

Note 9 - Long-Term Debt

Long-term debt includes par bonds and capital appreciation (deep discount) serial bonds. Bond premiums and discounts are amortized using the effective interest method.

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

The 1996, 2003, 2014B and 2015 bond series included outstanding capital appreciation bonds in the principal amount of \$10,326,037. The bonds mature variously through 2022. Interest accrues on these bonds each February 15 and August 15, even though the interest is not paid until maturity.

Debt service requirements to maturity are summarized as follows:

| Year Ended August 31: | Principal | Interest * | Requirements |
|--------------------------|-------------------------|-----------------------|-------------------------|
| 2021 | \$ 88,580,233 | \$ 67,027,627 | \$ 155,607,860 |
| 2022 | 73,107,363 | 82,502,922 | 155,610,285 |
| 2023 | 103,785,000 | 51,827,431 | 155,612,431 |
| 2024 | 108,670,000 | 46,940,421 | 155,610,421 |
| 2025 | 113,880,000 | 41,734,707 | 155,614,707 |
| 2026-2030 | 568,640,000 | 130,991,722 | 699,631,722 |
| 2031-2035 | 186,815,000 | 53,013,808 | 239,828,808 |
| 2036-2040 | 161,550,000 | 14,662,700 | 176,212,700 |
| | <u>\$ 1,405,027,596</u> | <u>\$ 488,701,338</u> | <u>\$ 1,893,728,934</u> |

* Interest on Build America Bonds (BABs) amounts are included.

Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. There are a number of limitations and restrictions contained in the various general obligation bonds indentures. The District is in compliance with all significant limitations and restrictions at August 31, 2020.

The following is a summary of the changes in the District's outstanding debt as of August 31, 2020:

| Description | Issued Amount | Interest Rate Payable | Amounts Outstanding 9/1/2019 | Issued Current Year | Interest Accretion | Retired/ Refunded | Amounts Outstanding 8/31/2020 | Due Within One Year |
|-----------------------------------|------------------|-----------------------------|------------------------------------|---------------------------|-----------------------|----------------------|-------------------------------------|---------------------------|
| 1996 Refunding Bond | \$ 49,353,358 | 4.40 - 6.38% | \$ 3,343,673 | \$ - | \$ - | \$ 1,728,440 | \$ 1,615,233 | \$ 1,615,233 |
| 2003 Unlimited Tax/Refunding | 758,544 | 2.50 - 5.00% | 351,626 | - | - | - | 351,626 | - |
| 2010 Qualified Sch Const Bonds | 29,900,000 | 6.88% | 29,900,000 | - | - | - | 29,900,000 | - |
| 2010B Build America Bonds | 25,055,000 | 5.974 - 6.024% | 25,055,000 | - | - | - | 25,055,000 | - |
| 2011 Refunding Bond | 27,770,000 | 2.50 - 2.00% | 5,090,000 | - | - | 1,710,000 | 3,380,000 | 1,695,000 |
| 2012A Unlimited Tax/Refunding | 100,105,000 | 3.00 - 5.00% | 36,410,000 | - | - | 36,410,000 | - | - |
| 2012B Unlimited Refunding | 22,465,000 | 2.00 - 5.00% | 11,265,000 | - | - | 11,265,000 | - | - |
| 2012C Unlimited Tax Bonds | 33,715,000 | 2.00 - 4.00% | 26,845,000 | - | - | 1,275,000 | 25,570,000 | 1,315,000 |
| 2013A Unlimited Tax Refunding | 39,635,000 | 3.00 - 5.00% | 19,080,000 | - | - | 8,075,000 | 11,005,000 | 8,400,000 |
| 2013B Unlimited Tax Refunding | 22,865,000 | 4.00 - 5.00% | 18,235,000 | - | - | 2,455,000 | 15,780,000 | 2,555,000 |
| 2013C Unlimited Tax Refunding | 5,560,000 | .34 - 2.57% | 2,790,000 | - | - | 540,000 | 2,250,000 | 575,000 |
| 2013D Unlimited Tax | 78,560,000 | 2.00 - 4.00% | 53,020,000 | - | - | 4,190,000 | 48,830,000 | 4,275,000 |
| 2013E Unlimited Tax | 67,435,000 | 3.00 - 5.00% | 43,000,000 | - | - | 1,145,000 | 41,855,000 | 1,175,000 |
| 2014A Unlimited Tax Bonds | 96,330,000 | 2.00 - 4.00% | 79,250,000 | - | - | 3,770,000 | 75,480,000 | 3,925,000 |
| 2014B Unlimited Tax Refunding | 54,338,570 | 5.00% | 54,338,570 | - | - | - | 54,338,570 | - |
| 2015 Unlimited Tax Refunding | 64,232,167 | 2.00 - 5.00% | 63,077,167 | - | - | 330,000 | 62,747,167 | 340,000 |
| 2016A Unlimited Tax Refunding | 250,350,000 | 1.00 - 5.00% | 194,405,000 | - | - | 27,085,000 | 167,320,000 | 28,395,000 |
| 2016B Unlimited Tax Refunding | 84,215,000 | 2.00 - 5.00% | 80,050,000 | - | - | 2,285,000 | 77,765,000 | 2,410,000 |
| 2017 Unlimited Tax Refunding | 68,850,000 | 2.00 - 5.00% | 59,335,000 | - | - | 6,425,000 | 52,910,000 | 6,645,000 |
| 2017 Unlimited Tax | 193,950,000 | 2.00 - 5.00% | 176,500,000 | - | - | 9,215,000 | 167,285,000 | 9,490,000 |
| 2017A Unlimited Tax Refunding | 61,165,000 | 2.00 - 5.00% | 60,090,000 | - | - | 1,200,000 | 58,890,000 | 3,955,000 |
| 2018 Unlimited Tax Refunding | 8,905,000 | 5.00% | 6,190,000 | - | - | - | 6,190,000 | - |
| 2018 Unlimited Tax | 117,210,000 | 3.00 - 5.00% | 112,550,000 | - | - | 5,040,000 | 107,510,000 | 5,295,000 |
| 2019 Unlimited Tax | 109,765,000 | 3.00 - 5.00% | 109,765,000 | - | - | 3,280,000 | 106,485,000 | 3,635,000 |
| 2020 Unlimited Building/Refunding | 262,515,000 | 2.125 - 5.0% | - | 262,515,000 | - | - | 262,515,000 | 2,885,000 |
| Bonded Indebtedness | | | 1,269,936,036 | 262,515,000 | - | 127,423,440 | 1,405,027,596 | 88,580,233 |
| Accreted Interest and CAB premium | | | 37,145,152 | - | 2,059,468 | 7,186,560 | 32,018,060 | 6,762,198 |
| Bond Premium | | | 101,323,429 | 54,925,800 | - | 22,262,091 | 133,987,138 | 18,148,665 |
| Accrued Compensated Absences | | | 2,831,994 | 765,152 | - | 461,533 | 3,135,613 | 445,847 |
| Total Obligations | | | \$ 1,411,236,611 | \$ 318,205,952 | \$ 2,059,468 | \$ 157,333,624 | \$ 1,574,168,407 | \$ 113,936,943 |

During fiscal year 2020, the District issued \$262,515,000 in Unlimited Tax School Building and Refunding Bonds, Series 2020 with interest rates of 2.125% to 5.00% to construct, renovate, acquire and equip school buildings in the District and to refund certain bonds and purchase necessary sites for school buildings and to pay costs of issuance of the bonds. The bonds were issued a premium of \$54,925,800. The refunding bonds were used to refund Unlimited Tax School Building and Refunding Bonds, Series 2012A. The difference between carrying value of the refunded debt and amount placed in escrow resulted in a gain of \$1.4 million. The present value savings of the bonds were \$6,929,033.

The District in 2010 issued bonds that are considered Build America Bonds (BABS), which provide for a direct reimbursement of up to 35 percent of the interest paid on the bonds. The District received \$495,068 in subsidy payments from the federal government during the fiscal year ended August 31, 2020, for the BABS.

Qualified School Construction Bonds

Qualified School Construction Bonds ("QSCB's") are tax-credit bonds authorized through the American Recovery and Reinvestment Act. The QSCB program provides school districts the opportunity to issue interest free or very low interest bonds to finance the construction, rehabilitation, or repair of a public school facility or for the acquisition of land on which such a facility is to be constructed. Purchasers of QSCB's issued in 2009 receive a federal tax credit instead of interest payments. Purchasers of QSCB's issued in 2010 receive interest payments from the issuer, and the issuer can elect to receive subsidy payments from the federal government equal to the lesser of (i) the amount of interest payable under such bond on such date, or (ii) the amount of interest which would have been payable under such bond on such date if such interest were determined at the applicable credit rate determined under Section 54A(b)(3) of the Internal Revenue Code with respect to such bonds.

The District is scheduled to make annual deposits into trust accounts for the Qualified School Construction Bonds (QSCBs), Series 2010. These annual deposits plus the interest earned on the trust accounts will be used to pay off the debt upon maturity June 2026. The District accounts for these trust accounts as *Restricted Cash and Investments* on both the Statement of Net Position (Exhibit A-1) and in the Debt Service fund on the Governmental Funds Balance Sheet (Exhibit C-1). The investments are recorded at fair market value.