	910	947	970	789	839	746	664	627	678	728	817	853	944	982	996
23. Fernandez	-	-	588	686	696	732	766	780	836	876	874	898	765	715	741	829	856	838	786	758	718	694	718	696	668	638	640	633
24. Fisher	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	676	847	910	908	954	1,042	824	825	846	840
25. Forester	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	776	946	753	835	908	961	984	972
26. Franklin	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	477	546	628
27. Galm	477	543	636	683	598	637	699	729	788	835	883	976	1,034	818	863	925	769	757	922	1,032	934	769	721	730	704	703	711	710
28. Glass	488	494	564	564	598	567	548	506	526	544	553	512	503	483	464	494	529	521	612	634	579	580	587	635	609	615	589	565
29. Glenn	774	810	762	824	854	844	832	850	773	725	671	608	628	613	605	603	638	701	684	686	662	687	699	689	671	656	671	669
30. Glenoaks	577	642	700	772	599	621	599	591	600	550	662	747	735	690	747	729	745	824	644	606	645	624	668	659	604	547	657	675
31. Hatchett	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	743	1,026	977	716	793	794	838	866	798	814	808	823
32. Helotes	468	489	385	345	406	405	445	462	512	485	515	523	541	587	610	544	599	518	547	517	502	483	476	491	376	358	379	386
33. Henderson	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	569	659	702	609	692	841
34. Hoffman	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	697	925	609	692	761	901	1,032
35. Howsman	929	888	765	828	619	607	641	705	742	749	728	694	698	755	844	651	705	642	622	642	597	621	629	685	691	693	721	754
36. Hull	554	524	536	528	625	714	709	566	542	528	555	557	595	598	638	593	573	601	496	517	582	576	546	596	664	685	650	639
37. Knowlton	1,147	1,160	861	947	998	1,012	1,002	1,023	1,038	1,032	1,032	1,067	808	810	818	781	785	776	768	740	773	763	754	749	736	736	681	702
38. Krueger	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	646	994	1,226	1,325	1,094	1,013	1,072	1,068	1,051	1,071	1,046
39. Kuentz	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	741	789	800	818	819	793	771
40. Langley	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	669	847	594	645	701	812	528
41. Leon Springs	43	-	-	470	504	551	570	563	593	483	520	510	520	521	528	556	621	729	845	526	541	555	538	574	572	584	393	427
42. Leon Valley	756	627	578	632	618	618	675	876	923	688	710	793	774	869	775	791	822	723	639	593	592	642	682	670	710	719	660	637
43. Lewis	-	-	-	-	-	-	-	-	-	-	-	-	-	635	835	1,023	964	1,092	912	945	949	990	824	812	806	798	787	758
44. Lieck	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	445	557	613	714	704
45. Linton	598	636	605	787	769	761	748	758	790	725	606	604	634	670	719	695	683	644	624	641	697	691	514	618	583	584	604	622
46. Locke Hill	1,053	1,054	1,114	758	817	895	867	895	913	813	823	820	848	848	902	743	754	810	792	792	720	692	693	678	677	670	662	676
47. Los Reyes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	368	422	448	494
48. Martin	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	661	733	790	814	787	762
49. May	-	-	-	-	-	-	-	-	-	462	550	626	644	751	772	623	644	738	749	791	516	525	589	620	677	709	545	619
50. McAndrew	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	236	256	279
51. McDermott	-	-	-	-	760	846	847	752	754	846	857	881	934	848	893	924	873	926	654	769	734	752	778	789	762	727	812	822
52. Mead	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	753	723	797	832	916	977	785	777	793	803
53. Meadow Village	460	464	418	402	378	386	353	514	480	450	534	482	464	514	440	485	442	475	492	579	584	580	573	556	644	656	597	574
54. Michael	83	94	95	91	67	56	-	-	-	-	-	506	549	649	755	816	722	804	435	558	600	656	631	519	799	818	836	832
55. Mireles	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	548	741	893	1,013	1,139
56. Murnin	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	751	838	788	827	893	924	865	898	897	884
57. Myers	-	-	-	-	-	-	-	-	-	623	734	824	684	674	655	815	844	816	873	730	732	765	677	688	681	706	722	710
58. Nichols	-	-	-	-	-	-	-	-	-	-	-	-	-	-	663	731	882	747	738	735	709	709	652	607	551	553	504	467
59. Northwest Crossing	1,115	1,206	884	921	1,000	1,025	1,057	1,145	1,169	1,103	847	811	714	663	747	614	610	694	711	720	725	658	595	617	637	620	600	608
60. Oak Hills Terrace	933	780	866	863	752	766	749	786	780	782	742	741	760	746	558	560	573	558	501	516	534	560	574	587	576	603	597	621
61. Ott	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	645	875	1,168	1,303	1,309	883	855	810	807	808	745	758
62. Passmore	774	755	834	770	740	694	670	667	604	609	596	630	652	609	610	630	620	570	591	576	538	568	578	586	570	539	574	536
63. Powell	761	683	650	498	490	494	490	498	462	470	470	503	514	507	572	575	601	601	663	682	680	726	510	520	509	543	534	501
64. Raba	-	-	-	-	-	-	-	-	-	-	-	-	510	624	723	783	727	768	859	800	808	781	827	819	780	736	739	692
65. Rhodes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	574	656	625	719	732	667	691	580	512	521	614	643	641	649
66. Scarborough	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	587	690	619	714	828	694	820	1,018
67. Scobee	468	663	727	815	976	1,012	1,078	1,074	1,061	850	833	782	791	768	836	761	719	670	686	619	620	674	651	628	587	574	621	579
68. Steubing	-	-	-	-	-	-	-	-	-	453	595	764	901	914	784	773	762	825	482	579	643	528	552	532	533	537	531	520
69. Thornton	-	647	831	945	909	894	905	996	1,037	1,003	953	963	1,018	1,024	805	796	786	746	651	633	612	739	746	704	732	681	673	687
70. Timberwilde	1,088	1,210	1,018	1,056	1,030	993	925	964	933	730	841	845	840	836	883	747	697	723	753	741	737	733	746	788	806	807	781	737
71. Valley-Hi	280	263	283	261	295	282	263	256	259	272	263	248	248	257	268	282	330	373	377	359	401	392	477	465	462	431	419	402
72. Villarreal	808	862	786	819	797	772	803	679	681	659	613	659	644	723	760	704	692	688	684	709	706	682	851	715	792	810	785	767
73. Wanke	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	721	778	757	788	859	900	794	826	852	860
74. Ward	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	566	709	920	1,196	1,387	1,333	1,096	1,087	1,031	975	930	903	893
75. Westwood Terrace	736	772	773	846	883	868	891	775	842	794	779	777	780	755	770	750	744	695	704	681	562	586	553	652	664	619	618	577
	23,306	24,030	24,356	25,548	26,441	27,064	27,407	27,930	28,450	28,644	29,155	29,997	30,866	31,599	33,385	34,838	36,306	38,501	41,061	42,559	43,760	45,469	47,048	48,299	49,025	49,866	50,526	51,125

ENROLLMENT BY CAMPUS (Continued)

Middle Schools	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16[1]
1. Bernal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	637	763
2. Briscoe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	815	1,014	1,234	1,296	852	916
3. Connally	-	-	-	-	-	-	-	-	-	-	1,165	1,263	1,278	1,333	1,363	1,356	1,310	1,279	1,249	1,077	974	1,013	1,011	1,082	1,097	1,080	1,063	1,016
4. Folks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	585	721	845
5. Garcia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,294	1,364	1,450	1,499	1,475	1,495	1,528
6. Hobby	1,459	1,327	1,372	1,248	1,254	1,238	1,240	1,272	1,365	1,361	1,427	1,364	1,342	1,300	1,337	1,024	1,052	1,044	1,049	1,030	1,013	1,015	1,078	1,086	1,076	1,016	983	1,010
7. Jefferson	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,321	1,618	1,459	1,516	1,554	1,675	1,491	1,456	1,474
8. Jones	1,225	1,266	1,286	1,260	1,245	1,249	1,243	1,237	1,243	1,263	1,238	1,182	1,156	1,165	1,105	1,151	1,111	1,169	1,064	1,034	1,077	1,113	1,098	1,112	1,107	1,147	1,181	1,153
9. Jordan	-	-	-	-	-	1,125	1,226	1,344	1,407	1,430	1,395	1,405	1,539	1,401	1,555	1,656	1,545	1,759	1,666	1,666	1,151	1,177	1,266	1,263	1,334	1,353	1,329	1,273
10. Luna	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,048	1,220	1,457	1,572	1,209	1,364	1,032	1,111	1,177	1,221	1,248	1,290
11. Neff	975	1,000	1,020	1,040	1,056	1,071	1,049	1,093	1,100	1,131	1,061	1,005	1,024	992	961	1,005	1,007	1,033	990	1,106	1,143	1,153	1,233	1,271	1,232	1,175	1,179	1,202
12. Pease	1,133	1,175	1,166	1,207	1,262	883	842	854	872	890	903	901	942	1,019	1,113	1,218	932	981	1,200	1,319	1,117	1,133	1,148	1,145	1,164	1,154	1,124	1,147
13. Rawlinson	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	908	1,011	1,048	1,375	1,302	1,308	963	1,063	1,110	1,123	1,155	1,162	1,151
14. Rayburn	722	729	737	791	752	819	790	864	838	867	796	812	771	776	750	783	804	872	864	940	1,021	1,069	925	939	934	957	963	938
15. Ross	1,276	1,247	1,200	1,201	1,240	1,119	1,144	1,101	1,094	1,083	1,031	948	918	893	994	1,014	1,012	1,023	991	999	980	1,020	1,011	1,096	1,075	1,111	1,123	1,159
16. Rudder	1,081	1,227	1,308	1,320	1,343	1,172	1,210	1,259	1,294	1,303	1,231	1,277	1,318	1,381	1,406	1,146	1,113	1,116	1,116	1,130	1,198	1,146	1,138	1,073	1,020	986	1,033	1,018
17. Stevenson	1,450	1,578	1,697	1,405	1,575	1,574	1,517	1,573	1,614	1,652	1,322	1,325	1,348	1,398	1,439	1,570	1,637	1,716	1,831	1,530	1,538	1,514	1,438	1,442	1,366	1,418	1,357	1,393
18. Stinson	-	-	-	763	873	1,017	1,114	1,257	1,401	1,484	1,386	1,432	1,509	1,627	1,703	1,501	1,573	1,781	1,659	1,473	1,538	1,163	1,234	1,261	1,258	1,191	1,137	1,139
19. Vale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,337	1,425	1,374	1,306	1,371	1,375	1,336	1,292
20. Zachry	1,213	1,336	1,406	1,499	1,629	1,276	1,326	1,418	1,520	1,578	1,224	1,222	1,179	1,337	1,568	1,641	1,350	1,313	1,502	1,160	1,092	1,141	1,079	1,130	1,012	1,025	1,079	1,027
TOTAL	10,534	10,885	11,192	11,734	12,229	12,543	12,701	13,272	13,748	14,042	14,179	14,136	14,324	14,622	15,294	15,973	16,505	17,354	18,013	18,659	19,314	20,162	20,823	21,445	21,754	22,211	22,458	22,734

High Schools	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16[1]
1. Brandeis	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,588	2,200	2,341	2,399	2,477	2,518	2,553	2,705
2. Brennan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,317	1,826	2,036	2,225	2,455	2,667
3. Clark	2,836	2,699	2,657	2,615	2,568	2,475	2,549	2,750	2,949	3,031	2,838	2,798	2,745	2,763	2,762	2,746	2,653	2,796	2,805	3,040	2,640	2,566	2,589	2,573	2,646	2,742	2,714	2,785
4. Excel Academy[3]	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	189	114	110	86	76	77	88	98	53	28	21	34	47
5. Health Careers	791	827	831	831	876	874	867	851	900	915	920	916	912	894	842	828	857	845	842	859	845	856	817	810	813	852	831	829
6. Holmes/Business Careers	-	-	-	231	440	564	683	708	751	752	728	693	657	683	597	497	419	399	518	611	688	702	632	605	626	703	668	628
7. Holmes	2,855	2,710	2,438	2,359	2,346	2,293	2,423	2,349	2,423	2,512	2,299	2,297	2,291	2,417	1,887	1,631	1,658	1,628	1,526	1,715	1,680	1,746	1,896	1,907	1,923	1,883	1,980	2,100
8. Jay/Science and Engineering	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	357	470	529	624	710	748	692	692	656	668	737	707
9. Jay	3,288	3,197	3,164	3,087	3,016	2,952	2,873	2,862	2,800	2,746	2,789	2,781	2,783	2,929	3,133	3,258	3,117	2,279	1,944	2,066	2,216	2,261	2,085	2,065	2,066	2,061	2,051	2,163
10. Marshall	2,592	2,622	2,741	2,885	3,049	3,171	3,123	2,879	2,912	3,191	2,324	2,377	2,477	2,729	2,570	2,563	2,588	2,568	2,505	2,555	2,543	2,575	2,481	2,445	2,502	2,499	2,592	2,526
11. O'Connor	-	-	-	-	-	-	-	-	-	-	1,882	2,652	2,849	3,071	3,035	3,013	3,029	3,166	3,174	3,321	2,790	2,789	2,910	2,982	2,952	2,992	3,041	3,106
12. Stevens	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,003	2,885	3,100	3,009	2,999	2,627	2,481	2,682	2,764	2,709	2,776
13. Taft/Communication Arts	-	-	-	-	-	-	-	107	220	312	401	397	391	427	442	462	468	460	490	508	520	519	494	494	495	485	499	497
14. Taft	1,964	2,103	2,167	2,256	2,386	2,490	2,722	2,769	2,951	3,176	2,792	2,637	2,670	2,697	2,309	2,317	2,583	2,105	2,084	2,390	2,286	2,306	1,991	1,959	2,060	2,233	2,347	2,524
15. Warren/Construction Careers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	131	244	328	418	454	493	495
16. Warren	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,890	2,508	2,623	2,693	2,496	2,623	2,960	2,768	2,469	2,406	2,444	2,468	2,479	2,509
Challenge[3]	-	-	-	70	80	52	80	86	106	115	87	84	84	54	75	-	-	-	-	-	-	-	-	-	-	-	-	-
Sunset[3]	-	-	-	-	-	-	-	135	102	93	126	136	142	93	95	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	14,326	14,158	13,998	14,334	14,761	14,871	15,320	15,496	16,114	16,843	17,186	17,768	18,001	18,757	19,637	20,012	20,466	21,522	21,884	23,488	24,552	25,254	25,683	26,025	26,824	27,568	28,183	29,064
Northside Pre-K and EE	76	103	97	87	110	87	89	120	107	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Special Campuses	405	388	406	478	520	527	646	671	756	724	810	760	785	794	742	684	741	727	868	840	774	693	764	758	821	1,006	1,106	1,097
TOTAL FOR ALL SCHOOLS	48,647	49,564	50,049	52,181	54,061	55,092	56,163	57,489	59,175	60,253	61,330	62,661	63,976	65,772	69,058	71,507	74,018	78,104	81,826	85,546	88,400	91,578	94,318	96,527	98,424	100,651	102,273	104,020

(1) As of June 2, 2016.
(2) In 2012, the name changed from Lackland City to Allen Elementary.
(3) The consolidation of Challenge and Sunset High Schools resulted in creation of Excel Academy.

THE CITY OF SAN ANTONIO AND BEXAR COUNTY

POPULATION AND LOCATION

The 2010 Census, prepared by the United States Census Bureau ("U.S. Census Bureau"), found a City of San Antonio (the "City") population of 1,327,407. For the 2010 City population, it was determined that the U.S. Census Bureau had erroneously assigned 35 census blocks to the City that are actually outside of the City limits. The revised 2010 City population is 1,326,539.

The City's Information Technology Services Department estimates the City's population to be 1,432,006 in 2015. The U.S. Census Bureau ranks the City as the second largest in the State of Texas (the "State") and the seventh largest in the United States. The City is located in south central Texas approximately 80 miles south of the state capitol in Austin, 165 miles northwest of the Gulf of Mexico, and approximately 150 miles from the U.S./Mexico border cities of Del Rio, Eagle Pass, and Laredo, respectively.

The City is the county seat of Bexar County (the "County"). The County had a population of 1,714,773 according to the 2010 Census. In 2015, the City's Information Technology Services Department estimated the County's population to be 1,902,590 and the San Antonio-New Braunfels Metropolitan Statistical Area ("MSA") population to be 2,397,009.

POPULATION

The following table provides the population of the City, the County, and the MSA, which includes Bexar County and Comal, Wilson, and Guadalupe Counties:

Year	City of San Antonio	Bexar County	San Antonio-New Braunfels MSA
1920	161,379	202,096	289,089
1930	231,542	292,533	389,445
1940	253,854	338,176	437,854
1950	408,442	500,460	603,775
1960	587,718	687,151	796,792
1970	654,153	830,460	951,876
1980	785,880	988,800	1,154,648
1990	935,933	1,185,394	1,407,745
2000	1,144,646	1,392,931	1,711,703(1)
2010	1,326,539	1,714,773	2,142,508(2)

(1) As of June 2003, the United States office of Management and Budget redefined the City MSA by increasing the number of counties from four to eight: Atascosa, Bandera, Kendall, and Medina Counties were added to its mainstays of Bexar, Comal, Guadalupe, and Wilson Counties. (The 2000 figure reflects the new 2003 redefined eight-county area.) As of December 2009, New Braunfels, Texas qualified as a new principal city of the San Antonio MSA, and the MSA was retitled San Antonio-New Braunfels MSA.

(2) Provided by the American Community Survey.

Sources: U.S. Census Bureau; Texas Association of Counties – County Information Project; and City of San Antonio, Department of Planning and Community Development.

AREA AND TOPOGRAPHY

The area of the City has increased through numerous annexations, and now contains approximately 485 square miles. The topography of the City is generally hilly with heavy black to thin limestone soils. There are numerous streams fed with underground spring water. The average elevation is 795.5 feet above mean sea level.

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BEXAR COUNTY

The County was organized in 1836 as one of the original counties of the Republic of Texas and is now the fourth most populous of the 254 counties in the State. The County has an area of approximately 1,248 square miles and is located in south central Texas and is a component of the San Antonio-New Braunfels MSA. The principal city within the County is San Antonio, which is the county seat.

The diversified economic base of the County is composed of financial services, healthcare, agriculture, manufacturing, construction, military, and tourism. The County's proximity to Mexico provides favorable conditions for international business relations with the country in the areas of agriculture, tourism, manufacturing, wholesale and retail markets. Industry ranges from the manufacturing of apparel, food products, aircraft, electronics and pharmaceuticals to iron and steel products and oil well equipment. San Antonio is a major insurance center in the southwest, serving as the headquarters for several insurance companies, including United Services Automobile Association.

EMPLOYMENT AND WAGES BY INDUSTRY - BEXAR COUNTY(1)(2)

	Fourth Quarter				
	2015	2014	2013	2012	2011
Natural Resources and Mining	5,107	6,431	5,176	3,686	2,971
Construction	38,479	36,931	33,957	32,523	33,047
Manufacturing	34,040	34,353	34,500	35,735	35,074
Trade, Transportation & Utilities	142,448	136,818	132,202	127,517	122,512
Information	20,092	20,562	19,844	19,255	18,043
Financial Activities	74,534	71,689	68,665	66,011	63,589
Professional and Business Services	110,786	109,827	104,206	101,512	96,814
Education and Health Services	133,825	125,797	121,029	116,249	113,253
Leisure and Hospitality	107,377	102,267	100,240	96,100	91,786
Other Services	23,745	22,318	22,291	23,862	22,991
Unclassified	211	123	204	249	144
State Government	18,430	18,123	17,114	18,600	18,306
Local Government	91,577	90,144	87,767	86,014	85,758
Total Employment	800,650	775,382	747,195	727,312	704,288
Total Wages	$ 9,962,614,307	$ 8,993,451,014	$ 8,416,438,904	$ 8,111,500,671	$ 7,707,802,504

(1) Source: Texas Workforce Commission.
(2) Statistics do not include Federal employees or their wages.

LABOR FORCE STATISTICS FOR BEXAR COUNTY(1)

	2016(2)	2015(3)	2014(3)	2013(3)	2012(3)
Civilian Labor Force	896,094	874,901	866,343	856,924	841,280
Total Employed	860,802	841,401	825,849	807,470	787,992
Total Unemployed	35,292	33,500	40,494	49,454	53,288
Unemployment Rate	3.9%	3.8%	4.7%	5.8%	6.3%
% Unemployed (Texas)	4.8%	4.5%	5.1%	6.2%	6.7%
% Unemployed (U.S.)	5.1%	5.3%	6.2%	7.4%	8.1%

(1) Source: Texas Employment Commission.
(2) As of June 2016.
(3) Average annual statistics.

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APPENDIX B

EXCERPTS FROM THE

NORTHSIDE INDEPENDENT SCHOOL DISTRICT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended August 31, 2015

The information contained in this Appendix consists of excerpts from the Northside Independent School District Comprehensive Annual Financial Report for the Year Ended August 31, 2015, and is not intended to be a complete statement of the District's financial condition. Reference is made to the complete report for further information.

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Northside Independent School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Northside 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

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

Auditor's Responsibility

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

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

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

AN INDEPENDENT MEMBER OF BAKER TILLY INTERNATIONAL
WEAVER AND TIDWELL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS
1601 SOUTH MOPAC EXPRESSWAY, SUITE D250, AUSTIN, TX 78746
P: 512.609.1900 F: 512.609.1911

Board of Trustees
Northside Independent School District

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.

Emphasis of Matter

As discussed in Note 20 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*. 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, budgetary comparison information, and TRS pension schedules on pages 4 through 12, 68 and 69, and 70 through 72, respectively, 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, combining and individual nonmajor fund financial statements, 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 purposed 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 not a required part of the financial statements.

The combining and other statements, required Texas Education Agency schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and other statements, required Texas Education Agency schedules, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 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, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Austin, Texas
January 19, 2016

MANAGEMENT'S DISCUSSION & ANALYSIS

As management of the Northside Independent School District (the "District"), we offer readers of the District's basic financial statements this narrative overview and analysis of the financial activities for the fiscal year ended August 31, 2015. The intent of this section is to look at the District's financial performance as a whole. We encourage readers to consider the additional information presented in the transmittal letter, in the introductory section, and the notes to the basic financial statements in conjunction with this discussion and analysis to enhance their understanding of the District's financial performance.

Comparative Information

The Management Discussion and Analysis (MD&A) is an element of the reporting model prescribed by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Presentation of certain comparative information between the current year and the prior year is provided.

FINANCIAL HIGHLIGHTS

- Assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources by $220,466,808 (net position). The District has $192,690,231 of unrestricted net assets to meet ongoing obligations. Restricted net assets consist of $29,954,106 for debt service and $9,641,698 for child nutrition services.

- The District is reporting a decrease in net position due to a prior period adjustment of $(140,161,110). This adjustment is related to a new financial reporting requirement (GASB Statement No. 68), whereby the District must report its proportionate share of the Teacher Retirement System of Texas (TRS) net pension liability. See Note 20 for more information.

- Tax collections increased $30,972,867 from 2014 and the tax levy increased by $35,575,837, as a result of the increase in the tax base.

- The ending fund balance of the District's General Fund increased $19,824,194 to $309,046,665. The unassigned portion of fund balance, $93,303,320, represents 11.98% of annual operating expenditures or about 31 days of operations.

- In May 2014, the Northside community approved a $648.34 million bond proposal to build five new schools, design and engineer a sixth school, and make additions and improvements to existing schools and facilities. During the year, the District issued $120.32 million from the 2014 bond authorization and $54.16 million from the 2010 bond authorization.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The Comprehensive Annual Financial Report (CAFR) consists of an Introductory Section, Financial Section, Statistical Section and a Federal Awards Section. The Financial Section consists of four parts - Management's Discussion and Analysis (this section), the basic financial statements (with accompanying notes), required supplementary information, and an optional section that presents combining statements for non-major governmental funds, internal service funds, fiduciary funds and capital assets used in the operation of governmental funds. The statements are intended to be organized so that the reader can understand the District as an entire operating entity.

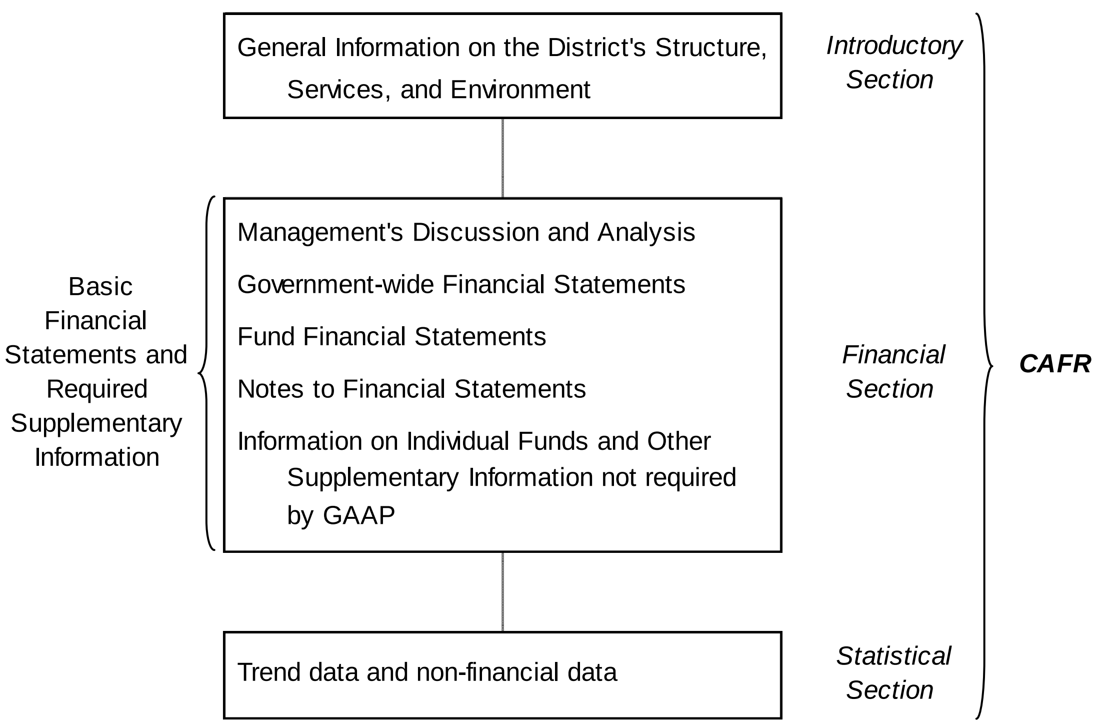
The basic financial statements include two kinds of statements that present different views of the District in addition to the notes that explain some of the information in the basic financial statements and provide data that are more detailed:

1. The first two statements are *government-wide financial statements,* the Statement of Net Position and the Statement of Activities, which provide both long-term and short-term information about the District's overall financial status.

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

The statements are followed by a section of *required supplementary information* and *other supplementary information* that further explains and supports the information in the basic financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-1
Components of the District's Comprehensive Annual Financial Report (CAFR)



Government-Wide Financial Statements (Reporting the District as a Whole)

These statements summarize the large number of funds used by the District to provide programs and activities and view the entire District as a whole. The **Statement of Net Position** includes all assets and liabilities of the District using the accrual basis of accounting similar to the accounting used by most private-sector companies. The **Statement of Activities** takes into consideration all of the current year's revenues and expenses regardless of when cash is received or paid. All inter-fund transactions are eliminated.

These two statements report the District's net position and changes in those positions. Net position, the difference between the District's assets plus deferred outflows and liabilities plus deferred inflows, are one way to measure the District's financial health or position.

Change in net position is important because it tells the reader that, as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the District's property tax base, current Texas school finance laws, student growth, facility needs, and required educational programs.

All functions of the District are governmental activities; the District reports no business-like activities. Governmental activities comprise the programs and services related to providing a public education to residents of the District. Activities reported include, but are not limited to, instruction, support services, administration, maintenance, pupil transportation, extracurricular activities, technology services and security.

Fund Financial Statements (Reporting the School District's Most Significant Funds)

Fund financial statements provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions that have been separated for specific activities or objectives. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund, Debt Service Fund, and the Capital Projects Fund.

All the funds of the District can be described by three categories:

- **Governmental Funds** - Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

- **Proprietary Funds** - Services for which the District self-charges customers a fee are generally reported in proprietary funds. Proprietary fund statements, like the government-wide statements, provide both long and short-term financial information. Internal Service Funds are used to report activities such as the District's Worker's Compensation Insurance, Unemployment Self Insurance, Armored Car Services, Equipment Replacement, and Printing Operations that provide supplies and services for the District's other programs and activities.

- **Fiduciary Funds** - The District is the trustee, or fiduciary, for Textbook Waivers and Refunds, Student Activities, Northside Booster Association, and University Interscholastic League funds. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. These activities are excluded from the District's basic financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Government–wide)

Net Position

The District's net position was approximately $220.47 million at August 31, 2015, which is a $130.12 million decrease from the August 31, 2014 net position of $350.59 million. Net position was restated due to the implementation of GASB 68 related to pension liabilities. More information regarding this change in accounting principle can be found in Note 20 of the Notes to Financial Statements.

Table A-1 summarizes the change in net position from August 31, 2014 to August 31, 2015.

Table A-1
Net Position
(in millions of dollars)

	08/31/15	08/31/14	Increase (Decrease)
Assets			
Current and Other Assets	$ 631.52	$ 545.62	$ 85.90
Capital Assets	1,980.08	1,924.44	55.64
Total Assets	2,611.60	2,470.06	141.54
Deferred Outflows of Resources			
Deferred Charge for Refunding	9.08	8.93	0.15
Deferred Outflow Related to TRS Pension	29.30	-	29.30
Total Deferred Outflows of Resources	38.38	8.93	29.45
Liabilities			
Current and Other Liabilites	96.92	78.81	18.11
Long-term Liabilites	2,294.75	2,049.59	245.16
Total Liabilities	2,391.67	2,128.40	263.27
Deferred Inflows of Resources			
Deferred Inflow Related to TRS Pension	37.84	-	37.84
Total Deferred Inflows of Resources	37.84	-	37.84
Net Position			
Net Investment in Capital Assets	(11.82)	10.26	(22.08)
Restricted	39.60	36.93	2.67
Unrestricted	192.69	303.40	(110.71)
Total Net Position	$ 220.47	$ 350.59	$ (130.12)

- Ninety-five percent of the District's $631.52 million in Current and Other Assets are liquid, with $453.05 million in cash and cash equivalents and $147.5 million in government securities.
- The majority of the increase in Current and Other Assets from 2014 to 2015 is due to an increase in unspent bond proceeds and additional tax collections.
- Capital Assets reflect the District's investment in land, construction in progress, buildings, and equipment, net of accumulated depreciation. The increase in Capital Assets is from the addition of new schools and other ongoing construction projects.
- Long-term Liabilities include the District's outstanding voter-approved general obligation bonds, which were $2.091 billion. Long-term liabilities increased due to the new bond issuances that are funding the District's construction projects.
- The increase in bond issuances exceeded the increase in construction projects, causing a decrease in Net Investment in Capital Assets.
- Restricted net position is not available for general operations and includes $9.64 million for child nutrition services and $29.95 million for debt service at August 31, 2015.

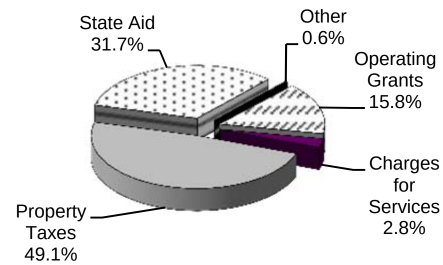
Changes in Net Position

The District's revenues totaled $1.06 billion in 2014-15. A significant portion, 49.1%, of the District's revenue came from property taxes, 31.7% from state aid – formula grants, 15.8% from operating grants and contributions, and 2.8% from charges for services and 0.6% from other sources. (See Figure A-2).

The District's 2015 activities increased net position by $10.04 million as reflected in Table A-2. The largest functional expenses occurred in instruction, plant maintenance and operations, and debt service, which represented $592.07 million or 56.4%, $76.48 million or 7.3%, and $72.04 million or 6.7% of total expenses, respectively. The increase in these functional categories is directly associated with the District's growing enrollment and opening of new schools.

The total cost of all programs and services was $1,050.40 million. Of these costs, 81.2% are for instructional and student support services.

Figure A-2
Sources of Revenue



Although the District's activities increased net position, a prior period adjustment for GASB 68 in the amount of $(140,161,110) caused net position to decrease overall. See Note 20 for additional information regarding this prior period adjustment.

Table A-2
Change in Net Position
(in millions of dollars)

	Governmental Activities		
Revenues			Increase
Program Revenues	08/31/15	08/31/14	(Decrease)
Charges for Services	$ 29.62	$ 26.95	$ 2.67
Operating Grants and Contributions	167.87	160.05	7.82
General Revenues			
Property Taxes	520.89	491.30	29.59
State Aid - formula	336.18	330.49	5.69
Investment Earnings	1.06	0.76	0.30
Other	4.82	2.54	2.28
Total Revenues	1,060.44	1,012.09	48.35
Expenses			
Instruction	592.07	569.11	22.97
Instructional Resources & Media Services	13.15	12.25	0.90
Curriculum & Staff Development	20.69	18.27	2.42
Instructional Leadership	19.51	18.04	1.47
School Leadership	50.25	48.42	1.83
Guidance, Counseling & Evaluation Services	33.05	31.70	1.35
Social Work Services	3.09	2.93	0.16
Health Services	9.06	8.57	0.49
Student (pupil) Transportation	31.43	29.81	1.62
Child Nutrition Services	54.05	52.35	1.70
Co-Curricular Activities	26.17	22.29	3.88
General Administration	17.22	15.73	1.49
Plant Maintenance and Operations	76.48	74.17	2.31
Security & Monitoring Services	7.95	7.60	0.35
Data Processing Services	13.12	12.09	1.03
Community Services	11.06	8.42	2.64
Debt Service	72.04	72.34	(0.30)
Total Expenses	1,050.40	1,004.09	46.31
Change in Net Assets	10.04	8.00	2.04
Beginning Net Position, Restated	210.43	342.59	(132.16)
Ending Net Position	$ 220.47	$ 350.59	$ (130.12)

Governmental Activities

- Property tax collections for 2014-15 remained at the 99% level. This year's collection rate was 99.3% based on a tax levy of $521,412,000. Compared to 2013-14, property tax revenue increased 6.3% for 2014-15 due to a higher tax base.
- Formula State Aid increased $5.69 million overall, or 1.7%. This increase is a result of higher enrollment for 2014-15 compared to 2013-14.
- During the year, the District issued $174,470,000 in general obligation bonds. The District refunded $108,380,000 of fixed rate bonds.
- During the 2014-15 school year, the District opened Herbert G. Boldt Elementary School.

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

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

	Cost of Services			
	08/31/15		08/31/14	
	Total	Net	Total	Net
Instruction	$ 592.07	$ 502.03	$ 569.11	$ 489.09
School Leadership	50.25	47.88	48.42	46.20
Guidance, Counseling and Evaluation Services	33.05	21.33	31.70	20.95
Student (Pupil) Transportation	31.43	29.81	29.81	28.57
Child Nutrition Services	54.05	3.95	52.35	0.48
Plant Maintenance and Operations	76.48	71.85	74.17	69.18
Debt Service	72.04	69.49	72.34	68.65
Total	$ 909.37	$ 746.34	$ 877.90	$ 723.12

- Instruction comprises 58.86% of the District's net cost of services on a government-wide basis;
- The net cost of all *governmental* activities this year was $852,913,391. The amount that our taxpayers paid for these activities through property taxes was $520,894,643;
- Costs paid by the state were $336,185,251;
- Net costs include program costs paid by those who directly benefited from the programs, $29,616,003; and
- Net costs include costs paid by grants and contributions, $167,868,620.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Using the modified accrual basis of accounting, revenues from governmental funds totaled $1,057,137,165 and expenditures were $1,175,500,711. The District reported combined governmental funds ending fund balances of $ $512,516,532. Since not all the ending fund balance is available for new spending, the District has the following fund balance classifications:

- Nonspendable amounts from inventories of $ 3,726,707;
- Nonspendable amounts from long-term investments of $74,653,970;
- Restricted amounts for debt service of $ 29,954,106;
- Restricted amounts for child nutrition of $ 9,874,686;
- Restricted amounts for authorized construction of $ 161,952,257;
- Committed amounts for local special revenue funds of $113,786;
- Committed amounts for opening new schools of $26,693,135;
- Committed amounts for state revenue deficits of $51,569,237;
- Committed amounts for technology deployments of $24,470,577;
- Assigned amounts for employee benefits of $12,500,000;
- Assigned amounts for debt service of $10,000,000;
- Assigned amounts for federal program reductions of $7,445,522; and
- Assigned amounts for Maintenance of Effort reductions of $6,259,229.

The General Fund experienced a net increase in fund balance of $19,824,194, which was the result of $32,686,118 less than anticipated expenditures in 2014-2015.

The Debt Service Fund experienced a net increase in fund balance of $4,667,787. The increase was the result of low borrowing costs and refunding of bonds.

The Capital Projects Fund experienced a net increase in fund balance of $41,681,848 resulting from current year bond sales exceeding current year project expenditures.

Budgetary Highlights

Over the course of the year, the District revised its general fund budget three times, as follows:

- Budget Amendment #1 reflected adjustments for carryover of appropriations because of commitments made against the budget for goods not received and services not completed as of August 31, 2014. In addition, adjustments to campus-based formula accounts were included to accommodate the increase in student enrollment. High school allotment funds were also carried forward with this amendment. This amendment resulted in a net increase to appropriations of $7,988,396.

- Budget Amendment #2 included adjustments related to increased revenue for the Learning Tree after-school enrichment program and increased appropriations for various programs, campuses and departments. Budgeted appropriations were reduced overall for various one-time costs. This amendment resulted in a net increase in appropriations of $110,505 and a net increase in revenue sources of $640,102 for the general fund.

- Budget Amendment #3 (final) included adjustments related to appropriations for campuses, departments and revenue resources. Budgeted revenues were adjusted for delinquent tax collections, Medicaid, e-rate and other items. Budget appropriations were increased for increased Pre-K 4 San Antonio program enrollment and other various program costs. This amendment resulted in an increase in appropriations of $2,916,649, an increase of $325,000 in other uses, and an increase in revenue sources of $2,209,180, resulting in a net decrease to fund balance of $1,032,469.

The most significant and negative variance between the original adopted general fund budget and the final amended budget was due to appropriations increasing by approximately $11 million because of discretionary resource commitments for future planning and applicable realignments impacting campuses and departments during the year. There was also a steadfast net increase in local, state and federal revenue of approximately $3.7 million.

The debt service budget was amended with Budget Amendment #3 (final) to decrease fund balance by $370,000. This was mainly due to bond sale activity during the year and a decrease in the delinquent tax revenue.

The child nutrition budget was amended with Budget Amendment #3 (final) to increase other sources by $325,000 for a transfer in from the general fund.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2015, the District had invested $1.98 billion in a broad range of capital assets, including land, equipment, buildings, and vehicles (see Table A-4). This amount represents a net increase (including additions and deductions) of $55.64 million or 2.9% over last year.

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

	08/31/15	08/31/14
Land	$ 101.84	$ 97.05
Buildings and Improvements	2,378.95	2,274.60
Construction in Progress	122.21	105.29
Furniture and Equipment	122.61	120.42
Totals at Historical Cost	2,725.61	2,597.36
Total Accumulated Depreciation	(745.53)	(672.92)
Net Capital Assets	$ 1,980.08	$ 1,924.44

Current capital projects under construction include one (1) high school, two (2) elementary schools, and a sports gym.

The District has begun the capital improvement program being funded by the 2014 $648.34 million bond authorization. The 2014 authorization includes $274.5 million for the construction of one high school and four elementary schools, $199.83 million for major additions and renovations, $71.84 million for infrastructure improvements, $47.00 million for technology, and $55.17 million for other projects. More information about the District's capital assets is presented in Note 5 of the Notes to Financial Statements.

Long-Term Debt

During the year, the District issued the last $54.16 million remaining from the 2010 bond authorization. The District also issued the first $120.32 million from the 2014 bond authorization. Additionally, the District continued its active debt management practice by refunding $108.38 million of fixed rate debt to take advantage of lower interest rates. At year-end, the District had $2.172 billion in long-term debt outstanding as shown in Table A-5. More information about the District's debt is presented in Note 7 in the Notes to Financial Statements.

Table A-5
District's Long Term Debt
(in millions of dollars)

	08/31/15	08/31/14
Bonds payable	$2,164.93	$2,043.38
Net Pension Liability	123.71	-
Accrued Vacation	1.20	1.17
Workers Compensation	4.90	5.04
Total Long-Term Debt	$2,294.74	$2,049.59

Long-term bonds are rated "AAA" by Moody's Investors Service, Inc. ("Moody's") and Fitch Investors Service ("Fitch") by virtue of the guarantee of the Permanent School Fund of the State of Texas.

The current underlying credit rating from Fitch is AA+. The current underlying credit rating from Moody's is Aa1. The District's short-term credit has been rated "VMIG 1" by Moody's.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND TAX RATES

- Property values used for the 2015-16 budget preparation will be up an estimated $4.4 billion or 11.61% from 2015. The expected resulting increase in General Fund and Debt Service Fund tax revenues is $46.3 million and $15 million, respectively.

- For 2015-16, the District's overall tax rate will remain at $1.3755, with the General Fund maintenance and operations tax rate at $1.04 per $100 valuation and the Debt Service Fund tax rate at $0.3355 per $100 valuation.

- The District's 2015-16 General Fund adopted budget included a projected enrollment increase of 1,833 students. The expected enrollment of 104,786 represents a 1.22% increase from 2014-15.

- For 2015-16, the District appropriated $845.9 million in General Fund expenditures and other uses and estimated revenues of $836 million. The adopted budget included $25.7 million for related costs of growth and new schools, and an increase of payroll costs of $21.4 million. The payroll cost increase was mainly due to a compensation increase for staff.

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 demonstrate the District's accountability for the funds it receives. If you have questions about this report or need additional financial information, contact the District's Deputy Superintendent for Business and Finance at Northside ISD, 5900 Evers Road, San Antonio, TX 78238.

BASIC FINANCIAL STATEMENTS

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NORTHSIDE INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

STATEMENT OF NET POSITION
August 31, 2015

Data Control Codes		Governmental Activities
	ASSETS	
1110	Cash and Cash Equivalents	$ 453,045,055
1120	Investments	147,497,707
1220	Property Taxes Receivable (Delinquent)	11,271,150
1230	Allowance for Uncollectible Taxes	(6,467,600)
1240	Due from Other Governments	20,475,872
1250	Accrued Interest	349,066
1290	Other Receivables	510,177
1300	Inventories	4,834,853
	Capital Assets	
1510	Land	101,838,726
1520	Buildings, net	1,698,808,913
1530	Furniture & Equipment, net	57,215,853
1580	Construction in Progress	122,213,247
1000	Total Assets	2,611,593,019
	DEFERRED OUTFLOWS OF RESOURCES	
1701	Deferred Charge for Refunding	9,082,504
1705	Deferred Outflow Related to TRS Pension	29,299,307
1700	Total Deferred Outflows of Resources	38,381,811
	LIABILITIES	
2110	Accounts Payable	28,292,032
2140	Accrued Interest	6,812,387
2150	Payroll Deductions & Withholdings Payable	16,869,525
2160	Accrued Wages Payable	39,801,805
2180	Due to Other Governments	71,290
2190	Due to Student Groups	49,463
2300	Unearned Revenue	5,023,710
	Noncurrent Liabilities	
2501	Long term Debt - due within one year	72,729,084
2502	Bonds Payable - due or payable after one year	2,096,070,727
2540	Net Pension Liability (District's Share)	123,707,492
2590	Other Long term Debt - due or payable after one year	2,238,018
2000	Total Liabilities	2,391,665,533
	DEFERRED INFLOWS OF RESOURCES	
2605	Deferred Inflow Related to TRS Pension	37,842,489
2600	Total Deferred Inflows of Resources	37,842,489
	NET POSITION	
3200	Net Investment in Capital Assets	(11,819,227)
3840	Restricted for Child Nutrition Services	9,641,698
3850	Restricted for Debt Service	29,954,106
3900	Unrestricted	192,690,231
3000	Total Net Position	$ 220,466,808

The accompanying notes are an integral part of this statement.

NORTHSIDE INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

STATEMENT OF ACTIVITIES
Year Ended August 31, 2015

Data Control Codes	Functions/Programs	1 Expenses	Program 3 Charges for Services
	Governmental Activities:		
0011	Instruction	$ 592,068,785	$ 6,951,183
0012	Instructional Resources & Media Services	13,147,210	-
0013	Curriculum & Staff Development	20,687,736	-
0021	Instructional Leadership	19,511,320	-
0023	School Leadership	50,254,795	-
0031	Guidance, Counseling & Evaluation Services	33,050,312	-
0032	Social Work Services	3,085,235	-
0033	Health Services	9,057,950	-
0034	Student (Pupil) Transportation	31,433,081	381,629
0035	Child Nutrition Services	54,054,297	14,902,214
0036	Co-curricular/Extracurricular Activities	26,174,474	3,071,757
0041	General Administration	17,224,104	25,016
0051	Plant Maintenance & Operations	76,476,147	1,914,888
0052	Security & Monitoring Services	7,951,372	90,224
0053	Data Processing Services	13,121,758	-
0061	Community Services	11,056,229	2,279,092
0072	Debt Service - Interest	70,421,475	-
0073	Debt Service - Fiscal Charges	1,621,734	-
TP	TOTAL PRIMARY GOVERNMENT	$ 1,050,398,014	$ 29,616,003

	General Revenues:
	Taxes:
MT	Property Taxes, Levied for General Purposes
DT	Property Taxes, Levied for Debt Service
SF	State aid - unrestricted formula grants
MI	Miscellaneous local & intermediate
IE	Investment earnings
TR	Total general revenues
CN	Changes in Net Position
NB	Net Position -- beginning
PA	Prior Period Adjustment
NE	Net Position -- ending

The accompanying notes are an integral part of this statement.

Revenues	Net (Expense) Revenue and Changes in Net Position
4	6
Operating Grants and Contributions	Total Governmental Activities
$ 83,090,476	$ (502,027,126)
1,334,988	(11,812,222)
5,357,750	(15,329,986)
1,927,696	(17,583,624)
2,376,354	(47,878,441)
11,717,656	(21,332,656)
279,864	(2,805,371)
9,454,130	396,180
1,236,868	(29,814,584)
35,203,161	(3,948,922)
5,798,317	(17,304,400)
1,123,693	(16,075,395)
2,714,565	(71,846,694)
351,408	(7,509,740)
418,139	(12,703,619)
2,936,671	(5,840,466)
2,546,884	(67,874,591)
-	(1,621,734)
$ 167,868,620	$ (852,913,391)
	393,882,332
	127,012,311
	336,185,251
	4,816,426
	1,057,662
	862,953,982
	10,040,591
	350,587,327
	(140,161,110)
	$ 220,466,808

NORTHSIDE INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

BALANCE SHEET
GOVERNMENTAL FUNDS
August 31, 2015

Data Control Codes		General Fund	Debt Service Fund
	ASSETS		
1110	Cash and Cash Equivalents	$ 215,306,121	$ 29,568,237
1120	Investments	147,497,707	-
1220	Property Taxes - Delinquent	8,710,790	2,560,360
1230	Allowance for Uncollectible Taxes (credit)	(4,993,100)	(1,474,500)
1240	Due from Other Governments	11,204,755	-
1250	Accrued Interest	349,066	-
1260	Due from Other Funds	6,092,594	258,194
1290	Other Receivables	314,638	-
1300	Inventories, at cost	2,151,675	-
1000	Total Assets	$ 386,634,246	$ 30,912,291
	LIABILITIES		
2110	Accounts Payable	$ 3,908,610	$ -
2150	Payroll Deductions & Withholdings Payable	16,869,525	-
2160	Accrued Wages Payable	36,936,826	-
2170	Due to Other Funds	258,194	-
2180	Due to Other Governments	70,698	-
2190	Due to Student Groups	49,463	-
2300	Unearned Revenue	16,177,764	-
2000	Total Liabilities	74,271,080	-
	DEFERRED INFLOWS OF RESOURCES		
2601	Unavailable Revenue - Property Taxes	3,316,501	958,185
2600	Total Deferred Inflows of Resources	3,316,501	958,185
	FUND BALANCES		
3410	Nonspendable	76,805,645	-
3450	Restricted	-	29,954,106
3510	Committed	102,732,949	-
3550	Assigned	36,204,751	-
3600	Unassigned	93,303,320	-
3000	Total Fund Balance	309,046,665	29,954,106
4000	Total Liabilities, Deferred Inflows and Fund Balances	$ 386,634,246	$ 30,912,291

The accompanying notes are an integral part of this statement.

Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
$ 185,313,721	$ 13,651,389	$ 443,839,468
-	-	147,497,707
-	-	11,271,150
-	-	(6,467,600)
-	9,271,117	20,475,872
-	-	349,066
-	-	6,350,788
-	195,539	510,177
-	2,638,870	4,790,545
$ 185,313,721	$ 25,756,915	$ 628,617,173
$ 23,361,464	$ 969,402	$ 28,239,476
-	-	16,869,525
-	3,332,540	40,269,366
-	4,867,167	5,125,361
-	592	71,290
-	-	49,463
-	5,023,710	21,201,474
23,361,464	14,193,411	111,825,955
-	-	4,274,686
-	-	4,274,686
-	1,575,032	78,380,677
161,952,257	9,874,686	201,781,049
-	113,786	102,846,735
-	-	36,204,751
-	-	93,303,320
161,952,257	11,563,504	512,516,532
$ 185,313,721	$ 25,756,915	$ 628,617,173

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NORTHSIDE INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

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

Amounts reported for government activities in the Statement of Net Position are different because:

Total fund balances - governmental funds		$ 512,516,532
The District uses internal service funds to charge the costs of certain activities, such as printing, armored car service and self-insurance (worker's compensation, equipment and unemployment) to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position, including furniture and equipment and accumulated depreciation in the following amounts:		4,288,257
Furniture and Equipment	$ 1,806,664	
Accumulated Depreciation - Furniture and Equipment	(574,044)	
Capital assets used in governmental activities are not financial resources, and therefore, are not reported as assets in the governmental funds.		
Land	$ 101,838,726	
Buildings	2,378,948,096	
Furniture and Equipment	120,799,180	
Construction in Progress	122,213,247	2,723,799,249
Accumulated Depreciation - Buildings	(680,139,183)	
Accumulated Depreciation - Furniture and Equipment	(64,815,947)	(744,955,130)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported as liabilities in the funds. Unearned revenue is not reported as a liability in the government-wide financial statements, because the revenue is considered earned.		
Accrued Interest - Bonds	$ (6,812,387)	
Bonds Payable - Long-term	(2,091,145,000)	
Unamortized Bond Premiums	(73,785,727)	
Other Long term Debt - Accrued Vacation	(723,266)	(2,172,466,380)
Unavailable revenue from property taxes and other items is not reported as a deferred inflow in the government-wide financial statements, because the revenue is considered earned.		
Property Taxes	$ 4,274,686	
Other Items	16,177,764	20,452,450
Deferred Charge on Refunding Bonds is a deferred outflow and is not reported in the fund financial statements.		9,082,504
Included in the items related to long term debt, as required by GASB 68, are the following:		
District's proportionate share of the net pension liability	$ (123,707,492)	
Deferred resource inflow related to TRS	(37,842,489)	
Deferred resource outflow related to TRS	29,299,307	(132,250,674)
Net Position - Governmental Activities		$ 220,466,808

The accompanying notes are an integral part of this statement.

NORTHSIDE INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
Year Ended August 31, 2015

Data Control Codes		General Fund	Debt Service Fund
	REVENUES:		
5700	Local and Intermediate Sources	$ 410,591,023	$ 127,390,219
5800	State Sources	373,775,533	-
5900	Federal Sources	19,848,158	2,546,884
5020	Total Revenues	804,214,714	129,937,103
	EXPENDITURES		
	Current:		
0011	Instruction	487,241,314	-
0012	Instructional Resources and Media Services	11,306,348	-
0013	Curriculum and Instructional Staff Development	14,535,670	-
0021	Instructional Leadership	17,066,450	-
0023	School Leadership	46,809,477	-
0031	Guidance and Counseling Services	29,368,659	-
0032	Social Work Services	2,698,678	-
0033	Health Services	8,296,086	-
0034	Pupil Transportation	29,149,732	-
0035	Child Nutrition Services	401,961	-
0036	Co-Curricular Activities	19,243,756	-
0041	General Administration	12,002,666	-
0051	Plant Maintenance and Operations	67,572,889	-
0052	Security & Monitoring Services	7,597,849	-
0053	Data Processing Services	12,855,002	-
0061	Community Services	7,764,984	-
0071	Debt Service - Principal on Long-Term Debt	-	55,465,000
0072	Debt Service - Interest	-	77,384,669
0073	Debt Service - Cost of Issuance and Fiscal Charges	-	352,112
0081	Facilities Acquisition and Construction	1,165,200	-
0095	Juvenile Alternative Education Program	137,073	-
0099	Other Intergovernmental Charges	3,851,726	-
6030	Total Expenditures	779,065,520	133,201,781
1100	Excess (Deficiency) of Revenues Over Expenditures	25,149,194	(3,264,678)
	OTHER FINANCING SOURCES (USES)		
7911	Issuance of Debt - General Obligations Bonds	-	-
7911	Issuance of Debt - Refunding Bonds	-	108,380,000
7912	Proceeds from Sale of Real or Personal Property	-	-
7915	Transfers in	-	7,000,000
7916	Premium on Issuance of Bonds	-	12,887,573
8911	Transfers out	(5,325,000)	-
8940	Discount on Issuance of Bonds	-	(534,092)
8940	Payment to Refunded Bond Escrow Agent	-	(119,801,016)
	Total Other Financing Sources (Uses)	(5,325,000)	7,932,465
1200	Net Change in Fund Balance	19,824,194	4,667,787
0100	FUND BALANCES, September 1, 2014	289,222,471	25,286,319
3000	FUND BALANCES, August 31, 2015	$ 309,046,665	$ 29,954,106

The accompanying notes are an integral part of this statement.

Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
$ 841,978	$ 25,631,217	$ 564,454,437
-	16,849,236	390,624,769
-	79,662,917	102,057,959
841,978	122,143,370	1,057,137,165
-	55,960,449	543,201,763
-	895,399	12,201,747
-	4,814,130	19,349,800
-	1,160,031	18,226,481
-	25,037	46,834,514
-	1,392,235	30,760,894
-	166,974	2,865,652
-	137,521	8,433,607
-	13,053	29,162,785
-	49,839,588	50,241,549
-	5,155,743	24,399,499
-	-	12,002,666
-	2,577,668	70,150,557
-	4,000	7,601,849
-	-	12,855,002
-	2,486,036	10,251,020
-	-	55,465,000
-	-	77,384,669
-	-	352,112
138,605,546	-	139,770,746
-	-	137,073
-	-	3,851,726
138,605,546	124,627,864	1,175,500,711
(137,763,568)	(2,484,494)	(118,363,546)
174,470,000	-	174,470,000
-	-	108,380,000
931,058	-	931,058
-	325,000	7,325,000
6,779,888	-	19,667,461
(2,000,000)	-	(7,325,000)
(735,530)	-	(1,269,622)
-	-	(119,801,016)
179,445,416	325,000	182,377,881
41,681,848	(2,159,494)	64,014,335
120,270,409	13,722,998	448,502,197
$ 161,952,257	$ 11,563,504	$ 512,516,532

NORTHSIDE INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
Year Ended August 31, 2015

Amounts reported for government activities in the Statement of Activities are different because:

Total net change in fund balances - governmental funds		$ 64,014,335
The District uses internal service funds to charge the costs of certain activities, such as printing, armored car services, and self-insurance (worker's compensation, equipment and unemployment) to appropriate functions in other funds. The net income (loss) of the internal service funds are reported with the governmental activities.		291,787
Current year capital expenditures in the fund financial statements are shown as increases in capital assets in the government-wide financial statements.		131,978,325
Long-term issuances of debt are reported as resources in the fund financial statements and are shown as increases in long-term debt in the government-wide financial statements. Payments of principal on long-term debt are expenditures in the fund financial statements and are shown as reductions in long-term debt in the government-wide financial statements. Long-term debt activity was:		
Accrued Interest - Bonds	1,103,848	
Bonds Payable - Long-term	(108,275,000)	
Unamortized Bond Premiums	(13,274,443)	
Deferred Charge for Refunding Bonds	157,344	(120,288,251)
Depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(76,190,893)
The implementation of GASB 68 required certain expense adjustments, which impact ending net position:		
Contributions made after the measurement date of 8/31/2014 for the current year are de-expended	19,345,006	
District's proportionate share of pension expense is recognized	(19,216,905)	
Other items in pension expense affecting net pension liability for TRS are de-expended	7,782,335	7,910,436
Reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unearned revenue and unavailable revenue as revenue and consolidating interfund transactions.		2,324,852
Changes in Net Position - Governmental Activities		$ 10,040,591

The accompanying notes are an integral part of this statement.

NORTHSIDE INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

STATEMENT OF NET POSITION

PROPRIETARY FUND
August 31, 2015

		Governmental Activities
		Internal Service Funds
	ASSETS	
	Current Assets:	
1110	Cash and Cash Equivalents	$ 9,205,587
1310	Inventories, at Cost	44,308
	Total Current Assets	9,249,895
	Capital Assets	
1530	Furniture & Equipment	1,806,664
1570	Accumulated Depreciation	(574,044)
	Total Capital Assets (net of accumulated depreciation)	1,232,620
1000	TOTAL ASSETS	$ 10,482,515
	LIABILITIES	
	Current Liabilities	
2110	Accounts Payable	$ 52,556
2160	Accrued Wages Payable	14,482
2170	Due to Other Funds	1,225,427
2200	Accrued Expenses - Claims Payable	3,338,661
	Total Current Liabilities	4,631,126
	Non-current Liabilities	
2590	Claims Payable - Non-current	1,563,132
	Total Non-current Liabilities	1,563,132
2000	TOTAL LIABILITIES	6,194,258
	NET POSITION	
3200	Net Investment in Capital Assets	1,232,620
3900	Unrestricted	3,055,637
3000	TOTAL NET POSITION	$ 4,288,257

The accompanying notes are an integral part of this statement.

NORTHSIDE INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
PROPRIETARY FUND
Year Ended August 31, 2015

		Governmental Activities Internal Service Funds
	OPERATING REVENUES	
5754	Charges for Services	$ 1,341,910
5749	Premiums	3,662,234
5020	Total Operating Revenues	5,004,144
	OPERATING EXPENSES	
6100	Payroll Costs	744,362
6200	Purchased and Contracted Services	706,134
6300	Supplies and Materials	332,143
6429	Claims Expenses	2,529,676
6400	Other Operating Expenses	233,961
6449	Depreciation	174,264
6030	Total Operating Expenses	4,720,540
	Operating Income (Loss)	283,604
	NON-OPERATING REVENUES (EXPENSES)	
7955	Investment Income	8,183
1300	Changes in Net Position	291,787
0100	TOTAL NET POSITION, September 1, 2014	3,996,470
3300	TOTAL NET POSITION, August 31, 2015	$ 4,288,257

The accompanying notes are an integral part of this statement.

NORTHSIDE INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

Year Ended August 31, 2015

	Governmental Activities
	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Interfund Services Provided	$ 5,004,144
Cash Payments to Employees for Services	(741,495)
Cash Payments to Suppliers	(1,010,297)
Cash Payments for Insurance Claims	(2,944,488)
Cash Payments for Other Operating Expenses	(233,961)
Increase in Long-term Claims Payable	274,915
Net Cash Provided (Used) by Operating Activities	348,818
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of Capital Assets	(22,295)
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	(22,295)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Earnings	8,183
Net Cash Flows Provided (Used) by Investing Activities	8,183
Net Increase (Decrease) In Cash & Cash Equivalents	334,706
CASH AND CASH EQUIVALENTS, September 1, 2014	8,870,881
CASH AND CASH EQUIVALENTS, August 31, 2015	$ 9,205,587
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	$ 283,604
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation	174,264
Effect of Changes in Current Assets and Liabilities:	
(Increase) Decrease in Inventories	4,567
Increase (Decrease) in Accounts Payable	23,413
Increase (Decrease) in Claims Payable	(139,897)
Increase (Decrease) in Accrued Wages	2,867
Net Cash Provided (Used) by Operating Activities	$ 348,818

The accompanying notes are an integral part of this statement.

NORTHSIDE INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUND
August 31, 2015

		AGENCY FUNDS
	ASSETS	
1110	Cash	$ 8,371,236
1290	Due from Others	17,119
1000	TOTAL ASSETS	$ 8,388,355
	LIABILITIES	
2180	Due to Other Governments	$ 428,941
2190	Due to Other Groups	156,194
2190	Due to Student Groups	7,803,220
2000	TOTAL LIABILITIES	$ 8,388,355

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

August 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

The Board of School Trustees (Board), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the Northside Independent School District, San Antonio, Texas. Because members of the Board of Trustees are elected by the public, have the authority to make decisions, appoint administrators and managers, and significantly influence operations, and have the primary accountability for fiscal matters, the District is not included in any other governmental "reporting entity" as defined by Governmental Accounting Standards Board (GASB), Statement No. 14, "The Financial Reporting Entity", and/or GASB Statements No. 39 and No. 61, determining whether certain organizations are component units. There are no component units included within the reporting entity.

Since the District receives funding from local, state, and federal government sources, it must comply with the requirements of the entities providing those funds.

The accounting policies of the District substantially comply with the rules prescribed in the Texas Education Agency Financial Accountability System Resource Guide (Resource Guide). The accounting policies included in the Resource Guide conform to accounting principles generally accepted in the United States of America applicable to state and local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted body for establishing governmental accounting and financial reporting standards.

b. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. statement of net position and the statement of activities) display information about the District. These statements include the financial activities of the overall government, except for fiduciary activities. Consolidations have been made to minimize the double counting of internal activities. Inter-fund services provided and used are not eliminated in the process of consolidation. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Property taxes, State aid - formula grants, and other items not included in program revenues are presented as general revenues. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the internal service fund's print shop and self-funded programs. Operating expenses for internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All other revenues and expenses are non-operating.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Agency funds have no economic resources measurement focus and are presented on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which 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. Under this method, revenues are recognized when they are both measurable and available. For this purpose, the District considers all revenues to be available if the revenues are collected within sixty days after year-end. Expenditures generally are recorded when the related fund liability is incurred, if measurable, except for debt service expenditures, and compensated absences, which are recognized as expenditures only when payment is due. Property tax revenue and revenues received from the State are recognized under the susceptible to accrual concept. Miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. General capital asset acquisitions are reported as expenditures in governmental funds.

Property taxes and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the District.

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District reports the following major governmental funds:

- General Fund - The General Fund accounts for financial resources used for the fundamental operations of the District. All revenues and expenditures not required to be accounted for in other funds are included here. It is a budgeted fund, and unassigned fund balances are considered resources available for current operations. General Fund primary revenue sources include local property taxes and state funding.

- Debt Service Fund - The Debt Service Fund accounts for the accumulation of resources for, and the payment of, bonded debt principal and interest. The primary revenue source is local property taxes levied specifically for debt service. The fund balance of this fund represents amounts that will be used for retirement of bonds and payment of interest in the future. The Debt Service Fund is a budgeted fund.

- Capital Projects Fund - The Capital Projects Fund was established to account for the proceeds from the sale of bonds including earnings on investments of the fund. Proceeds are used for acquiring school sites, constructing and equipping new school facilities, and renovating existing facilities. The Capital Projects Fund is a budgeted fund.

Additionally, the District reports the following fund types:

- Special Revenue Funds - These funds are used to account for the majority of federal and state funded grants. These grants are awarded to the District with the purpose of accomplishing specific educational tasks. Funds are used primarily for math and reading improvement programs for the educationally deprived, special education programs involving learning disabilities and the physically handicapped, career and technology education programs, and a child nutrition program. The District's Special Revenue Funds use project accounting and budgeting for all funds.

- Internal Service Funds – These funds are used to account for the financing of goods and services provided by one fund to other funds of the District, on a cost - reimbursement basis. These activities include printing services, armored car services and the self - funded insurance programs of the District. These are not budgeted funds.

- Agency Funds – These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include Agency Funds which are funds set aside for scholarships and monies that are collected principally through fund raising efforts of the individual schools or school-sponsored groups (student activity funds).

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to apply block grants, followed by general revenues and then cost reimbursement grant resources.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Budgets

The official budget was prepared for adoption for all required Governmental Fund Types. The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

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

2) A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days public notice of the meeting has been given.

3) Prior to September 1, the budget is legally enacted through passage of a resolution by the Board.

The legal level of budgetary control is at the major functional expenditure level by fund type. Annual budgets are adopted for the General Fund, Child Nutrition Special Revenue Fund, and Debt Service Fund on a basis consistent with accounting principles generally accepted in the United States of America. All budget appropriations lapse at year end.

	Original Budget	Net Change	Amended Budget
General Fund	$ 800,736,088	$ 11,015,550	$ 811,751,638
Debt Service	133,003,149	300,000	133,303,149
Special Revenue Funds – Child Nutrition Services	55,835,541	-	55,835,541

Once a budget is approved, it may be amended by management without Board approval within a major functional expenditure category and can be amended at the major functional expenditure level by fund type only by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Amendments are reflected in the official minutes of the Board and are made before the fiscal year end as required by law.

The budget amounts included in this report reflect various amendments made by management and adopted by the Board throughout the year through the final amended budget, which was approved by the Board on August 25, 2015.

A reconciliation of fund balances for both budgeted and unbudgeted special revenue funds follows:

Budgeted Funds – Child Nutrition Services	$ 11,449,718
Funds not Budgeted	113,786
	$ 11,563,504

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Encumbrances

An encumbrance system of accounting is maintained to account for commitments from approved purchase orders, work orders and contracts. Capital Projects Fund encumbrances represent significant construction commitments. Under Texas law, appropriations lapse at August 31, 2015 and encumbrances outstanding at the time are canceled or re-appropriated in the succeeding year's budget. End-of-year outstanding encumbrances that were provided for in the subsequent year's budget are presented below:

General Fund	$ 1,876,888
Capital Projects Fund	161,952,257
Special Revenue Funds	232,988

f. Inventories

Inventories of supplies on the balance sheet are stated at cost, determined on the weighted average method, while inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Inventories are maintained on a perpetual inventory system and adjusted at year end to physical count balances, if necessary. Inventory in governmental funds consist of expendable goods held for consumption. Reported inventories in these funds are equally offset by a fund balance reserve, or deferred revenue in the case of U.S.D.A. Donated Commodities, which indicates they do not constitute "available spendable resources" and therefore are unavailable for appropriation. Expenditures are recorded when individual inventory items are distributed from the warehouse to campuses and District offices.

g. Long-Term Debt

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities or proprietary fund type statement of net position. Bond premiums and discounts, as well as deferred charge for refunding, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. The amount of deferred charge for refunding transactions is reported as a deferred outflow of resources.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Capital Assets

Capital assets, which include land, buildings and improvements, furniture and equipment, and construction in progress, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives is not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings and Improvements	10 – 40 years
Automotive Equipment	7 – 18 years
Furniture and Equipment	5 – 15 years

i. Fund Equity

In the governmental fund financial statements, fund balance amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose are designated as restricted, committed, assigned and non-spendable. Designations of fund balance for non-spendable amounts, commitments, and assignments have been eliminated from the government-wide financial statements. The unassigned fund balance represents that portion of the fund balance that is available for budgeting in future periods.

Commitments of fund balance may only be done by a resolution of the Board of Trustees. By Board of Trustees resolution, assignments of fund balance may be made by the Deputy Superintendent for Business and Finance. Fund balance amounts that are restricted, committed, or assigned are considered to have been spent when the expenditure is incurred for the purpose for which the fund balance was restricted, committed, or assigned. Committed and assigned fund balances may also be relieved by Board resolution. If an expenditure meets the criteria in more than one fund balance category, then the District considers the fund balance relieved in the following order: restricted, committed, assigned, and then unassigned.

j. Net Position

In the government-wide financial statements, net position represents the difference between assets plus deferred outflows and liabilities plus deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, adjusted by outstanding debt related to the acquisition of those capital assets and any unspent bond proceeds. Net position is reported as restricted when there are limitations imposed on its use by external creditors or grantors. Any remaining net position is considered unrestricted.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. Compensated Absences

Accumulated vacation and sick leave, for employees eligible to retire, are expected to be liquidated with expendable available financial resources and are recognized as governmental fund liabilities, to the extent that they mature each period. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

The liability for compensated absences reported in the government-wide and proprietary fund statements consists of unpaid, accumulated sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for employees who are currently eligible to retire are included. Compensated absences typically have been liquidated in the general and the child nutrition funds. Claims liabilities typically have been liquidated in the general and internal service funds.

l. Cash and Cash Equivalents

Cash in bank, money market accounts, and external investment pools are reported as cash and cash equivalents in the financial statements. For the statement of cash flows, cash and cash equivalents consist of cash in banks, investment pool deposits, and securities with maturities of less than three months from the date purchased.

m. Accounting System

In accordance with Texas Education Code, Chapter 44, subchapter A, the District has adopted and installed an accounting system which meets at least the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. Data Control codes refer to the account code structure prescribed by the Texas Education Agency in the Resource Guide.

n. Accrual of Foundation School Program Revenues

The State of Texas provides funding to Districts through the Foundation School Program based on instructional days, average daily attendance by fiscal year, and other factors. The academic year for the District typically begins after the fourth Monday in August and before the beginning of the subsequent fiscal year (September 1). During this period, expenditures are incurred that relate directly to revenues received in the subsequent fiscal year. In the current fiscal year, the District accrued Foundation School revenues that would be received next year to match August days of instructional expenditures.

o. Unearned Revenue

Unearned revenue is accounted for on the balance sheet of the governmental funds and relates to excess program funds received above that which has been earned.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

p. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses/expenditures during the reported period. Actual results could differ from those estimates.

q. Indirect Expenses

School districts are required to report all expenses by function, except for certain indirect expenses – general administration and data processing services. These include expenses that are indirect and not allocated to other functions.

r. Arbitrage Payable

The Tax Reform Act of 1986 enacted section 148(f) of the Internal Revenue Code, relating to arbitrage rebate requirements, which generally provides that in order for interest on any issue of obligation to be excluded from gross income (i.e., tax-exempt), the issuer must rebate to the United States the excess of the amount earned on investments acquired from bond proceeds over the amount which would have been earned if such investments had been invested at a yield equal to the yield on the issue. This amount is determined based on current investment yields and is subject to change prior to the due date of the rebate. The due date of the rebate is five years from the date of issue. The District records the liability, which is currently payable, in the Capital Projects Fund. There was no arbitrage payable at August 31, 2015.

s. Deferred Outflows and Inflows of Resources

The District implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in fiscal year ended August 31, 2014. As a result, there are two additional sections being reported in the District's financial statements- Deferred Outflows of Resources and Deferred Inflows of Resources. Deferred Outflows of Resources are reported between the assets and liabilities sections on the government-wide Statement of Net Position. These represent a consumption of net position that applies to a future period and will not be recognized until then. The District reports the deferred charge for refunding in this category, which is the difference between the carrying value of refunded debt and its reacquisition price. There are no deferred outflows of resources to report in the fund financial statements.

Deferred Inflows of Resources are reported between the liabilities and fund balances sections on the governmental funds Balance Sheet. Deferred Inflows of Resources represent an acquisition of net position that applies to a future period and will not be recognized until then. The District reports unavailable revenue for property taxes in this category. This relates to uncollected property taxes less the amount for doubtful accounts. There are no deferred inflows of resources to report in the government-wide financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

t. 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 are fair value.

2. DEPOSITS AND INVESTMENTS

a. Cash Deposits

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

At August 31, 2015, the carrying amount of the District's deposits (cash and interest bearing money market accounts) was $9,744,189 and the bank balance was $10,079,372. The District's cash deposits at August 31, 2015 were covered by FDIC insurance and by pledged collateral held by the Federal Reserve in a book entry system in the name of the District.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

- Name of the bank: Bank of America
- As of the date of the highest combined balance on deposit occurring during the month of December 2014, the District's cash deposits were covered by FDIC insurance and by pledged collateral.
- The largest combined balances of cash, savings, and time deposit accounts amount to $30,222,649 and occurred during the month of December 2014.
- The total amount of FDIC coverage at the time of the largest combined balance was $250,000. The amount of pledged collateral was $35,650,000.

b. Investments

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code and are subject to the provisions of the Act, Chapter 2256 of the Texas Government Code.

2. DEPOSITS AND INVESTMENTS (continued)

In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: (1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; (2) maintain a continuous rating of no lower than AAA or AAAm or an equivalent rating by at least one nationally recognized rating service; and (3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

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

State statutes authorize the District to invest in obligations of the U.S. Treasury, the State of Texas, certain United States agencies, certificates of deposit, money market savings accounts, repurchase agreements, no-load money market mutual funds and other investments specifically allowed by Chapter 2256 Public Funds Investment and Chapter 2257 Collateral for Public Funds of the Government Code. The District invests primarily in obligations of U.S. agencies, TexPool, LoneStar Investment Pool ("LoneStar"), the Texas Short Term Asset Reserve Program (TEXSTAR), Texas CLASS, Texas TERM Investment Pool ("TexasDaily") and the Local Government Investment Cooperative (LOGIC).

The Comptroller of Public Accounts (Comptroller) exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure.

LoneStar is governed by the Texas Association of School Boards. This entity has the responsibility of adopting and monitoring compliance with the investment advisor, custodian, investment consultant, administrator, and other service providers. The Board is also responsible for monitoring the performance of the Pool.

In September 2005, TEXSTAR and LOGIC merged. A separate board for each pool holds legal title to all money, investments, and assets and has the authority to employ personnel, contract for services, and engage in other administrative activities necessary or convenient to accomplish the objectives of TEXSTAR and LOGIC. The business and affairs of TEXSTAR and LOGIC are managed by their Boards in accordance with their bylaws. The Bylaws set forth procedures governing the selection of, and action taken by, the Board. Board oversight of TEXSTAR and LOGIC is maintained through daily, weekly, and monthly reporting requirements.

Texas CLASS is a local government investment pool. Texas CLASS invests in securities allowed by the Texas Public Funds Investment Act. The pool is governed by a board of trustees, elected annually by its participants.

The TexasTERM Local Government Investment Pool investments are designed to comply with all Texas statutes, including regulations for the allowable investment of public funds. The Pool's investors elect Advisory Board Members who are responsible for overall management of the Pool, including formulation and implementation of investment and operating policies.

2. DEPOSITS AND INVESTMENTS (Continued)

With the exception of the government investment pools, the District's investments are carried at cost which approximates fair value as provided by GASB Statement No. 31. Under the provisions of GASB Statement No. 31, money market investments may be reported at amortized cost if the remaining maturity at time of purchase is one year or less, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors. Accordingly, the District's money market investments are reported at amortized cost and do not include any unrealized gains and losses. The fair value of the position in the government investment pools is the same as the value of the pool shares.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. However, investments issued or explicitly guaranteed by the United States government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. The following is the minimum rating required by the District's investment policy and the Act and the actual rating as of August 31, 2015 for each investment:

Northside Independent School District

Description	Days to Maturity	Minimum Legal Rating	Investment Rating	Rating Organization	Carrying Value	Percentage Invested
Investment Pools:						
Lone Star Corporate Overnight Plus Fund	N/A	AAA-m	AAAf/S1+	Standard & Poor's	$ 277,268,581	46.30%
Lone Star Government Overnight Fund	N/A	AAA-m	AAA-m	Standard & Poor's	8,307,402	1.39%
LOGIC	N/A	AAA-m	AAA-m	Standard & Poor's	44,326,592	7.40%
Texpool	N/A	AAA-m	AAA-m	Standard & Poor's	14,652,883	2.45%
Texpool Prime	N/A	AAA-m	AAA-m	Standard & Poor's	16,610,995	2.77%
TexSTAR	N/A	AAA-m	AAA-m	Standard & Poor's	11,697,976	1.95%
Texas Daily	N/A	AAA-m	AAA-m	Standard & Poor's	19,011,128	3.17%
Texas Class	N/A	AAA-m	AAA-m	Standard & Poor's	59,489,703	9.93%
Municipal Bonds:						
Municipal Bonds	91-180	AAA-m	AAA	Standard & Poor's	2,016,382	0.34%
Municipal Bonds	181-364	AAA-m	AAA	Standard & Poor's	10,794,596	1.80%
Agency Notes:						
Agency Notes	00-90	AAA-m	AA+	Standard & Poor's	20,008,575	3.34%
Agency Notes	91-180	AAA-m	AA+	Standard & Poor's	30,005,452	5.01%
Agency Notes	181-364	AAA-m	AA+	Standard & Poor's	10,018,732	1.67%
Agency Notes	365+	AAA-m	AA+	Standard & Poor's	74,653,970	12.47%
Total Investments					$ 598,862,968	100.00%

2. DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk

The District is required to disclose investments in any one issuer that represents 5% or more of total investments. However, investments issued or explicitly guaranteed by the United States government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. The District has no investments with any one issuer in excess of 5% of the total investment portfolio that requires disclosure.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting exposure to fair value losses due to rising interest rates, the District's investment policy states "To reduce exposure to changes in interest rates that could adversely affect the value of investments, the District shall use final and weighted-average-maturity limits and diversification. The District shall monitor interest rate risk using weighted average maturity and specific identification."

As of August 31, 2015, the District had $134,686,729 invested exclusively in US Agency notes with a weighted average maturity of 1.03 years.

3. INTERFUND RECEIVABLE, PAYABLE, AND TRANSFERS

Interfund receivable and payable balances at August 31, 2015 were as follows:

	Receivable Balance	Payable Balance
General Fund:		
Debt Service Funds	$ -	$ 258,194
Other Governmental Funds	4,867,167	-
Proprietary Funds	1,225,427	-
Total General Fund	$ 6,092,594	$ 258,194
Debt Service Fund:		
General Fund	$ 258,194	$ -
Other Governmental Funds:		
General Fund	-	4,867,167
Proprietary Funds:		
General Fund	-	1,225,427
TOTAL	$ 6,350,788	$ 6,350,788

3. INTERFUND RECEIVABLE, PAYABLE, AND TRANSFERS (Continued)

From time to time, grant funds, which are on a reimbursement basis, may experience deficit cash balances. The centralized cash disbursement process through the general fund will pay for liabilities incurred until reimbursement is received. Such cash deficits are recorded as interfund payables to the general fund. In addition, the general fund paid for equipment purchased for the Printing Operations internal service fund. This interfund loan is being repaid over several years.

The District also made the following permanent transfers:

- General Fund transfer to the Debt Service Fund for $5,000,000.
- The General Fund subsidized activities whose resources were insufficient to pay for all activities of the catering programs. In addition, the General Fund subsidized the 2015-2016 federal requirement for meal price increases. Transfers to non-major governmental funds were $325,000.
- Capital Projects Fund transfer to Debt Service Fund for $2,000,000.

4. PROPERTY TAXES

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

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

5. CAPITAL ASSETS

A summary of capital asset activity of the District for the year ended August 31, 2015 follows:

	Balance September 1, 2014	Additions	Deletions or Transfers	Balance, August 31, 2015
Capital Assets not being depreciated:				
Land	$ 97,052,389	$ 5,717,395	$ (931,058)	$ 101,838,726
Construction In Progress	105,285,151	94,954,433	(78,026,337)	122,213,247
Total	202,337,540	100,671,828	(78,957,395)	224,051,973
Capital Assets being depreciated:				
Buildings and Improvements	2,274,600,424	104,938,432	(590,760)	2,378,948,096
Furniture and Equipment	120,421,626	5,347,755	(3,163,537)	122,605,844
Total	2,395,022,050	110,286,187	(3,754,297)	2,501,553,940
Less Accumulated Depreciation:				
Buildings and Improvements	(612,134,625)	(68,429,187)	424,629	(680,139,183)
Furniture and Equipment	(60,783,689)	(7,935,970)	3,329,668	(65,389,991)
Total	(672,918,314)	(76,365,157)	3,754,297	(745,529,174)
Total Capital Assets being depreciated	1,722,103,736	33,921,030	-	1,756,024,766
Capital Assets, Net	$ 1,924,441,276	$ 134,592,858	$ (78,957,395)	$ 1,980,076,739

Depreciation expense was charged to governmental activities in the following functional categories:

Instruction	$ 45,741,058
Instructional Resources & Media Services	1,038,292
Curriculum & Staff Development	1,625,606
Instructional Leadership	1,536,065
School Leadership	3,938,126
Guidance, Counseling & Evaluation Services	2,591,237
Social Work Services	240,715
Health Services	710,554
Student Transportation	2,469,726
Food Services	4,257,811
Co-Curricular Activities	2,101,446
General Administration	1,554,801
Plant Maintenance & Operations	5,938,748
Security & Monitoring Services	665,568
Data Processing Services	1,085,281
Community Services	870,123
Total Depreciation	$ 76,365,157

6. UNEARNED REVENUE

Unearned revenue consisted of the following:

General Fund	
E-rate	$ 5,292,414
Learning Tree Program	7,551,056
Other	3,334,294
Total General Fund	16,177,764
Non-major Governmental Fund	
U.S.D.A. Commodities	1,063,838
Pre-paid Meals	1,130,747
Grants	2,829,125
Total Special Revenue Fund	5,023,710
Total Unearned Revenue	$ 21,201,474

7. LONG-TERM DEBT

Bonded Debt Payable

The District issues general obligation bonds for the governmental activities to provide funds for the acquisition and construction of major capital facilities. The bonds are supported by a pledge of the District's full faith and credit and require a levy and collection of taxes without limitation as to rate or amount on all property subject to taxation by the District sufficient in amount to pay the principal and interest on such bonds as they become due. The indentures also require that a debt service fund be created and administered by the District solely for paying principal and interest when due.

Bond indebtedness of the District is reflected in the government-wide financial statements, and current requirements for principal and interest expenditures are accounted for in the Debt Service Fund.

NOTES TO FINANCIAL STATEMENTS (Continued)

August 31, 2015

7. LONG-TERM DEBT (Continued)

The following is a summary of general obligation bonds payable at August 31, 2015.

Issue Date	Series	Original Amount	Interest Rates	Final Maturity	Outstanding 08/31/15	Due Within One Year
Unlimited Tax School Building Bonds						
07/31/03	2003A	$ 47,900,000	2.00 - 5.00%	2031	$ 27,395,000	$ 1,140,000
07/31/03	2003B	47,900,000	2.00 - 4.00%	2029	26,765,000	1,105,000
05/04/06	2006A	36,730,000	2.00 - 5.00%	2033	28,270,000	985,000
08/09/07	2007B	49,950,000	4.25 - 5.00%	2037	43,815,000	970,000
06/15/08	2008	119,540,000	3.50 - 5.25%	2038	110,105,000	1,955,000
12/03/08	2008A	80,000,000	3.25 - 5.57%	2038	71,265,000	2,380,000
02/25/09	2009	75,670,000	3.00 - 5.13%	2039	69,535,000	1,670,000
11/11/09	2009A	32,500,000	4.00 - 5.00%	2029	29,205,000	1,745,000
07/01/12	2012	55,000,000	2.00 - 5.00%	2042	50,000,000	-
06/03/13	2007A	80,490,000	2.00 - 5.00%	2036	76,050,000	2,370,000
10/10/13	2013	68,975,000	2.00 - 5.00%	2043	65,260,000	-
05/22/14	2014	40,090,000	2.00 - 5.00%	2034	37,655,000	1,420,000
07/09/15	2015	70,315,000	0.50 - 5.00%	2035	67,885,000	5,565,000
Unlimited Tax School Building and Refunding Bonds						
04/03/07	2007	124,205,000	4.00 - 5.00%	2037	113,765,000	4,285,000
07/30/15	2015	93,420,000	2.50 - 5.00%	2045	93,420,000	5,635,000
Unlimited Tax Refunding Bonds						
05/11/06	2006D	113,580,000	4.00 - 5.00%	2035	94,745,000	2,870,000
11/11/09	2009	15,340,000	3.00 - 4.00%	2024	11,430,000	1,070,000
12/07/10	2010	50,685,000	2.00 - 4.00%	2026	36,685,000	3,245,000
11/01/11	2011	67,020,000	0.50 - 5.00%	2032	61,510,000	3,125,000
04/15/12	2012	95,305,000	2.00 - 5.00%	2034	91,270,000	1,490,000
11/21/13	2013	81,175,000	2.00 - 5.00%	2035	71,310,000	9,900,000
04/03/14	2014	74,175,000	2.00 - 5.00%	2033	71,425,000	3,415,000
12/11/14	2014A	69,115,000	2.00 - 5.00%	2033	68,060,000	1,710,000
Unlimited Tax Qualified School Construction Bonds (Tax Credit Bonds)						
11/12/09	2009	28,000,000	1.505%	2026	28,000,000	-
Unlimited Tax School Building Bonds (Taxable Direct Subsidy - Build America Bonds)						
11/12/09	2009	25,075,000	6.246%	2039	25,075,000	-
11/16/10	2010	107,995,000	5.491 - 5.891%	2040	107,995,000	-
Variable Rate Unlimited Tax School Building Bonds						
07/27/12	2010	88,345,000	1.20%	2040	84,800,000	1,905,000
07/15/12	2012	70,000,000	1.00%	2032	70,000,000	2,895,000
04/17/13	2013	80,000,000	1.35%	2033	75,330,000	2,615,000
05/22/14	2014	79,245,000	2.00%	2044	79,245,000	-
07/31/14	2011	78,470,000	2.13%	2040	76,855,000	1,700,000
07/09/15	2015	50,000,000	1.65%	2045	50,000,000	-
Variable Rate Unlimited Tax School Refunding Bonds						
05/31/14	2011A	78,630,000	2.00%	2039	77,020,000	1,695,000
Totals		$ 2,274,840,000			$ 2,091,145,000	$ 68,860,000

7. LONG-TERM DEBT (Continued)

Voted and authorized bonds are issued solely for the purpose of constructing, equipping, and renovating school buildings, purchasing sites for future schools, and paying costs of issuance. The remaining authorized but unissued unlimited tax bonds are as follows:

Date Authorized	Amount Authorized	Previously Issued	Amount Issued	Unissued Balance
05/08/10	$535,142,000	$479,850,000	$ 55,292,000*	$ -
05/10/14	$648,340,000	$ -	$124,650,000**	$523,690,000

* Amount includes $54,155,000 of debt issuance and $1,137,000 of premium from debt issuance.
** Amount includes $120,315,000 of debt issuance and $4,335,000 of premium from debt issuance.

Annual debt service requirements of currently outstanding bonds are as follows:

Year Ending August 31,	Principal	Interest	Total
2016	$ 68,860,000	$ 80,149,685	$ 149,009,685
2017	64,780,000	80,712,748	145,492,748
2018	67,545,000	81,574,547	149,119,547
2019	67,975,000	83,260,524	151,235,524
2020	71,145,000	85,058,774	156,203,774
2021-25	406,990,000	382,992,751	789,982,751
2026-30	433,915,000	288,200,627	722,115,627
2031-35	459,820,000	180,216,911	640,036,911
2036-40	338,220,000	76,483,728	414,703,728
2041-45	111,895,000	14,015,778	125,910,778
Total	$ 2,091,145,000	$ 1,352,666,073	$ 3,443,811,073

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

a. On December 11, 2014, the District issued $69,115,000 Unlimited Tax Refunding Bonds, Series 2014-A, to refund $77,920,000 representing the outstanding balance of Unlimited Tax Refunding Bonds, Series 2005. The resulting economic gain was $12,869,368. The resulting net cash flows from the refunding are as follows:

Cash flow requirements to service old debt service	$ 116,263,463
Less: Cash flow requirements for new debt service	99,544,677
Net decreases in cash flow from refunding	$ 16,718,786

7. LONG-TERM DEBT (Continued)

b. On July 9, 2015, the District issued $70,315,000 Unlimited Tax School Building Bonds, Series 2015. The bonds were issued pursuant to an election held on May 10, 2014 authorizing the issuance of $648.34 million and an Order adopted by the Board of Trustees on October 28, 2014. Proceeds from the sale of the bonds will be used to (i) acquire, construct, renovate, improve and equip various school facilities and (ii) purchase the necessary school sites for school facilities and (iii) pay the costs of issuance of the bonds. Interest on the bonds will accrue from July 9, 2015 and will be payable on each February 15 and August 15 thereafter, commencing on August 15, 2015 and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The bonds carry coupons ranging from 0.5% to 5.0%. The District reserves the right to redeem bonds having stated maturities on and after August 15, 2026, in whole or in part, on August 15, 2025 or any date thereafter.

c. On July 9, 2015, the District issued $50,000,000 Variable Rate Unlimited Tax School Building Bonds, Series 2015. The bonds were issued pursuant to an election held on May 10, 2014 authorizing the issuance of $648.34 million and an Order adopted by the Board of Trustees on October 28, 2014. Proceeds from the sale of the Bonds will be used to (i) acquire, construct, renovate, improve and equip various school facilities, (ii) purchase the necessary sites therefor, and (iii) pay the costs of issuance of the Bonds. The Bonds will bear interest at an Initial Rate from July 9, 2015 through July 31, 2018, with interest being payable initially on August 1, 2015 and will be payable on each February 1 and August 1 thereafter through the initial rate period at the rate of 1.65%. Thereafter, the Bonds will convert to and bear interest at a Term Rate determined by the Remarketing Agent provided that the interest rate mode on the Bonds may be (a) changed from time to time to a Weekly Rate, Monthly Rate, Quarterly Rate or Semiannual Rate or back to a Term Rate (each a "*Variable Rate*"), (b) changed to a Flexible Rate, or (c) converted to a Fixed Rate until maturity.

   The bonds will be subject to mandatory tender without the right of retention on the Conversion Date immediately following the end of the Initial Rate Period, which occurs on August 1, 2018. During the Initial Rate Period, the Bonds are not subject to the benefit of a liquidity facility provided by a third party. Accordingly, a failure by the Remarketing Agent to remarket Bonds subject to mandatory tender on the Conversion Date at the end of the Initial Rate Period will result in the rescission of the notice of mandatory tender with respect thereto and the District not having any obligation to purchase such bonds at that time. The occurrence of the foregoing will not result in an event of default under the Order. Until the District redeems or remarkets the bonds that have been unsuccessfully remarketed, such bonds shall bear interest at the "Stepped Rate", which is defined herein to mean 8.00% per annum.

d. On July 30, 2015, the District issued $93,420,000 Unlimited Tax School Building and Refunding Bonds, Series 2015. The bonds were issued pursuant to an election held on May 8, 2010 authorizing the issuance of $535.14 million and an Order adopted by the Board of Trustees on May 26, 2015. Proceeds from the sale of the Bonds will be used to (i) acquire, construct, renovate, improve and equip various school facilities, (ii) purchase the necessary sites therefor, (iii) pay the costs of issuance of the Bonds, and (iv) refund $41,190,000 representing the outstanding balance of Variable Rate Unlimited Tax School Building Bonds, Series 2011 (Conversion to Fixed Rate).

   Interest on the bonds will accrue from July 30, 2015 and will be payable on each February 15 and August 15 thereafter, commencing on August 15, 2015 and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The bonds carry coupons ranging from 2.5% to 4.0%. The bonds are issued as serial bonds, maturing in August 15 of years 2016 through 2035, and as term bonds maturing in August 15 of years 2040 and 2045. The District reserves the right to redeem bonds having stated maturities on and after August 15, 2026, in whole or in part, on August 15, 2025 or any date thereafter.

7. LONG-TERM DEBT (Continued)

The resulting economic gain from the refunding portion of the issuance was $7,596,637. The resulting net cash flows from the refunding are as follows:

Cash flow requirements to service old debt service	$ 66,392,850
Less: Cash flow requirements for new debt service	55,749,164
Net decreases in cash flow from refunding	$ 10,643,686

e. On May 31, 2011, the District issued $84,000,000 Variable Unlimited Tax Refunding Bonds Series 2011A to refund $84,000,000 representing the outstanding balance of Variable Rate Unlimited Tax School Building Bonds, Series 2009. Of the $81,165,000 of outstanding Bonds, $1,530,000 was redeemed pursuant to mandatory redemption provisions and $1,005,000 was redeemed pursuant to optional redemption provisions. The balance of $78,630,000 was remarketed on May 20, 2014 to a five-year term mode. The Bonds will bear interest from June 1, 2014 through May 31, 2019, with interest being payable initially on December 1, 2014 and on each June 1 and December 1 thereafter at the rate of 2.00%. Thereafter, the Bonds will convert to and bear interest at a Term Rate determined by the Remarketing Agent provided that the interest rate mode on the bonds may be (a) changed from time to time to a Weekly Rate, Monthly Rate, Quarterly Rate or Semiannual Rate or back to a Term Rate (each a "*Variable Rate*"), (b) changed to a Flexible Rate or, (c) converted to a Fixed Rate until maturity.

The bonds will be subject to mandatory tender without the right of retention on the Conversion Date immediately following the end of the Term Rate Period, which occurs on June 1, 2019. During the term rate period, the bonds are not subject to the benefit of a liquidity facility provided by a third party. Accordingly, a failure by the remarketing agent to remarket bonds subject to mandatory tender on the conversion date at the end of the term rate period will result in the rescission of the notice of mandatory tender with respect thereto and the District not having any obligation to purchase such bonds at that time. The occurrence of the foregoing will not result in an event of default under the Order. Until the District redeems or remarkets the bonds that have been unsuccessfully remarketed, such bonds shall bear interest at the rate of 7.00% per annum.

The bonds are subject to mandatory redemption prior to maturity as follows:

Variable Refunding Series 2011A, Mandatory Redemption Schedule

June 1	Redemption	June 1	Redemption	June 1	Redemption
2016	$ 1,695,000	2024	$ 2,555,000	2032	$ 3,845,000
2017	1,785,000	2025	2,690,000	2033	4,050,000
2018	1,880,000	2026	2,830,000	2034	4,260,000
2019	1,980,000	2027	2,980,000	2035	4,485,000
2020	2,080,000	2028	3,135,000	2036	4,720,000
2021	2,190,000	2029	3,300,000	2037	4,970,000
2022	2,305,000	2030	3,475,000	2038	5,230,000
2023	2,425,000	2031	3,655,000	2039 *	4,500,000

* Scheduled final maturity.

7. LONG-TERM DEBT (Continued)

f. On March 8, 2011 the District issued $80,000,000 Variable Rate Unlimited Tax School Building Bonds, Series 2011. The bonds were issued pursuant to an election held on May 8, 2010 and an Order adopted by the Board of Trustees on February 24, 2011. The amount of the outstanding Bonds, $80,000,000, was redeemed pursuant to mandatory redemption provisions of $1,530,000, redeemed pursuant to optional redemption provisions and the balance of $78,470,000 remarketed July 23, 2014 to a six-year term mode. The Bonds will bear interest from August 1, 2014 through July 31, 2020, with interest being payable initially on February 1, 2015 and on each August 1 and February 1 thereafter at the rate of 2.125%. Thereafter, the Bonds will convert to and bear interest at a Term Rate determined by the Remarketing Agent provided that the interest rate mode on the bonds may be (a) changed from time to time to a Weekly Rate, Monthly Rate, Quarterly Rate or Semiannual Rate or back to a Term Rate (each a "*Variable Rate*"), (b) changed to a Flexible Rate or, (c) converted to a Fixed Rate until maturity.

The bonds will be subject to mandatory tender without the right of retention on the Conversion Date immediately following the end of the Term Rate Period, which occurs on August 1, 2020. During the term rate period, the bonds are not subject to the benefit of a liquidity facility provided by a third party. Accordingly, a failure by the remarketing agent to remarket bonds subject to mandatory tender on the conversion date at the end of the term rate period will result in the rescission of the notice of mandatory tender with respect thereto and the District not having any obligation to purchase such bonds at that time. The occurrence of the foregoing will not result in an event of default under the Order. Until the District redeems or remarkets the bonds that have been unsuccessfully remarketed, such bonds shall bear interest at the rate of 7.00% per annum.

The bonds are subject to mandatory redemption prior to maturity as follows.

Series 2011, Mandatory Redemption Schedule

August 1	Redemption	August 1	Redemption	August 1		Redemption
2016	$ 1,700,000	2024	$ 2,555,000	2033		$ 3,805,000
2017	1,785,000	2025	2,690,000	2034		4,005,000
2018	1,880,000	2026	2,830,000	2035		4,215,000
2019	1,980,000	2027	2,980,000	2036		4,440,000
2020	2,085,000	2028	3,135,000	2037		4,670,000
2021	2,190,000	2029	3,300,000	2038		4,915,000
2022	2,305,000	2030	2,725,000	2039		5,175,000
2023	2,430,000	2032	3,615,000	2040	*	5,445,000

* Scheduled final maturity.

g. On July 15, 2012 the District issued $70,000,000 Variable Rate Unlimited Tax School Building Bonds, Series 2012. The bonds were issued pursuant to an election held on May 8, 2010 authorizing the issuance of $535.142 million and an Order adopted by the Board of Trustees on May 22, 2012. Proceeds from the sale of the Bonds will be used to acquire, construct, renovate, improve and equip various school facilities and the purchase of the necessary sites therefore. The Bonds will bear interest at an Initial Rate from August 22, 2012 through May 31, 2016, with interest being payable initially on December 1, 2012 and will be payable on each June 1 and December 1 thereafter through the initial rate period at the rate of 1.00%. Thereafter, the Bonds will convert to and bear interest at a Term Rate determined by the Remarketing Agent provided that the interest rate mode on the Bonds may be (a) changed from time to time to a Weekly Rate, Monthly Rate, Quarterly Rate or Semiannual Rate or back to a Term Rate (each a "*Variable Rate*"), (b) changed to a Flexible Rate, or (c) converted to a Fixed Rate until maturity.

7. LONG-TERM DEBT (Continued)

The bonds will be subject to mandatory tender without the right of retention on the Conversion Date immediately following the end of the Initial Rate Period, which occurs on June 1, 2016. During the Initial Rate Period, the Bonds are not subject to the benefit of a liquidity facility provided by a third party. Accordingly, a failure by the Remarketing Agent to remarket Bonds subject to mandatory tender on the Conversion Date at the end of the Initial Rate Period will result in the rescission of the notice of mandatory tender with respect thereto and the District not having any obligation to purchase such bonds at that time. The occurrence of the foregoing will not result in an event of default under the Order. Until the District redeems or remarkets the bonds that have been unsuccessfully remarketed, such bonds shall bear interest at the "Stepped Rate", which is defined herein to mean 7.00% per annum.

The bonds are subject to mandatory redemption prior to maturity as noted below.

Series 2013, Mandatory Redemption Schedule

June 1	Redemption	June 1	Redemption	June 1		Redemption
2016	$2,895,000	2022	$3,880,000	2028		$5,205,000
2017	3,040,000	2023	4,075,000	2029		5,465,000
2018	3,195,000	2024	4,280,000	2030		5,735,000
2019	3,355,000	2025	4,495,000	2031		1,400,000
2020	3,520,000	2026	4,720,000	2032	*	6,090,000
2021	3,695,000	2027	4,955,000			

* Scheduled final maturity.

h. On April 21, 2010, the District issued $88,345,000 Variable Rate Unlimited Tax School Building Bonds, Series 2010. The bonds were issued pursuant to an election held on May 12, 2007 and an Order adopted by the Board of Trustees on February 23, 2010. The amount of the outstanding Bonds, $84,345,000, was remarketed July 27, 2012 to a five-year term mode. The Bonds will bear interest from August 1, 2012 through July 31, 2017, with interest being payable initially on February 1, 2013 and on each August 1 and February 1 thereafter at the rate of 1.20%. Thereafter, the Bonds will convert to and bear interest at a Term Rate determined by the Remarketing Agent provided that the interest rate mode on the bonds may be (a) changed from time to time to a Weekly Rate, Monthly Rate, Quarterly Rate or Semiannual Rate or back to a Term Rate (each a "*Variable Rate*"), (b) changed to a Flexible Rate or, (c) converted to a Fixed Rate until maturity.

The bonds will be subject to mandatory tender without the right of retention on the Conversion Date immediately following the end of the Term Rate Period, which occurs on August 1, 2017. During the term rate period, the bonds are not subject to the benefit of a liquidity facility provided by a third party. Accordingly, a failure by the remarketing agent to remarket bonds subject to mandatory tender on the conversion date at the end of the term rate period will result in the rescission of the notice of mandatory tender with respect thereto and the District not having any obligation to purchase such bonds at that time. The occurrence of the foregoing will not result in an event of default under the Order. Until the District redeems or remarkets the bonds that have been unsuccessfully remarketed, such bonds shall bear interest at the rate of 7.00% per annum.

7. LONG-TERM DEBT (Continued)

The bonds are subject to mandatory redemption prior to maturity as noted below.

Series 2010, Mandatory Redemption Schedule

August 1	Redemption	August 1	Redemption	August 1	Redemption
2016	$ 1,905,000	2024	$2,815,000	2033	$4,160,000
2017	2,000,000	2025	2,955,000	2034	4,370,000
2018	2,100,000	2026	3,105,000	2035	4,585,000
2019	2,205,000	2028	3,260,000	2036	4,815,000
2020	2,315,000	2029	3,420,000	2037	5,055,000
2021	2,430,000	2030	3,595,000	2038	5,310,000
2022	2,555,000	2031	3,775,000	2039	5,575,000
2023	2,680,000	2032	3,960,000	2040 *	5,855,000

* Scheduled final maturity.

i. On April 17, 2013, the District issued $80,000,000 Variable Rate Unlimited Tax School Building Bonds, Series 2013. The bonds were issued pursuant to an election held on May 8, 2010 authorizing the issuance of $535.142 million and an Order adopted by the Board of Trustees on May 22, 2012. Proceeds from the sale of the Bonds will be used to acquire, construct, renovate, improve and equip various school facilities and the purchase of the necessary sites therefore. The Bonds will bear interest at an Initial Rate from May 15, 2013 through May 31, 2018, with interest being payable initially on December 1, 2012 and will be payable on each June 1 and December 1 thereafter through the initial rate period at the rate of 1.35%. Thereafter, the Bonds will convert to and bear interest at a Term Rate determined by the Remarketing Agent provided that the interest rate mode on the Bonds may be (a) changed from time to time to a Weekly Rate, Monthly Rate, Quarterly Rate or Semiannual Rate or back to a Term Rate (each a "*Variable Rate*"), (b) changed to a Flexible Rate, or (c) converted to a Fixed Rate until maturity.

The bonds will be subject to mandatory tender without the right of retention on the Conversion Date immediately following the end of the Initial Rate Period, which occurs on June 1, 2018. During the Initial Rate Period, the Bonds are not subject to the benefit of a liquidity facility provided by a third party. Accordingly, a failure by the Remarketing Agent to remarket Bonds subject to mandatory tender on the Conversion Date at the end of the Initial Rate Period will result in the rescission of the notice of mandatory tender with respect thereto and the District not having any obligation to purchase such bonds at that time. The occurrence of the foregoing will not result in an event of default under the Order. Until the District redeems or remarkets the bonds that have been unsuccessfully remarketed, such bonds shall bear interest at the "Stepped Rate", which is defined herein to mean 6% per annum.

The bonds are subject to mandatory redemption prior to maturity as noted below.

Series 2013, Mandatory Redemption Schedule

June 1	Redemption	June 1	Redemption	June 1	Redemption
2016	$ 2,615,000	2022	$ 3,555,000	2028	$ 4,835,000
2017	2,755,000	2023	3,740,000	2029	5,085,000
2018	2,900,000	2024	3,940,000	2030	5,355,000
2019	3,050,000	2025	4,145,000	2031	5,635,000
2020	3,210,000	2026	4,365,000	2032	5,930,000
2021	3,380,000	2027	4,590,000	2033 *	6,245,000

* Scheduled final maturity.

7. LONG-TERM DEBT (Continued)

j. On April 23, 2014, the District issued $79,245,000 Variable Rate Unlimited Tax School Building Bonds, Series 2014. The bonds were issued pursuant to an election held on May 8, 2010 authorizing the issuance of $535.142 million and an Order adopted by the Board of Trustees on February 25, 2014. The Bonds will bear interest at an Initial Rate from May 22, 2014 through July 31, 2019, with interest being payable initially on February 1, 2015 and will be payable on each February 1 and August 1 thereafter through the initial rate period at the rate of 2.00%. Thereafter, the Bonds will convert to and bear interest at a Term Rate determined by the Remarketing Agent provided that the interest rate mode on the Bonds may be (a) changed from time to time to a Weekly Rate, Monthly Rate, Quarterly Rate or Semiannual Rate or back to a Term Rate (each a "*Variable Rate*"), (b) changed to a Flexible Rate, or (c) converted to a Fixed Rate until maturity.

The bonds will be subject to mandatory tender without the right of retention on the Conversion Date immediately following the end of the Initial Rate Period, which occurs on August 1, 2019. During the Initial Rate Period, the Bonds are not subject to the benefit of a liquidity facility provided by a third party. Accordingly, a failure by the Remarketing Agent to remarket Bonds subject to mandatory tender on the Conversion Date at the end of the Initial Rate Period will result in the rescission of the notice of mandatory tender with respect thereto and the District not having any obligation to purchase such bonds at that time. The occurrence of the foregoing will not result in an event of default under the Order. Until the District redeems or remarkets the bonds that have been unsuccessfully remarketed, such bonds shall bear interest at the "Stepped Rate", which is defined herein to mean 7.00% per annum.

The bonds are subject to mandatory redemption prior to maturity as noted below.

Series 2014, Mandatory Redemption Schedule

August 1	Redemption	August 1	Redemption	August 1		Redemption
2035	$ 6,300,000	2038	$ 7,295,000	2041		$ 8,440,000
2036	6,615,000	2039	7,660,000	2042		8,865,000
2037	6,945,000	2040	8,040,000	2043		9,310,000
				2044	*	9,775,000

* Scheduled final maturity.

Accumulated Unpaid Vacation

The District has adopted a policy of accruing accumulated unpaid vacation for its hourly employees only. All other employees are employed by contract days and are not entitled to accrued vacation leave.

Worker's Compensation

All funds of the District participate in the Worker's Compensation Insurance Fund and make payments to the Fund based on rates, which reflect historical claims experience. The claims payable of $4,901,793 reported in the Fund at August 31, 2015 is based on an actuarial study completed in October 2015. The study was performed to provide claims payable in accordance with the requirements of <u>Governmental Accounting Standards Board Statement No. 10</u> as amended by GASB Statement No. 30. This standard 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 at the date of the financial statements and the amount of the loss can be reasonably estimated.

7. LONG-TERM DEBT (Continued)

The liability includes provisions for the following:

- cash reserves on open claims
- expected ultimate value of future development on reported claims
- expected ultimate value of claims not yet reported
- expected ultimate value of reopened claims
- allocated loss adjustment expenses

The claims liability reported as accrued claims payable in the accompanying financial statement is based on a discounted rate of 3% in anticipation of the investment income potential.

Changes in Long-term Liabilities

Changes in long-term liabilities of governmental activities for the year ended August 31, 2015 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable	$1,982,870,000	$282,850,000	$174,575,000	$2,091,145,000	$68,860,000
Unamortized Bond Premiums	60,511,284	19,667,461	6,393,018	73,785,727	-
Accrued Vacation	1,167,962	1,005,029	967,682	1,205,309	530,423
Net Pension Liability (Note 10)	140,161,110	-	16,453,618	123,707,492	-
Worker's Compensation	5,041,690	2,315,698	2,455,595	4,901,793	3,338,661
Total	$2,189,752,046	$305,838,188	$200,844,913	$2,294,745,321	$72,729,084

Internal Service Funds serve only the governmental funds of the District. The liability associated with the Worker's Compensation Internal Service Fund is, therefore, included in the above activity. A reconciliation of changes in the aggregate liabilities for worker's compensation claims for the prior and the current year are presented below:

	2015	2014
Beginning of Year Liability	$ 5,041,690	$ 4,939,316
Current Year Claims and Changes in Estimates	2,315,698	2,452,711
Claim Payments	(2,455,595)	(2,350,337)
End of Year Liability	$ 4,901,793	$ 5,041,690

8. FUND BALANCE

The Governmental Accounting Standards Board Statement No. 54 was implemented beginning with the fiscal year ending August 31, 2011 changing the classification of various fund balance amounts. The purpose of the statement is to provide additional guidance on fund balance classification and the definition of funds to ensure greater consistency and transparency in governmental reporting.

Nonspendable fund balance results from items that are not in spendable form as of August 31st including inventory, prepaid items and investments with maturities exceeding one year. Restricted fund balance consists of items that are legally restricted for specific purposes. The committed fund balance consists of funds designated by the Board of Trustees to be used for specific purposes. Assigned fund balances reflect management intentions to use funds for specific purposes.

The fund balance as of August 31, 2015 consists of the following amounts:

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total
Nonspendable:					
Inventory	$ 2,151,675	$ -	$ -	$ 1,575,032	$ 3,726,707
Long-Term Investments	74,653,970	-	-	-	74,653,970
Restricted:					
Debt Service	-	29,954,106	-	-	29,954,106
Child Nutrition	-	-	-	9,874,686	9,874,686
Authorized Construction	-	-	161,952,257	-	161,952,257
Committed:					
Local Special Revenue	-	-	-	113,786	113,786
Opening New Schools	26,693,135	-	-	-	26,693,135
State Revenue Deficits	51,569,237	-	-	-	51,569,237
Technology Deployments	24,470,577	-	-	-	24,470,577
Assigned:					
Employee Benefits	12,500,000	-	-	-	12,500,000
Debt Service	10,000,000	-	-	-	10,000,000
Federal Program Reductions	7,445,522	-	-	-	7,445,522
Federal Maintenance of Effort	6,259,229	-	-	-	6,259,229
Unassigned	93,303,320	-	-	-	93,303,320
Total	$ 309,046,665	$ 29,954,106	$ 161,952,257	$ 11,563,504	$ 512,516,532

9. HEALTH CARE COVERAGE

At August 31, 2015, 10,767 employees of the District were covered by an employee benefits health plan. TRS-qualified insurance plan participants were 10,714. The District paid premiums averaging $360 per month per employee to the plan and employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed provider. Total premiums paid by the District during the year were $50,157,014.

10. DEFINED BENEFIT PENSION PLANS

Plan Description

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

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

Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2014 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2014.

Net Pension Liability	Total
Total Pension Liability	$ 159,496,075,886
Less: Plan Fiduciary Net Position	(132,779,243,085)
Net Pension Liability	$ 26,716,832,801
Net Position as percentage of Total Pension Liability	83.25%

10. DEFINED BENEFIT PENSION PLANS (continued)

Benefits Provided

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

Contributions

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. 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%

Northside ISD 2014 Employer Contributions	$11,741,543
Northside ISD 2014 Member Contributions	$ 8,349,214
Northside ISD 2014 NECE On-behalf Contributions	$27,757,810

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).

10. DEFINED BENEFIT PENSION PLANS (continued)

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the 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:

- 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
Amortization Method	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 was decreased to add additional margin for future improvement in mortality in accordance with the Actuarial Standards of Practice No. 35.

10. DEFINED BENEFIT PENSION PLANS (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.*

10. DEFINED BENEFIT PENSION PLANS (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:	\$221,057,789	\$123,707,492	\$50,907,602

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

At August 31, 2015, the District reported a liability of \$123,707,492 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	\$123,707,492
State's proportionate share that is associated with District	293,076,803
Total	\$416,784,295

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 0.4631265%. As this is the first year of implementation, the District does not have the proportion measured as of August 31, 2013. The Note 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.

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, 2014. 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 \$27,094,405 and revenue of \$27,094,405 for support provided by the State.

10. DEFINED BENEFIT PENSION PLANS (continued)

At August 31, 2015, 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	$ 1,913,176	$ -
Changes in actuarial assumptions	8,041,125	-
Difference between projected and actual investment earnings	-	37,810,062
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	-	32,427
Contributions paid to TRS subsequent to the measurement date	19,345,006	-
Total	$29,299,307	$37,842,489

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

Year ended August 31:	Pension Expense Amount
2016	$(7,778,698)
2017	$(7,778,698)
2018	$(7,778,698)
2019	$(7,778,698)
2020	$1,673,817
Thereafter	$1,552,787

At August 31, 2015, the District reported Deferred Resource Outflows and Inflows for the TRS Pension Plan as follows:

	Deferred Outflows	Deferred Inflows
Net as of August 31, 2014 measurement date	$ 9,954,301	$37,842,489
Contributions made subsequent to the measurement date	19,345,006	-
Reported by District as of August 31, 2015	$29,299,307	$37,842,489

11. 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 supplementary information for TRS-Care. That report may be obtained by visiting the TRS Web site at www.trs.state.tx.us or by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling 1-800-223-8778.

11. RETIREE HEALTH PLAN (continued)

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, all of which were 100% of the required contribution, for fiscal years 2015 through 2013 are as follows:

Year Ending	Member Contributions		State Contributions		District Contributions	
August 31,	Rate	Amount	Rate	Amount	Rate	Amount
2015	0.65%	3,940,061	1.00%	6,061,891	0.55%	3,333,869
2014	0.65%	3,748,402	1.00%	5,498,300	0.55%	3,171,700
2013	0.65%	3,428,335	0.50%	2,637,248	0.55%	2,900,893

On-behalf payments for the District's employees, in the amount of $6,061,891 were recognized as revenues and expenditures during the period.

12. RISK MANAGEMENT

Equipment Insurance

The District maintains an Equipment Insurance Fund, an internal service fund, to account for and finance its uninsured risks of loss in the event of theft or vandalism of certain District equipment and supplies. Under this program, the fund provides coverage for up to a maximum of $25,000 in the aggregate per year. The District purchases commercial insurance for claims in excess of coverage provided by the fund. Settled claims have not exceeded this commercial coverage for each of the past three fiscal years. In addition, historical losses in the Equipment Insurance Fund have not been material to the financial statements; therefore, accrued liabilities are not recorded in this fund.

Unemployment Insurance

The District maintains an Unemployment Insurance Fund, an internal service fund, to account for and finance its uninsured risks of loss for unemployment compensation benefits. It is the District's policy not to pay for unemployment insurance premiums for the risks of losses to which it is exposed. Instead, the District management believes it is more economical to manage its risks internally and set aside assets for unemployment compensation benefits in this fund. The District pays the Texas Workforce Commission on a reimbursement basis for unemployment compensations paid to qualifying employees. Historical losses in the unemployment insurance fund have not been material to the financial statements; therefore, accrued liabilities are not recorded in this fund.

12. RISK MANAGEMENT (continued)

Worker's Compensation

The District maintains a Worker's Compensation Insurance Fund, an internal service fund, to account for and finance its uninsured risks of loss for worker's compensation coverage. Under this program, the fund provides coverage for up to a maximum per occurrence of $300,000. The District purchases stop-loss coverage through a commercial insurer for claims in excess of coverage provided by the fund. Settled claims have not exceeded this stop-loss coverage for each of the past three fiscal years.

13. CONTINGENCIES AND COMMITMENTS

Legal Proceedings

The District is a defendant in several lawsuits for claims filed against it. In the best judgment of the District's management in consultation with legal counsel, the accompanying financial statements will not be affected materially by the outcome of any of these proceedings and therefore no loss contingency has been recorded.

14. MEDICARE PART D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One provision of the law allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible participants. These payments totaled $2,550,958, $1,524,482, and $1,407,415 for fiscal years 2015, 2014, and 2013, respectively.

15. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Most federal grants shown below are passed through from the Texas Education Agency and are reported on the basic financial statements as Due from Other Governments.

Amounts due from federal and state governments as of August 31, 2015, are summarized below.

Fund	Inter-local	State Entitlements	Federal Grants	Total
General Fund	$ 4,150	$ 11,170,473	$ 30,132	$ 11,204,755
Other Governmental Funds	90,838	8,624,339	555,940	9,271,117
Total	$ 94,988	$ 19,794,812	$ 586,072	$ 20,475,872

16. SHARED SERVICE ARRANGEMENTS

The District is the fiscal agent for three shared service arrangements (SSA) that provide special education teachers and instructional assistants to member districts. In addition to the District, there are 8 other member districts. The following are the SSA revenue and expenditures:

	315 - 340 SSA IDEA Programs	434 SSA Visually Impaired	435 SSA Regional Day School - Deaf
Revenue:			
Distributed by TEA	$ 93,576	$ -	$ 542,644
State Agencies Other than TEA	-	42,596	-
Total Revenues	$ 93,576	$ 42,596	$ 542,644
Expenditures:			
Payroll Costs	$ 15,265	$ 42,596	$ 542,644
Purchased & Contracted Services	19,546	-	-
Supplies and Materials	46,754	-	-
Miscellaneous Operating Costs	12,011	-	-
Total Expenditures	$ 93,576	$ 42,596	$ 542,644

17. MAJOR SOURCES OF REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

The District’s major sources of local revenues in its governmental funds are presented below:

	General	Debt Service	Capital Projects	Other Governmental	Total
Property Taxes	$ 395,026,609	$ 127,312,886	$ -	$ -	$ 522,339,495
Tuition & Fees	8,685,720		-	-	8,685,720
Investment Earnings	772,308	77,333	182,365	17,473	1,049,479
Rentals	304,656	-	-		304,656
E-Rate	898,771	-	-		898,771
Food Sales	-	-	-	14,732,172	14,732,172
Athletic/Co-curricular	1,831,491	-	-		1,831,491
Local Grants	-	-	-	1,229,532	1,229,532
Campus Activities	-	-	-	9,481,998	9,481,998
Other	3,071,468	-	659,613	170,042	3,901,123
Total	$ 410,591,023	$ 127,390,219	$ 841,978	$ 25,631,217	$ 564,454,437

18. FEDERAL REVENUE RECORDED IN THE GENERAL FUND

Program Title	Type Program	Amount
Medicaid School health and Related Services	Direct	$ 17,777,978
Impact Aid-P.L. 81-874	Direct	574,967
ROTC	Direct	844,352
Healthy Start Grant	Direct	16,998
Summer School LEP	Direct	35,410
Teacher Placement Program	Direct	600
* ESEA Title I, Part A	Indirect	271,866
Title I 1003(A) Priority and Focus School Grant	Indirect	588
* IDEA VI-B Formula	Indirect	257,289
* IDEA-B Preschool Formula	Indirect	4,116
Carl Perkins Basic Grant for Career & Technology	Indirect	13,947
Title III, English Language Acquisition- LEP	Indirect	9,845
Title III, English Language Acquisition-Immigrant	Indirect	2,965
21ST Century Community Learning Centers - Cycle 7	Indirect	26,854
* IDEA VI-B Formula (Deaf)	Indirect	436
* IDEA VI-B Preschool (Deaf)	Indirect	155
Adult Education (ESC Region XX)	Indirect	6,318
Stewart B. McKinney Homeless Assistance Act	Indirect	3,474
		$ 19,848,158

19. COMPLIANCE AND ACCOUNTABILITY

a. Finance Related Legal and Contractual Provisions
In accordance with GASB Statement No. 38, “Certain Financial Statement Note Disclosures”, violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

Violation	Action Taken
None reported	Not applicable

b. Deficit Fund Balance or Fund Net Assets of Individual Funds
The following are funds having deficit fund balances or fund net assets at year end, if any, along with remarks which address such deficits:

Fund Name	Deficit Amount	Remarks
None reported	Not applicable	Not applicable

20. RESTATEMENT OF BEGINNING NET POSITION

During fiscal year 2015, the District adopted GASB Statement No. 68 and 71 for Accounting and Reporting for Pensions. Under these Statements the District must assume and report its proportionate share of the Net Pension Liability of the Teacher Retirement System of Texas.

For the TRS pension fund, either the State of Texas or the employer pays the employer contribution to the pension fund as established by the General Appropriations Act. The State of Texas will be reporting its proportionate share of the net pension liability as the non-employer contributing entity for the TRS pension fund as well as its proportionate share as the employer for senior colleges, universities and medical schools. The state's total share of the net pension liability for both is approximately 75 percent of the net pension liability.

20. RESTATEMENT OF BEGINNING NET POSITION (continued)

The methodology for allocating the net pension liability will be based on each employer's contributions as a percentage of all employer and non-employer contributing entity contributions. This reporting change does not change pension funding, the funding of the liability or the actual, financial situation of the District. The state legislature still sets the contribution rates for the pension plan. The District's annual contributions will continue to be budgeted as they have been historically.

Adoption of GASB 68 requires a prior period adjustment to report the retroactive effect. The restated beginning net position for the Governmental Activities is $210,426,217 and the net effect of the restatement was a decrease in net position of $140,161,110. There was no effect from the restatement to the fund statements.

21. NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 68: Accounting and Financial Reporting for Pensions. Statement 68 was issued in June 2012. This Statement establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans, as well as for non-employer governments that have a legal obligation to contribute to those plans. This Statement requires the recognition of the entire net pension liability and a more comprehensive measure of pension expense, along with additional required footnote disclosures. This standard became effective for the District in fiscal year 2015. The impact of this implementation is discussed in Note 10.

GASB Statement No. 69: Government Combinations and Disposals of Government Operations. Statement 69 was issued in January 2013 and establishes accounting and financial reporting standards for government combinations and disposals of government operations. This Statement distinguishes between 60 Dallas Independent School District Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015 government mergers and acquisitions and provides guidance on the appropriate accounting treatment of each. This Statement also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. This standard became effective for the District in fiscal year 2015. The implementation had no significant effect on the District's financial statements.

GASB Statement No. 71: Pension Transition for Contributions Made Subsequent to the Measurement Date—An Amendment of GASB Statement No. 68 Accounting and Financial Reporting for Nonexchange Financial Guarantees. Statement 71 was issued in November 2013 and amends paragraph 137 of Statement 68 to require that, at transition, a government recognizes a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. This standard became effective for the District in fiscal year 2015. The impact of this implementation is discussed in Note 10.

21. NEW ACCOUNTING PRONOUNCEMENTS (continued)

GASB Statement No. 72: Fair Value Measurement and Application. Statement 72 was issued in February 2015. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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 District has not yet determined the impact of this statement.

GASB 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. Statement 73 was issued in June 2015. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, Financial Reporting for Pension Plans, and Statement 68 for pension plans and pensions that are within their respective scopes. This standard becomes effective for the District in fiscal year 2017. The District has not yet determined the impact of this statement.

GASB Statement No. 74: Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. Statement 74 was issued in June 2015. This Statement replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement 43, and Statement No. 50, Pension Disclosures. This standard becomes effective for the District in fiscal year 2017. The District has not yet determined the impact of this statement.

GASB Statement No. 75: Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Statement 75 was issued in June 2015. This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent MultipleEmployer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB plans. This standard becomes effective for the District in fiscal year 2018. The District has not yet determined the impact of this statement.

GASB Statement No. 76: The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. Statement 76 was issued in June 2015. This Statement supersedes Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The objective of this Statement is to identify—in the context of the current governmental financial reporting 61 environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP Hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This standard becomes effective for the District in fiscal year 2016. The District has not yet determined the impact of this statement.

21. NEW ACCOUNTING PRONOUNCEMENTS (continued)

GASB Statement No. 77: Tax Abatement Disclosures. Statement 77 was issued in August 2015. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

1. Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
2. The gross dollar amount of taxes abated during the period
3. Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement

This standard becomes effective for the District in fiscal year 2017. The District has not yet determined the impact of this statement.

REQUIRED SUPPLEMENTARY INFORMATION

NORTHSIDE INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended August 31, 2015

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP Basis)	Variance with Final Budget Positive (Negative)
	REVENUES				
5700	Local and Intermediate Sources	$ 408,758,629	$ 408,264,405	$ 410,591,023	$ 2,326,618
5800	State Sources	374,476,787	376,871,175	373,775,533	(3,095,642)
5900	Federal Sources	17,890,471	19,690,471	19,848,158	157,687
5020	Total Revenues	801,125,887	804,826,051	804,214,714	(611,337)
	EXPENDITURES				
	Current:				
0010	Instruction & Instructional Related Services:				
0011	Instruction	501,232,021	502,275,057	487,241,314	15,033,743
0012	Instructional Resources and Media Services	11,685,769	11,750,895	11,306,348	444,547
0013	Curriculum and Instructional Staff Development	16,211,842	17,240,162	14,535,670	2,704,492
	Total Instruction & Instructional Related Services	529,129,632	531,266,114	513,083,332	18,182,782
0020	Instructional & School Leadership:				
0021	Instructional Leadership	17,505,461	18,295,677	17,066,450	1,229,227
0023	School Leadership	48,110,653	48,347,067	46,809,477	1,537,590
	Total Instructional and School Leadership	65,616,114	66,642,744	63,875,927	2,766,817
0030	Support Services - Student:				
0031	Guidance and Counseling Services	31,208,947	31,402,732	29,368,659	2,034,073
0032	Social Work Services	2,897,948	3,489,550	2,698,678	790,872
0033	Health Services	8,710,970	8,748,797	8,296,086	452,711
0034	Pupil Transportation	29,573,142	31,345,590	29,149,732	2,195,858
0035	Child Nutrition Services	424,665	499,665	401,961	97,704
0036	Co-Curricular Activities	19,182,920	20,278,410	19,243,756	1,034,654
	Total Support Services - Student	91,998,592	95,764,744	89,158,872	6,605,872
0040	Administration:				
0041	General Administration	12,504,585	12,997,300	12,002,666	994,634
	Total Administration	12,504,585	12,997,300	12,002,666	994,634
0050	Support Services - Non-Student Based:				
0051	Plant Maintenance and Operations	69,238,814	69,065,424	67,572,889	1,492,535
0052	Security & Monitoring Services	7,376,530	7,805,281	7,597,849	207,432
0053	Data Processing Services	12,743,678	13,346,810	12,855,002	491,808
	Total Support Services - Non-Student Based	89,359,022	90,217,515	88,025,740	2,191,775
0060	Ancillary Services:				
0061	Community Services	8,133,457	8,900,313	7,764,984	1,135,329
	Total Ancillary Services	8,133,457	8,900,313	7,764,984	1,135,329
0080	Capital Outlay				
0081	Facilities Acquisition and Construction	470,953	1,597,175	1,165,200	431,975
	Total Capital Outlay	470,953	1,597,175	1,165,200	431,975

(Continued on next page.)

NORTHSIDE INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended August 31, 2015

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP Basis)	Variance with Final Budget Positive (Negative)
	EXPENDITURES (Continued)				
0090	Intergovernmental Charges				
0095	Juvenile Alternative Education Program	$ 734,564	$ 482,040	$ 137,073	$ 344,967
0099	Other Intergovernmental Charges	2,789,169	3,883,693	3,851,726	31,967
	Total Intergovernmental Charges	3,523,733	4,365,733	3,988,799	376,934
6030	Total Expenditures	800,736,088	811,751,638	779,065,520	32,686,118
1100	Excess (Deficiency) of Revenues Over Expenditures	389,799	(6,925,587)	25,149,194	32,074,781
	Other Financing Sources (Uses):				
8911	Transfer to Debt Service Fund	(5,000,000)	(5,000,000)	(5,000,000)	-
8911	Transfer to Special Revenue Funds	-	(325,000)	(325,000)	-
	Total Other Financing Sources (Uses)	(5,000,000)	(5,325,000)	(5,325,000)	-
1200	Net Change in Fund Balance	(4,610,201)	(12,250,587)	19,824,194	32,074,781
0100	FUND BALANCES, September 1, 2014	289,222,471	289,222,471	289,222,471	-
3000	FUND BALANCES, August 31, 2015	$ 284,612,270	$ 276,971,884	$ 309,046,665	$ 32,074,781

Exhibit F-2

NORTHSIDE INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY TEACHER RETIREMENT SYSTEM OF TEXAS

Year Ended August 31, 2015

		2015
District's Proportion of the Net Pension Liability (Asset)		0.463126500%
District's Proprotionate Share of Net Pension Liability (Asset)	$	123,707,492
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District		293,076,803
Total	$	416,784,295
District's Covered Employee Payroll	$	576,676,473
Contributions as a Percentage of Covered-Employee Payroll		
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its covered-Employee Payroll		21.45%
Plan Fiduciary Net Position as a Percentage fo the Total Pension Liability		70.32%

Note: GASB 68, Paragraph 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 through 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."

Exhibit F-3

NORTHSIDE INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
Year Ended August 31, 2015

		2015
Contractually Required Contribution	$	19,345,006
Contribution in Relation to the Contractually Required Contribution associated with the District		(19,345,006)
Contribution Deficiency (Excess)	$	-
District's Covered Employee Payroll	$	606,189,117
Contributions as a Percentage of Covered-Employee Payroll		3.19%

Note: GASB 68, Paragraph 81.2.b requires that the information on this schedule be presented as of the District's current fiscal year as opposed to the time period covered as of the measurement date of September 1, 2013 through 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."

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.

APPENDIX C

FORM OF BOND COUNSEL’S OPINION

NORTON ROSE FULBRIGHT

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IN REGARD to the authorization and issuance of the "Northside Independent School District Unlimited Tax Refunding Bonds, Series 2016A" (the *Bonds*), dated September 15, 2016, in the aggregate original principal amount of $_________ we have reviewed the legality and validity of the issuance thereof by the Northside Independent School District (the *Issuer*). The Bonds are issuable in fully registered form only, in denominations of $5,000 or any integral multiple thereof (within a Stated Maturity). The Bonds have Stated Maturities of August 15 in each of the years 2017 through 2037, unless redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Bonds. Interest on the Bonds accrues from the dates, at the rates, in the manner, and is payable on the dates, all as provided in the order (the *Order*) authorizing the issuance of the Bonds. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Order.

WE HAVE SERVED AS BOND COUNSEL for the Issuer solely to pass upon the legality and validity of the issuance of the Bonds under the laws of the State of Texas, the defeasance and discharge of the Issuer's obligations being refunded by the Bonds, and with respect to the exclusion of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes and for no other purpose. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer. We have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Bonds. We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the Bonds. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

WE HAVE EXAMINED the applicable and pertinent laws of the State of Texas and the United States of America. In rendering the opinions herein we rely upon (1) original or certified copies of the proceedings of the Board of Trustees of the Issuer in connection with the issuance of the Bonds, including the Order and the Escrow and Trust Agreement (the *Escrow Agreement*) between the Issuer and Amegy Bank, a division of ZB, National Association, Houston, Texas (the *Escrow Agent*), (2) a special report (the *Report*) of Grant Thornton LLP, Minneapolis, Minnesota (the *Verification Agent*), concerning the sufficiency of cash and investments deposited with the Escrow Agent; (3) customary certifications and opinions of officials of the Issuer; (4) certificates executed by officers of the Issuer relating to the expected use and investment of proceeds of the Bonds and certain other funds of the Issuer, and to certain other facts solely within the knowledge and control of the Issuer; and (5) such other documentation, including an examination of the Bond executed and delivered initially by the Issuer, and such matters of law as we deem relevant to the matters discussed below. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements and information contained in such certificates. We express no opinion concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

BASED ON OUR EXAMINATION, IT IS OUR OPINION that the Escrow Agreement has been duly authorized, executed, and delivered by the Issuer and, assuming due authorization, execution, and delivery thereof by the Escrow Agent, is a valid and binding obligation, enforceable in accordance with its terms (except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity), and that the outstanding obligations refunded, discharged, paid, and retired with certain proceeds of the Bonds have been defeased and are regarded as being outstanding only for the purpose of receiving payment from the funds held in trust with the Escrow Agent, pursuant to the Escrow Agreement, the orders authorizing their issuance, and in accordance with the provisions of Chapter 1207, as amended, Texas Government Code. In rendering this opinion, we have relied upon the Report of the Verification Agent concerning the sufficiency of cash and investments deposited with the Escrow Agent pursuant to the Escrow Agreement for the purposes of paying the outstanding obligations refunded and to be retired with the proceeds of the Bonds and the interest thereon.

BASED ON OUR EXAMINATION, IT IS FURTHER OUR OPINION that the Bonds have been duly authorized and issued in conformity with the laws of the State of Texas now in force and that the Bonds are valid and legally binding obligations of the Issuer enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. The Bonds are payable from the proceeds of an ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property in the Issuer.

BASED ON OUR EXAMINATION, IT IS FURTHER OUR OPINION that, assuming continuing compliance after the date hereof by the Issuer with the provisions of the Order and in reliance upon the Report of the Verification Agent concerning the sufficiency of the cash and investments deposited with the Escrow Agent pursuant to the Escrow Agreement and upon the representations and certifications of the Issuer made in a certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Bonds under existing statutes, regulations, published rulings, and court decisions (1) interest on the Bonds will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the *Code*), of the owners thereof for federal income tax purposes, pursuant to section 103 of the Code and (2) interest on the Bonds will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals or, except as hereinafter described, corporations.

WE CALL YOUR ATTENTION TO THE FACT that, with respect to our opinion in clause (2) above, interest on all tax-exempt obligations, such as the Bonds, owned by a corporation will be included in such corporation's adjusted current earnings for purposes of calculating the alternative minimum taxable income of such corporation, other than an S corporation, a mutual fund, a financial asset securitization investment trust, a real estate mortgage investment conduit, or a real estate investment trust. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code will be computed.

WE EXPRESS NO OTHER OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement Benefits, individuals otherwise qualifying for the earned income credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

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 our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Norton Rose Fulbright US LLP