Enhanced / Unenhanced Ratings: Moody's "Aaa" / "Aa2"
S&P "AAA" / "AA"
PSF Guaranteed
(See "RATINGS" and "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM")

**OFFICIAL STATEMENT**
**Dated: August 3, 2023**

**NEW ISSUE: BOOK-ENTRY-ONLY**

*In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on certain corporations.*

# $140,150,000
# BIRDVILLE INDEPENDENT SCHOOL DISTRICT
## (A political subdivision of the State of Texas located in Tarrant County, Texas)
## UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2023-A

**Dated Date: August 1, 2023** **Due: February 15, as shown on page 2**
**Interest Accrual Date: Date of Delivery (defined below)**

The Birdville Independent School District (the "District") is issuing its $140,150,000 Unlimited Tax School Building Bonds, Series 2023-A (the "Bonds") in accordance with the Constitution and general laws of the State of Texas, including, particularly, Chapter 1371, Texas Government Code, as amended ("Chapter 1371"), Sections 45.001 and 45.003(b)(1), Texas Education Code, as amended, an election held in the District on November 8, 2022 (the "Election"), and a bond order (the "Bond Order") adopted by the Board of Trustees (the "Board") of the District on July 27, 2023, in which the Board delegated pricing of the Bonds and certain other matters to a "Pricing Officer" who approved and executed a "Pricing Certificate" on August 3, 2023, which completed the sale of the Bonds (the Bond Order and the Pricing Certificate are collectively referred to as the "Order").

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

Interest on the Bonds will accrue from the date they are initially delivered to the initial purchasers thereof named below (the "Underwriters"), and will be payable on August 30, 2023 (an irregular interest payment date), and semiannually thereafter on each succeeding February 15 and August 15 of each year until stated maturity or prior redemption. The Bonds will be issued in principal denominations of $5,000 or any integral multiple thereof within a maturity. Interest accruing on the Bonds will be calculated on the basis of a 360-day year of twelve 30-day months (see "THE BONDS – General Description").

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

Proceeds from the sale of the Bonds will be used (i) for constructing, renovating, improving and equipping school facilities in the District, including the acquisition of land therefor and the acquisition of new school buses; (ii) for acquiring and updating instructional technology equipment; (iii) to fund capitalized interest on the Bonds; and (iv) to pay costs of issuance related to the Bonds (see "THE BONDS – Purpose").

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**CUSIP PREFIX:** 090874 / **MATURITY SCHEDULE & 9 DIGIT CUSIP** – See Schedule on Page 2

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*The Bonds are offered when, as and if issued, and accepted by the Underwriters, subject to the approving opinion of the Attorney General of the State of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Norton Rose Fulbright US LLP, Dallas, Texas. The Bonds are expected to be available for initial delivery through the services of DTC on or about August 29, 2023 (the "Date of Delivery").*

**FHN Financial Capital Markets**

**HilltopSecurities** **Mesirow Financial, Inc.**

**Piper Sandler & Co.** **Stephens Inc.**

**CUSIP Prefix[(A)]: 090874**

## MATURITY SCHEDULE

***$109,650,000 Serial Bonds***

| Maturity Date (2/15) | Principal Amount | Interest Rate | Initial Yield | CUSIP Suffix[(A)] |
|---|---|---|---|---|
| 2025 | $ 1,550,000 | 5.000% | 3.440% | RP(5) |
| 2026 | 2,350,000 | 5.000 | 3.280 | RQ(3) |
| 2027 | 3,225,000 | 5.000 | 3.130 | QV(3) |
| 2028 | 3,400,000 | 5.000 | 3.130 | QW(1) |
| 2029 | 3,565,000 | 5.000 | 3.130 | QX(9) |
| 2030 | 3,745,000 | 5.000 | 3.100 | QY(7) |
| 2031 | 3,945,000 | 5.000 | 3.140 | QZ(4) |
| 2032 | 4,150,000 | 5.000 | 3.170 | RA(8) |
| 2033 | 4,870,000 | 5.000 | 3.190 | RB(6) |
| 2034 | 5,115,000 | 5.000 | 3.270[(B)] | RC(4) |
| 2035 | 5,375,000 | 5.000 | 3.320[(B)] | RD(2) |
| 2036 | 5,140,000 | 5.000 | 3.430[(B)] | RE(0) |
| 2037 | 5,405,000 | 5.000 | 3.550[(B)] | RF(7) |
| 2038 | 5,680,000 | 5.000 | 3.620[(B)] | RG(5) |
| 2039 | 5,970,000 | 5.000 | 3.710[(B)] | RH(3) |
| 2040 | 6,275,000 | 5.000 | 3.800[(B)] | RJ(9) |
| 2041 | 7,110,000 | 5.000 | 3.870[(B)] | RK(6) |
| 2042 | 7,470,000 | 5.000 | 3.950[(B)] | RL(4) |
| 2043 | 7,860,000 | 5.000 | 4.000[(B)] | RM(2) |
| 2044 | 8,260,000 | 5.000 | 4.040[(B)] | RR(1) |
| 2045 | 9,190,000 | 5.000 | 4.060[(B)] | RS(9) |

**(Interest to accrue from the Date of Delivery)**

***$30,500,000 Term Bonds***

$30,500,000 5.000% Term Bond due February 15, 2048, Price 106.593%, Initial Yield 4.150%[(B)], CUSIP Suffix[(A)] RN(0)

**(Interest to accrue from the Date of Delivery)**

**OPTIONAL REDEMPTION**…The Bonds maturing on and after February 15, 2034, are subject to redemption prior to stated maturity, at the option of the District, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2033, or any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption (see "THE BONDS – Redemption Provisions").

**MANDATORY SINKING FUND REDEMPTION**…The Bonds maturing on February 15, 2048 (the "Term Bonds"), are also subject to mandatory sinking fund redemption as described herein (see "THE BONDS – Redemption Provisions").

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(A) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau and are included solely for the convenience of the owners of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP services. None of the District, the Financial Advisor or the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

(B) Yield for the Bonds denoted and sold at a premium is calculated to their first optional redemption date, February 15, 2033.

**USE OF INFORMATION IN OFFICIAL STATEMENT**

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

Certain information set forth herein has been obtained from the District and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness, and it is not to be construed as a representation by the Financial Advisor or the Underwriters.

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

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

THE BONDS 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 FOR THE PURCHASE THEREOF.

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

None of the District, the Financial Advisor, or the Underwriters 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 described under "BOOK-ENTRY-ONLY SYSTEM" or the affairs of the TEA described under "Appendix E – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" as such information has been provided by DTC and TEA, respectively.

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

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

Neither the United States Securities and Exchange Commission nor any state securities commission has approved or disapproved of the Bonds or passed upon the adequacy or accuracy of this document. Any representation to the contrary is a criminal offense.

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

**TABLE OF CONTENTS**



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

## SELECTED DATA FROM THE OFFICIAL STATEMENT

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

| | |
|---|---|
| **The District** | Birdville Independent School District (the "District") is a political subdivision of the State of Texas (the "State") located in Tarrant County, Texas. The District is governed by a seven-member Board of Trustees (the "Board"). Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent of Schools, who is the chief administrative officer of the District. Support services are supplied by consultants and advisors. For more information regarding the District, see "Appendix A – FINANCIAL INFORMATION REGARDING THE DISTRICT" and "Appendix B – GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY." |
| **Authority for Issuance** | The District's Unlimited Tax School Building Bonds, Series 2023-A (the "Bonds") are being issued pursuant to the Constitution and general laws of the State, including, particularly, Chapter 1371, Texas Government Code, as amended ("Chapter 1371"), Sections 45.001 and 45.003(b)(1), Texas Education Code, as amended, an election held in the District on November 8, 2022 (the "Election"), and an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board on July 27, 2023. In the Bond Order, the Board delegated to an officer of the District (the "Pricing Officer") authority to complete the sale of the Bonds. The terms of the sale are included in a "Pricing Certificate," which was approved and executed by the Pricing Officer on August 3, 2023, and completed the sale of the Bonds (the Bond Order and the Pricing Certificate are collectively referred to as the "Order") (see "THE BONDS – Authorization"). |
| **The Bonds** | The Bonds shall mature on the dates and in the amounts set forth on page 2 of this Official Statement (see "THE BONDS – General Description"). |
| **Payment of Interest** | Interest on the Bonds will accrue from the date of their initial delivery (the "Date of Delivery") to the initial purchasers thereof (the "Underwriters") and will be payable on August 30, 2023 (an irregular interest payment date), and semiannually thereafter on each succeeding February 15 and August 15 of each year until stated maturity or prior redemption (see "THE BONDS – General Description"). |
| **Security** | The Bonds constitute direct obligations of the District, payable as to principal and interest from an annual ad valorem tax levied against all taxable property located within the District, without legal limit as to rate or amount (see "THE BONDS – Security"). Also see "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" for a discussion of recent developments in State law affecting the financing of school districts in the State. Additionally, the District has received conditional approval from the Texas Education Agency for the payment of the Bonds to be guaranteed by the corpus of the Permanent School Fund of the State of Texas (see "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM"). |
| **Use of Proceeds** | Proceeds from the sale of the Bonds will be used (i) for constructing, renovating, improving and equipping school facilities in the District, including the acquisition of land therefor and the acquisition of new school buses; (ii) for acquiring and updating instructional technology equipment; (iii) to fund capitalized interest on the Bonds; and (iv) to pay costs of issuance related to the Bonds (see "THE BONDS – Purpose"). |
| **Redemption Provisions** | *Optional Redemption.* The Bonds maturing on and after February 15, 2034, are subject to redemption prior to stated maturity, at the option of the District, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2033, or any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption (see "THE BONDS – Redemption Provisions").<br><br>*Mandatory Sinking Fund Redemption*. The Bonds maturing on February 15, 2048 (the "Term Bonds"), are also subject to mandatory sinking fund redemption as described herein (see "THE BONDS – Redemption Provisions"). |

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|---|---|
| **Tax Exemption** | In the opinion of Bond Counsel, interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on certain corporations. |
| **Ratings** | Moody's Investors Service, Inc. ("Moody's") and S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P"), have assigned municipal bond ratings of "Aaa" and "AAA", respectively to the Bonds based upon the Permanent School Fund Guarantee. Moody's and S&P generally rate all bond issues guaranteed by the Permanent School Fund of the State of Texas "Aaa" and "AAA", respectively (see "Appendix E – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "RATINGS").<br><br>The District's underlying ratings for the Bonds (without consideration of the Permanent School Fund Guarantee or other credit enhancement) are "Aa2" by Moody's and "AA" by S&P (see "RATINGS").<br><br>Fitch Ratings, Inc. ("Fitch") has previously assigned ratings to certain of the District's outstanding bonds; however, the District has not requested Fitch assign a rating to the Bonds (see "RATINGS"). |
| **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 principal denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. The principal of and interest on the Bonds at maturity or on a prior redemption date will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "BOOK-ENTRY-ONLY SYSTEM"). |
| **Paying Agent/Registrar** | The initial Paying Agent/Registrar for the Bonds is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (see "REGISTRATION, TRANSFER AND EXCHANGE – Paying Agent/Registrar"). |
| **Continuing Disclosure of Information** | Pursuant to the Order, the District is obligated to provide certain updated financial information and operating data annually, and to provide timely notice of certain specified events which will be available to investors as described in the section captioned "CONTINUING DISCLOSURE OF INFORMATION." Also see "Appendix E – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" for a description of the undertaking of the Texas Education Agency to provide certain information on a continuing basis. |
| **Payment Record** | The District has never defaulted on the payment of its bonded indebtedness. |
| **Legality** | Delivery of the Bonds is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality and tax exemption by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel (see "LEGAL MATTERS" and "TAX MATTERS"). |

For additional information regarding the District, please contact:

| | | |
|---|---|---|
| Katie Bowman<br>Associate Superintendent of Finance and Auxiliary Services<br>Birdville Independent School District<br>6125 East Belknap Street<br>Haltom City, Texas 76117<br>Phone: (817) 547-5735 | or | Joshua McLaughlin or<br>Alison Long<br>BOK Financial Securities, Inc.<br>333 West Campbell Road, 4th Floor<br>Richardson, Texas 75080<br>Phone: (214) 576-0878 |

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT**
**OFFICIALS, STAFF AND CONSULTANTS**

## ELECTED OFFICIALS

| Name | Term Expires | Occupation |
|---|---|---|
| Richard Davis, President | May 2024 | Director of Sales – Lift Aids, Inc. |
| Kris Drees, Vice President | May 2025 | Realtor |
| Ralph Kunkel, Secretary | May 2025 | Retirement Consultant |
| Joe Tolbert, Member | May 2026 | Attorney |
| Kelvin Dilks, Member | May 2026 | Real Estate Investor |
| Brenda Sanders-Wise, Member | May 2024 | Retired |
| Matthew Womble, Member | May 2024 | Law Enforcement |

## CERTAIN DISTRICT OFFICIALS

| Name | Position |
|---|---|
| Gayle Stinson, Ed.D. | Superintendent of Schools |
| Katie Bowman, CPA | Associate Superintendent of Finance and Auxiliary Services |
| Elizabeth A. Clark, Ed.D. | Associate Superintendent of Curriculum and Instruction |
| Skip Baskerville | Associate Superintendent of Human Resources, Governance and Support Services |
| Dave Lambson | Chief Technology Officer |
| Mark Thomas | Chief Communications Officer |
| Missy Glenn, Ed.D. | Executive Director of Finance and Federal Programs |

## CONSULTANTS AND ADVISORS

Auditors ........................................ Weaver and Tidwell, L.L.P.
Fort Worth, Texas

Bond Counsel ........................................ McCall, Parkhurst & Horton L.L.P.
Dallas, Texas

Financial Advisor ........................................ BOK Financial Securities, Inc.
Richardson, Texas

**OFFICIAL STATEMENT RELATING TO**

**$140,150,000**
**BIRDVILLE INDEPENDENT SCHOOL DISTRICT**
**(A political subdivision of the State of Texas located in Tarrant County, Texas)**
**UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2023-A**

## INTRODUCTORY STATEMENT

This Official Statement, including Appendices A, B and D, has been prepared by the Birdville Independent School District located in Tarrant County, Texas (the "District"), in connection with the offering by the District of its Unlimited Tax School Building Bonds, Series 2023-A (the "Bonds"), identified on the cover page hereof.

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

There follows in this Official Statement descriptions of the Bonds and the Order (as defined herein), and certain other information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained upon request by electronic mail or upon payment of reasonable copying, mailing, and handling charges by writing the District's Financial Advisor, BOK Financial Securities, Inc., 333 West Campbell Road, 4th Floor, Richardson, Texas 75080.

This Official Statement speaks only as of its date and the information contained herein is subject to change. A copy of the final Official Statement will be submitted to the Municipal Securities Rulemaking Board (the "MSRB") and will be available through its Electronic Municipal Market Access ("EMMA") system. See "CONTINUING DISCLOSURE OF INFORMATION" for information regarding the EMMA system and for a description of the District's undertaking to provide certain information on a continuing basis.

## THE BONDS

### Authorization

The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including, particularly, Chapter 1371, Texas Government Code, as amended ("Chapter 1371"), Sections 45.001 and 45.003(b)(1), Texas Education Code, as amended, an election held in the District on November 8, 2022 (the "Election"), and an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the District's Board of Trustees (the "Board") on July 27, 2023. In the Bond Order, the Board delegated to an officer of the District (the "Pricing Officer") authority to complete the sale of the Bonds. The terms of the sale are included in a "Pricing Certificate," which was approved and executed by the Pricing Officer on August 3, 2023, and completed the sale of the Bonds (the Bond Order and the Pricing Certificate are collectively referred to as the "Order"). Capitalized terms used herein have the same meanings assigned to such terms in the Order, except as otherwise indicated.

### Purpose

Proceeds from the sale of the Bonds will be used (i) for constructing, renovating, improving and equipping school facilities in the District, including the acquisition of land therefor and the acquisition of new school buses; (ii) for acquiring and updating instructional technology equipment; (iii) to fund capitalized interest on the Bonds; and (iv) to pay costs of issuance related to the Bonds. After the issuance of the Bonds, the District will have no voter authorized but unissued unlimited ad valorem tax bonds remaining from the Election (see "Table 12 – Authorized But Unissued Bonds" in Appendix A).

### General Description

The Bonds shall be dated August 1, 2023, and interest accruing on the Bonds will be calculated on the basis of a 360-day year of twelve 30-day months. Interest on the Bonds will accrue from the date of their initial delivery (the "Date of Delivery") to the initial purchasers thereof (the "Underwriters"), at the interest rates shown on page 2 hereof and such interest shall be payable to the registered owners thereof commencing on August 30, 2023 (an irregular interest payment date), and semiannually thereafter on each succeeding February 15 and August 15 until stated maturity or prior redemption. The Bonds are to mature on the dates and in the principal amounts shown on page 2 hereof. The Bonds will be issued as fully registered obligations in principal denominations of

$5,000 or any integral multiple thereof within a maturity. The paying agent and transfer agent for the Bonds is initially The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Paying Agent/Registrar").

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

Interest on the Bonds will be payable to the registered owner whose name appears on the bond registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined) and such accrued interest will be paid by (i) check sent by United States mail, first class, postage prepaid, to the address of the registered owner appearing on such registration books of the Paying Agent/Registrar or (ii) such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. The record date for determining the party to whom interest is payable on any interest payment date for the Bonds is the close of business on the last business day of the month next preceding such interest payment date (the "Record Date") (provided, however, the Record Date for the August 30, 2023 interest payment date shall be the Date of Delivery) (see "REGISTRATION, TRANSFER AND EXCHANGE – Record Date for Interest Payment"). The principal of the Bonds at maturity or on a prior redemption date will be payable only upon presentation of such Bonds at the designated office of the Paying Agent/Registrar upon maturity or prior redemption, as applicable; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Bonds, all payments will be made as described under "BOOK-ENTRY-ONLY SYSTEM" herein.

**Security**

The Bonds are direct obligations of the District and are payable as to principal and interest from an annual ad valorem tax levied on all taxable property within the District, without legal limit as to rate or amount, as provided in the Order. Additionally, the District has received conditional approval from the Texas Education Agency for the payment of the Bonds to be guaranteed by the corpus of the Permanent School Fund of the State of Texas (see "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM," "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM").

**Permanent School Fund Guarantee**

In connection with the sale of the Bonds, the District has received conditional approval from the Texas Commissioner of Education for guarantee of the Bonds under the Texas Permanent School Fund Guarantee Program (Chapter 45, Subchapter C of the Texas Education Code, as amended). Subject to satisfying certain conditions discussed in "Appendix E – 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. The Permanent School Fund Guarantee will terminate with respect to Bonds that are defeased (see "THE BONDS – Defeasance of Bonds").

**Redemption Provisions**

*Optional Redemption.* The Bonds maturing on and after February 15, 2034, are subject to redemption prior to stated maturity, at the option of the District, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2033, or any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption.

If less than all of the Bonds are to be redeemed, the District shall determine the principal amount and maturities to be redeemed and shall direct the Paying Agent/Registrar to select by lot or other customary method that results in a random selection, the Bonds or portions thereof within a maturity, to be redeemed.

*Mandatory Sinking Fund Redemption*. The Bonds maturing on February 15, 2048 (the "Term Bonds"), are also subject to mandatory sinking fund redemption prior to stated maturity at the price of par plus accrued interest to the mandatory redemption date on the respective dates and in principal amounts as follows:

**Term Bond Due**
**February 15, 2048**

| Redemption Date (2/15) | Principal Amount |
|---|---|
| 2046 | $ 9,665,000 |
| 2047 | 10,160,000 |
| 2048[(A)] | 10,675,000 |

[(A)] Stated maturity.

The principal amount of the Term Bonds for a stated maturity required to be redeemed on any mandatory redemption date pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the District, by the principal amount of any Term Bonds of the same maturity which, at least 45 days prior to a mandatory redemption date (1) shall have been acquired by the District at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the District at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

**Notice of Redemption**

At least 30 days prior to the date fixed for any such redemption of the Bonds, the District shall cause a written notice of such redemption to be deposited in the United States mail, first-class postage prepaid, addressed to each registered owner at the address shown on the Registration Books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice.

ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. UPON THE GIVING OF THE NOTICE OF REDEMPTION AND ANY OTHER CONDITION TO REDEMPTION SATISFIED, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND INTEREST ON SUCH BONDS OR PORTION THEREOF SHALL CEASE TO ACCRUE, IRRESPECTIVE OF WHETHER SUCH BONDS ARE SURRENDERED FOR PAYMENT.

With respect to any optional redemption of the Bonds, unless moneys sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption is conditional upon the receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon the satisfaction of any prerequisites set forth in such notice of redemption; and, if sufficient moneys are not received or such prerequisites are not satisfied, such notice shall be of no force and effect, the District shall not redeem such Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

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

**Legality**

The Bonds are offered when, as and if issued, and subject to the approval of legality by the Attorney General of the State of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas (see "LEGAL MATTERS" and "Appendix C – FORM OF LEGAL OPINION OF BOND COUNSEL").

**Payment Record**

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

**Defeasance of Bonds**

The Order provides for the defeasance of the Bonds when the payment on the Bonds to the due date thereof (whether such due date be by reason of maturity or otherwise) is provided by irrevocably depositing with the Paying Agent/Registrar or authorized escrow agent, in trust (1) money sufficient to make such payment and/or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times to ensure 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, and thereafter the District will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased Bonds, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The Order provides that "Defeasance Securities" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, and (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 District authorizes the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent. There is no assurance that the ratings for U.S. Treasury securities used as Defeasance Securities or those for any other Defeasance Security will be maintained at any particular rating category.

The District has the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance, and to withdraw for the benefit of the District moneys in excess of the amount required for such defeasance. After firm banking and financial arrangements for the defeasance of the Bonds have been made as described above, all rights of the District to initiate proceedings to call the Bonds for redemption or to take any action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the District: (i) in the proceedings providing for the defeasance of the Bonds, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of such banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

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

**Amendments**

In the Order, the District has reserved the right to amend the Order without the consent of any holder for the purpose of amending or supplementing the Order to (i) cure any ambiguity, defect or omission therein that does not materially adversely affect the interests of the holders, (ii) grant additional rights or security for the benefit of the holders, (iii) add events of default as shall not be inconsistent with the provisions of the Order that do not materially adversely affect the interests of the holders, (iv) qualify the Order under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect or (v) make such other provisions in regard to matters or questions arising under the Order that are not inconsistent with the provisions thereof and which, in the opinion of Bond Counsel for the District, do not materially adversely affect the interests of the holders.

The Order further provides that the holders of the Bonds aggregating in principal amount of a majority of outstanding Bonds that are the subject of a proposed amendment shall have the right from time to time to approve any amendment not described above to the Order if it is deemed necessary or desirable by the District; provided, however, that without the consent of 100% of the holders in principal amount of the then outstanding Bonds, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Bonds; (ii) reducing the rate of interest borne by any of the outstanding Bonds; (iii) reducing the amount of the principal of, or redemption premium, if any, payable on any outstanding Bonds; (iv) modifying the terms of payment of principal or of interest or redemption premium on outstanding Bonds, or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Bonds necessary for consent to such amendment. Reference is made to the Order for further provisions relating to the amendment thereof.

**Sources and Uses of Funds**

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

| | | |
|---|---|---|
| **Sources:** | | |
| | Principal Amount of the Bonds | $ 140,150,000.00 |
| | Original Issue Reoffering Premium on the Bonds | 12,795,854.85 |
| | **Total Sources of Funds** | **$ 152,945,854.85** |
| **Uses:** | | |
| | Deposit to Construction Fund | $ 149,530,391.00 |
| | Costs of Issuance and Underwriters' Discount | 1,181,467.57 |
| | Deposit to Interest and Sinking Fund [(A)] | 2,233,996.28 |
| | **Total Uses of Funds** | **$ 152,945,854.85** |

[(A)] Represents excess premium used for capitalized interest.

## THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

Subject to satisfying certain conditions, the payment of the Bonds will be 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 Permanent School Fund, and the Charter District Bond Guarantee Reserve would be the first source to pay debt service if a charter school was unable to make such payment. See "Appendix E – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" for pertinent information regarding the Permanent School Fund Guarantee Program. The disclosure regarding the Permanent School Fund Guarantee Program in Appendix E is incorporated herein and made a part hereof for all purposes.

## REGISTERED OWNERS' REMEDIES

The Order specifies events of default as the failure of the District to make payment of the principal of or interest on any of the Bonds when the same becomes due and payable, along with the failure by the State of Texas to honor the Permanent School Fund guarantee for such payment, or default in the performance or observance of any other covenant, agreement or obligation of the District, which failure materially, adversely affects the rights of the registered owners, including, but not limited to, their prospect or ability to be repaid in accordance with the Order, and the continuation thereof for a period of 60 days after notice of such default is given by any registered owner to the District. Upon an event of default, 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, as well as enforce rights of payment under the Permanent School Fund Guarantee, if there is no other available remedy at law to compel performance of the Bonds or the Order covenants 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. 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, which pertains to the issuance of public securities by issuers such as the District, permits the District to waive sovereign immunity in the proceedings authorizing its bonds. Notwithstanding its reliance upon the provisions of Chapter 1371 in connection with the issuance of the Bonds (as further described under the subcaption "THE BONDS – Authorization"), 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, bondholders may not be able to bring such a suit against the District for breach of the Bonds or Order covenants in the absence of District action. 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 creditors' rights would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors, principles of governmental immunity and by general principles of equity which permit the exercise of judicial discretion.

See "Appendix E – 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. Initially, the only registered owner of the Bonds will be Cede & Co., as DTC's nominee. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the duties of DTC with regard to ownership of Bonds.

## BOOK-ENTRY-ONLY SYSTEM

*This section describes how ownership of the Bonds is to be transferred and principal of, premium, if any, interest and redemption payments on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District, the Financial Advisor and the Underwriters believe the source of such information to be reliable, but none of the District, the Financial Advisor or the Underwriters takes any responsibility for the accuracy or completeness thereof.*

*The District, the Financial Advisor and the Underwriters cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, 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) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each stated maturity of the Bonds, as set forth on page 2 hereof, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating from S&P Global Ratings 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 transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

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

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

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

**Use of Certain Terms in Other Sections of this Official Statement**

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Order will be given only to DTC.

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 "REGISTRATION, TRANSFER AND EXCHANGE" below.

## REGISTRATION, TRANSFER AND EXCHANGE

**Paying Agent/Registrar**

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

In the event the Book-Entry-Only System should be discontinued, interest on the Bonds will be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date, and such interest will be paid (i) by check sent United States mail, first class, postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Bonds at maturity or on a prior redemption date will be paid to the registered owner at the stated maturity or earlier redemption, as applicable, upon presentation to the designated payment/transfer office of the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Bonds, all payments will be made as described under "BOOK-ENTRY-ONLY SYSTEM" herein. 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 in the city where the principal corporate trust office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment will be the next succeeding day which is not such a day, and payment on such date will have the same force and effect as if made on the date payment was due.

**Future Registration**

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

**Record Date for Interest Payment**

The Record Date 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 month next preceding such interest payment date, except for the August 30, 2023 interest payment date, for which the Record Date will be the Date of Delivery. In the event of a nonpayment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each registered owner of a Bond appearing on the books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

**Limitation on Transfer of Bonds**

The Paying Agent/Registrar shall not be required to make any transfer or exchange with respect to Bonds during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or with respect to any Bond or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date, provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

**Replacement Bonds**

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

## LEGAL MATTERS

The District will furnish to the Underwriters a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Bonds are valid and legally binding obligations of the District, and based upon examination of such transcript of proceedings, the approving legal opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, with respect to the Bonds being issued in compliance with the provisions of applicable law and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under section 103(a) of the Internal Revenue Code of 1986, subject to the matters described under “TAX MATTERS” herein, including the alternative minimum tax on certain corporations. The form of Bond Counsel’s opinion is attached hereto as Appendix C.

Though it represents the Financial Advisor and the Underwriters from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the District in connection with the issuance of the Bonds. Bond Counsel also advises the TEA in connection with its disclosure obligations under the federal securities laws, but Bond Counsel has not passed upon any TEA disclosures contained in this Official Statement. Except as noted below, Bond Counsel did not take part in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein except that in its capacity as Bond Counsel, such firm has reviewed the information appearing under the captions, “THE BONDS” (except under the subcaptions “Permanent School Fund Guarantee,” the fourth paragraph under “Notice of Redemption,” “Payment Record” and “Sources and Uses of Funds”), “REGISTRATION, TRANSFER AND EXCHANGE,” “LEGAL MATTERS” (except for the last two sentences of this paragraph), “TAX MATTERS,” “REGISTRATION AND QUALIFICATION OF BONDS FOR SALE,” “STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS,” “CURRENT PUBLIC SCHOOL FINANCE SYSTEM,” “TAX RATE LIMITATIONS” (except for the last sentence of the second paragraph under the subcaption “I&S Tax Rate Limitations”), “LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS” and “CONTINUING DISCLOSURE OF INFORMATION” (except under the subcaption “Compliance with Prior Undertakings”) and such firm is of the opinion that the information relating to the Bonds and legal matters contained under such captions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the Order. The District expects to pay the legal fee of Bond Counsel for services rendered in connection with the issuance of the Bonds from proceeds of the Bonds. Certain legal matters will be passed upon for the Underwriters by their counsel, Norton Rose Fulbright US LLP, Dallas, Texas. The legal fee of such firm is contingent upon the sale and delivery of the Bonds.

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

## TAX MATTERS

### Opinion

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel to the District, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof (“Existing Law”), (1) interest on the Bonds for federal income tax purposes will be excludable from the “gross income” of the holders thereof and (2) the Bonds will not be treated as “specified private activity bonds” the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the “Code”). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds (see “Appendix C – FORM OF LEGAL OPINION OF BOND COUNSEL”).

In rendering its opinion, Bond Counsel will rely upon (a) certain information and representations of the District, including information and representations contained in the District’s federal tax certificate, (b) covenants of the District contained in the Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith, and (c) the certificate with respect to arbitrage by the Commissioner of Education regarding the allocation and investment of certain investments in the Permanent School Fund. Failure by the District to observe the aforementioned representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel is conditioned on compliance by the District with the covenants and requirements described in the preceding paragraph, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the facilities financed or refinanced with proceeds of the Bonds. Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the representations of the District that it deems relevant to render such opinion, and is not a guarantee of result. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

**Collateral Federal Income Tax Consequences**

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with Subchapter C earnings and profits, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Interest on the Bonds may be includable in certain corporations' "adjusted financial statement income" determined under section 56A of the Code to calculate the alternative minimum tax imposed by section 55 of the Code.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

**State, Local and Foreign Taxes**

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

### Information Reporting and Backup Withholding

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of foreign investors, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

### Future and Proposed Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

## REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

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

It is the obligation of the Underwriters to register or qualify the sale of the Bonds under the securities laws of any jurisdiction which so requires. The District agrees to cooperate, at the Underwriters' written request and 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.

## 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 "State Legislature") from time to time (i) met the requirements of article VII, section 1 of the Texas Constitution, which requires the State 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 State 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 v. The Texas Taxpayer and Student Fairness Coalition*, 490 S.W.3d 826 (Tex. 2016) ("*Morath*"). The plaintiffs and intervenors in the case had alleged that the Finance System, as modified by the State Legislature in part in response to prior decisions of the Court, violated article VII, section 1 and article VIII, section 1-e of the Texas Constitution. In its opinion, the Court held that "[d]espite the imperfections of the current school funding regime, it meets minimum constitutional requirements." The Court also noted that:

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

**Possible Effects of Changes in Law on District Bonds**

The Court's decision in *Morath* upheld the constitutionality of the Finance System but noted that the Finance System was "undeniably imperfect." While not compelled by the *Morath* decision to reform the Finance System, the State Legislature could enact future changes to the Finance System. Any such changes could benefit or be a detriment to the District. If the State 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 State 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 public school finance system as it is currently structured. For a more complete description of school finance and fiscal management in the State, reference is made to Chapters 43 through 49 of the Texas Education Code, as amended.

Local funding is derived from collections of ad valorem taxes levied on property located within each school district's boundaries. School districts are authorized to levy two types of property taxes: a maintenance and operations ("M&O") tax to pay current expenses and an interest and sinking fund ("I&S") tax to pay debt service on bonds. School districts may not increase their M&O tax rate for the purpose of creating a surplus to pay debt service on bonds. Prior to 2006, school districts were authorized to levy their M&O tax at a voter-approved rate, generally up to $1.50 per $100 of taxable value. Since 2006, the State Legislature has enacted various legislation that has compressed the voter-approved M&O tax rate, as described below. Current law also requires school districts to demonstrate their ability to pay debt service on outstanding bonded indebtedness through the levy of an I&S tax at a rate not to exceed $0.50 per $100 of taxable value at the time bonds are issued. Once bonds are issued, however, school districts generally may levy an I&S tax sufficient to pay debt service on such bonds unlimited as to rate or amount (see "TAX RATE LIMITATIONS – I&S Tax Rate Limitations" herein). Because property values vary widely among school districts, the amount of local funding generated by school districts with the same I&S tax rate and M&O tax rate is also subject to wide variation; however, the public school finance funding formulas are designed to generally equalize local funding generated by a school district's M&O tax rate.

Prior to the 2019 Legislative Session, a school district's maximum M&O tax rate for a given tax year was determined by multiplying that school district's 2005 M&O tax rate levy by an amount equal to a compression percentage set by legislative appropriation or, in the absence of legislative appropriation, by the Commissioner of Education (the "Commissioner"). This compression percentage was historically set at 66.67%, effectively setting the maximum compressed M&O tax rate for most school districts at $1.00 per $100 of taxable value, since most school districts in the State had a voted maximum M&O tax rate of $1.50 per $100 of taxable value (though certain school districts located in Harris County had special M&O tax rate authorizations allowing a higher M&O tax rate). School districts were permitted, however, to generate additional local funds by raising their M&O tax rate up to $0.04 above the compressed tax rate or, with voter-approval at a valid election in the school district, up to $0.17 above the compressed tax rate (for most school districts, this equated to an M&O tax rate between $1.04 and $1.17 per $100 of taxable value). School districts received additional State funds in proportion to such taxing effort.

**2023 Regular and Special Legislative Sessions**

The regular session of the 88th Texas Legislature convened on January 10, 2023 and concluded on May 29, 2023. Immediately after the conclusion of the regular session, the Governor called a first special session to address property tax relief from school district taxation and border security; the first special session began on May 29, 2023 and ended on June 27, 2023. At the conclusion of the first special session, the Governor called a second special session that began on June 27, 2023 and adjourned on July 13, 2023.

The charge for the second special session included the following: (i) "Legislation to cut property-tax rates solely by reducing the school district maximum compressed tax rate in order to provide lasting property-tax relief for Texas taxpayers;" (ii) "Legislation to put Texas on a pathway to eliminate school district maintenance and operations property taxes;" (iii) "Legislation relating to providing property tax relief through the public school finance system, exemptions, limitations on appraisals and taxes and property tax administration;" and (iv) "Legislation relating to the amount of the total revenue exemption from the franchise tax and the exclusion of certain taxable entities from the requirement to file a franchise tax report."

During the second special session, the Legislature passed Senate Bill 2 ("SB 2"), which includes provisions that reduce the maximum M&O tax compression rate by $0.107, increase the school district mandatory homestead exemption from $40,000 to $100,000, and places further limitations on increases in appraised values on certain classes of properties. SB 2 has been signed into law by the Governor and, therefore, the provision increasing the residential homestead exemption to $100,000 will be submitted to voters of the State on November 7, 2023. SB 2 also makes provision for State aid funding to pay for the loss in school district I&S tax revenue (*i.e.* "hold harmless") for debt that (i) is issued prior to September 1, 2023, or (ii) is approved by voters but not yet issued as of September 1, 2023.

The District can make no representations or predictions regarding any actions the Legislature has taken or may take concerning the substance or the effect of any legislation passed in a previous session or a future session of the Legislature.

**Local Funding for School Districts**

A school district's M&O tax rate is composed of two distinct parts: the "Tier One Tax Rate," which is the local M&O tax rate required for a school district to receive any part of the basic level of State funding (referred to herein as "Tier One") under the Foundation School Program, as further described below, and the "Enrichment Tax Rate," which is any local M&O tax effort in excess of its Tier One Tax Rate. Formulas for the State Compression Percentage and Maximum Compressed Tax Rate (each as described below) are designed to compress M&O tax rates in response to year-over-year increases in property values across the State and within a school district, respectively. The discussion in this subcaption "Local Funding for School Districts" is generally intended to describe funding provisions applicable to all school districts; however, there are distinctions in the funding formulas for school districts that generate local M&O tax revenues in excess of the school districts' funding entitlements, as further discussed under the subcaption "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Revenue Level in Excess of Entitlement" herein.

*State Compression Percentage*. The State Compression Percentage is a statutorily-defined percentage of the rate of $1.00 per $100 that is used to determine a school district's Maximum Compressed Tax Rate (described below). The State Compression Percentage is the lesser of three alternative calculations: (1) 93% or a lower percentage set by appropriation for a school year; (2) a percentage determined by formula if the estimated total taxable property value of the State (as submitted annually to the State Legislature by the State Comptroller) has increased by at least 2.5% over the prior year; and (3) the prior year State Compression Percentage. For any year, the maximum State Compression Percentage is 93%. For the State fiscal year ending in 2023, the State Compression Percentage is set at 89.41%.

*Maximum Compressed Tax Rate*. The Maximum Compressed Tax Rate (the "MCR") is the tax rate per $100 of valuation of taxable property at which a school district must levy its Tier One Tax Rate to receive the full amount of the Tier One funding to which the school district is entitled. The MCR is equal to the lesser of three alternative calculations: (1) the school district's prior year MCR; (2) a percentage determined by formula if the school district experienced a year-over-year increase in property value of at least 2.5%; or (3) the product of the State Compression Percentage for the current year multiplied by $1.00. However, each year the TEA shall evaluate the MCR for each school district in the State, and for any given year, if a school district's MCR is calculated to be less than 90% of any other school district's MCR for the current year, then the school district's MCR is instead equal to the school district's prior year MCR, until TEA determines that the difference between the school district's MCR and any other school district's MCR is not more than 10%. These compression formulas are intended to more closely equalize local generation of Tier One funding among districts with disparate tax bases and generally reduce the Tier One Tax Rates of school districts as property values increase. During the 2021 Legislative Session, a provision of the general appropriations act reduced the MCR for the 2022-2023 school year. It established $0.8941 as the maximum rate and $0.8046 as the floor.

*Tier One Tax Rate*. A school district's Tier One Tax Rate is defined as a school district's M&O tax rate levied that does not exceed the school district's MCR.

*Enrichment Tax Rate*. The Enrichment Tax Rate is the number of cents a school district levies for M&O in excess of the Tier One Tax Rate, up to an additional $0.17. The Enrichment Tax Rate is divided into two components: (i) "Golden Pennies" which are the first $0.08 of tax effort in excess of a school district's Tier One Tax Rate; and (ii) "Copper Pennies" which are the next $0.09 in excess of a school district's Tier One Tax Rate plus Golden Pennies.

School districts may levy an Enrichment Tax Rate at a level of their choice, subject to the limitations described under "TAX RATE LIMITATIONS – Public Hearing and Voter-Approval Tax Rate"; however to levy any of the Enrichment Tax Rate in a given year, a school district must levy a Tier One Tax Rate equal to the school district's MCR. Additionally, a school district's levy of Copper Pennies is subject to compression if the guaranteed yield (i.e., the guaranteed level of local tax revenue and State aid generated for each cent of tax effort) of Copper Pennies is increased from one year to the next (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts – *Tier Two*").

**State Funding for School Districts**

State funding for school districts is provided through the two-tiered Foundation School Program, which guarantees certain levels of funding for school districts in the State. School districts are entitled to a legislatively appropriated guaranteed yield on their Tier One Tax Rate and Enrichment Tax Rate. When a school district's Tier One Tax Rate and Enrichment Tax Rate generate tax revenues at a level below the respective entitlement, the State will provide "Tier One" funding or "Tier Two" funding, respectively, to fund the difference between the school district's entitlements and the actual M&O revenues generated by the school district's respective M&O tax rates.

The first level of funding, Tier One, is the basic level of funding guaranteed to all school districts based on a school district's Tier One Tax Rate. Tier One funding may then be "enriched" with Tier Two funding. Tier Two provides a guaranteed entitlement for each cent of a school district's Enrichment Tax Rate, allowing a school district to increase or decrease its Enrichment Tax Rate to supplement Tier One funding at a level of the school district's own choice. While Tier One funding may be used for the payment of debt service (except for school districts subject to the recapture provisions of Chapter 49 of the Texas Education Code, as discussed herein), and in some instances is required to be used for that purpose (see "TAX RATE LIMITATIONS – I&S Tax Rate Limitations"), Tier Two funding may not be used for the payment of debt service or capital outlay.

The current public school finance system also provides an Existing Debt Allotment ("EDA") to subsidize debt service on eligible outstanding school district bonds, an Instructional Facilities Allotment ("IFA") to subsidize debt service on newly issued bonds, and a New Instructional Facilities Allotment ("NIFA") to subsidize operational expenses associated with the opening of a new instructional facility. IFA primarily addresses the debt service needs of property-poor school districts. For the 2022-2023 State fiscal biennium, the State Legislature appropriated funds in the amount of $1,007,300,000 for the EDA, IFA, and NIFA.

Tier One and Tier Two allotments represent the State's share of the cost of M&O expenses of school districts, with local M&O taxes representing the school 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, provided that a school district qualifies for such funding and that the State Legislature makes sufficient appropriations to fund the allotments for a State fiscal biennium. Tier One and Tier Two allotments and existing EDA and IFA allotments are generally required to be funded each year by the State Legislature.

*Tier One*. Tier One funding is the basic level of funding guaranteed to a school district, consisting of a State-appropriated baseline level of funding (the "Basic Allotment") for each student in "Average Daily Attendance" (being generally calculated as the sum of student attendance for each State-mandated day of instruction divided by the number of State-mandated days of instruction, defined herein as "ADA"). The Basic Allotment is revised downward if a school district's Tier One Tax Rate is less than the State-determined threshold. The Basic Allotment is supplemented by additional State funds, allotted based upon the unique school district characteristics, and demographics of students in ADA, to make up most of a school district's Tier One entitlement under the Foundation School Program.

The Basic Allotment for a school district with a Tier One Tax Rate equal to the school district's MCR, is $6,160 (or a greater amount as may be provided by appropriation) for each student in ADA and is revised downward for a school district with a Tier One Tax Rate lower than the school district's MCR. The Basic Allotment is then supplemented for all school districts by various weights to account for differences among school districts and their student populations. Such additional allotments include, but are not limited to, increased funds for students in ADA who: (i) attend a qualified special education program, (ii) are diagnosed with dyslexia or a related disorder, (iii) are economically disadvantaged, or (iv) have limited English language proficiency. Additional allotments to mitigate differences among school districts include, but are not limited to: (i) a transportation allotment for mileage associated with transporting students who reside two miles or more from their home campus, (ii) a fast growth allotment (for school districts in the top 25% of enrollment growth relative to other school districts), (iii) a college, career and military readiness allotment to further Texas' goal of increasing the number of students who attain a post-secondary education or workforce credential, and (iv) a teacher incentive allotment to increase teacher compensation retention in disadvantaged or rural school districts. A school district's total Tier One funding, divided by $6,160, is a school district's measure of students in "Weighted Average Daily Attendance" ("WADA"), which serves to calculate Tier Two funding.

For the 2022-2023 school year, the fast growth allotment weight is 0.48 for districts in the top 40% of school districts for growth, 0.33 for districts in the middle 30% of school districts for growth and 0.18 for districts in the bottom 30% of school districts for growth. The fast growth allotment is limited to $310 million for the 2022-2023 school year and $315 million for the 2023-2024 school year.

_Tier Two_. Tier Two supplements Tier One funding and provides two levels of enrichment with different guaranteed yields (i.e., Golden Pennies and Copper Pennies) depending on the school district's Enrichment Tax Rate. Golden Pennies generate a guaranteed yield equal to the greater of (i) the local revenue per student in WADA per cent of tax effort available to a school district at the ninety-sixth (96th) percentile of wealth per student in WADA, or (ii) the Basic Allotment (or a greater amount as may be provided by appropriation) multiplied by 0.016. For the 2022-2023 State fiscal biennium, school districts are guaranteed a yield of $98.56 per student in WADA for each Golden Penny levied. Copper Pennies generate a guaranteed yield per student in WADA equal to the school district's Basic Allotment (or a greater amount as may be provided by appropriation) multiplied by 0.008. For the 2022-2023 State fiscal biennium, school districts are guaranteed a yield of $49.28 per student in WADA for each Copper Penny levied. For any school year in which the guaranteed yield of Copper Pennies per student in WADA exceeds the guaranteed yield of Copper Pennies per student in WADA for the preceding school year, a school district is required to reduce its Copper Pennies levied so as to generate no more revenue per student in WADA than was available to the school district for the preceding year.

_Existing Debt Allotment, Instruction Facilities Allotment, and New Instructional Facilities Allotment_. The Foundation School Program also includes facilities funding components consisting of the IFA and the EDA, subject to legislative appropriation each State fiscal biennium. To the extent funded for a biennium, these programs assist school districts in funding facilities by, generally, equalizing a school district's I&S tax effort. The IFA guarantees each awarded school district a specified amount per student (the "IFA Yield") in State and local funds for each cent of I&S tax levied to pay the principal of and interest on eligible bonds issued to construct, acquire, renovate or improve instructional facilities. The IFA Yield has been $35 since this program first began in 1997. New awards of IFA are only available if appropriated funds are allocated for such purpose by the State Legislature. To receive an IFA award, in years where new IFA awards are available, a school district must apply to the Commissioner in accordance with rules adopted by the TEA before issuing the bonds to be paid with IFA State assistance. The total amount of debt service assistance over a biennium for which a school district may be awarded is limited to the lesser of (1) the actual debt service payments made by the school 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 school 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 2022-2023 State fiscal biennium, the State Legislature did not appropriate any funds for new IFA awards; however, awards previously granted in years the State Legislature did appropriate funds for new IFA awards will continue to be funded.

State financial assistance is provided for certain existing eligible debt issued by school districts through the EDA program. The EDA guaranteed yield (the "EDA Yield") is the lesser of (i) $40 per student in ADA or a greater amount for any year provided by appropriation; or (ii) the amount that would result in a total additional EDA of $60 million more than the EDA to which school districts would have been entitled to if the EDA Yield were $35. The portion of a school district's local debt service rate that qualifies for EDA assistance is limited to the first $0.29 of its I&S tax rate (or a greater amount for any year provided by appropriation by the State Legislature). In general, a school district's bonds are eligible for EDA assistance if (i) the school district made payments on the bonds during the final fiscal year of the preceding State fiscal biennium, or (ii) the school 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 school district may not receive EDA funding for the principal and interest on a series of otherwise eligible bonds for which the school district receives IFA funding.

Since future-year IFA awards were not funded by the State Legislature for the 2022-2023 State fiscal biennium and debt service assistance on school district bonds that are not yet eligible for EDA is not available, debt service payments during the 2022-2023 State fiscal biennium on new bonds issued by school districts in the 2022-2023 State fiscal biennium to construct, acquire and improve facilities must be funded solely from local I&S taxes.

A school district may also qualify for a NIFA allotment, which provides assistance to school districts for operational expenses associated with opening new instructional facilities. In the 2021 Legislative Session, the State Legislature appropriated funds in the amount of $70,000,000 for each fiscal year of the 2022-2023 State fiscal biennium for NIFA allotments.

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

Furthermore, "property-wealthy" school districts that received additional State funds under the public school finance system prior to the enactment of the 2019 Legislation are entitled to an equalized wealth transition grant on an annual basis through the 2023-2024 school year in an amount equal to the amount of additional revenue such school district would have received under former Texas Education Code Sections 41.002(e) through (g), as those sections existed on January 1, 2019. This grant is phased out through the 2023-2024 school year as follows: (1) 20% reduction for the 2020-2021 school year, (2) 40% reduction for the 2021-2022 school year, (3) 60% reduction for the 2022-2023 school year, and (4) 80% reduction for the 2023-2024 school year. Additionally, school districts (through the fiscal year ending in 2025) and open-enrollment charter schools (through the fiscal year ending in 2024) are entitled to receive an allotment in the form of a formula transition grant meant to ensure a smooth transition into the funding formulas enacted by the 86th State Legislature. Beginning with the 2021-2022 school year, if the total amount of allotments to which school districts and open enrollment charter schools are entitled for a school year exceeds $400 million, the Commissioner shall proportionately reduce each district's or school's allotment. The reduction in the amount to which a district or school is entitled may not result in an amount that is less than zero.

**Local Revenue Level in Excess of Entitlement**

A school district that has sufficient property wealth per student in ADA to generate local revenues on the school district's Tier One Tax Rate and Copper Pennies in excess of the school district's respective funding entitlements (a "Chapter 49 school district"), is subject to the local revenue reduction provisions contained in Chapter 49 of the Texas Education Code, as amended ("Chapter 49"). Additionally, in years in which the amount of State funds appropriated specifically excludes the amount necessary to provide the guaranteed yield for Golden Pennies, local revenues generated on a school district's Golden Pennies in excess of the school district's respective funding entitlement are subject to the local revenue reduction provisions of Chapter 49. To reduce local revenue, Chapter 49 school districts are generally subject to a process known as "recapture," which requires a Chapter 49 school district to exercise certain options to remit local M&O tax revenues collected in excess of the Chapter 49 school district's funding entitlements to the State (for redistribution to other school districts) or otherwise expending the respective M&O tax revenues for the benefit of students in school districts that are not Chapter 49 school districts, as described in the subcaption "*Options for Local Revenue Levels in Excess of Entitlement*." Chapter 49 school districts receive their allocable share of funds distributed from the constitutionally-prescribed Available School Fund, but are generally not eligible to receive State aid under the Foundation School Program, although they may continue to receive State funds for certain competitive grants and certain programs that remain outside the Foundation School Program.

Recapture is measured by the "local revenue level" (being the M&O tax revenues generated in a school district) in excess of the entitlements appropriated by the State Legislature each fiscal biennium. Therefore, school districts are now guaranteed that recapture will not reduce revenue below their statutory entitlement.

*Options for Local Revenue Levels in Excess of Entitlement*. Under Chapter 49, a school district has six options to reduce local revenues to a level that does not exceed the school district's respective entitlements: (1) a school district may consolidate by agreement with one or more school districts to form a consolidated school district; all property and debt of the consolidating school districts vest in the consolidated school district; (2) a school district may detach property from its territory for annexation by a property-poor school district; (3) a school district may purchase attendance credits from the State; (4) a school district may contract to educate nonresident students from a property-poor school district by sending money directly to one or more property-poor school districts; (5) a school district may execute an agreement to provide students of one or more other school districts with career and technology education through a program designated as an area program for career and technology education; or (6) a school district may consolidate by agreement with one or more school districts to form a consolidated taxing school district solely to levy and distribute either M&O taxes or both M&O taxes and I&S taxes. A Chapter 49 school district may also exercise any combination of these remedies. Options (3), (4) and (6) require prior approval by the Chapter 49 school district's voters.

Furthermore, a school district may not adopt a tax rate until its effective local revenue level is at or below the level that would produce its guaranteed entitlement under the Foundation School Program. If a school district fails to exercise a permitted option, the Commissioner must reduce the school district's local revenue level to the level that would produce the school district's guaranteed entitlement, by detaching certain types of property from the school district and annexing the property to a property-poor school district or, if necessary, consolidate the school district with a property-poor school district. Provisions governing detachment and annexation of taxable property by the Commissioner do not provide for assumption of any of the transferring school district's existing debt.

## CURRENT PUBLIC SCHOOL FINANCE SYSTEM AS APPLIED TO THE DISTRICT

For the 2023-2024 fiscal year, the District was designated as an "excess local revenue" district by the TEA. Accordingly, the District is required to exercise one of the wealth equalization options permitted under applicable State law. The District has notified the TEA that it intends to reduce its wealth per student pursuant to Option 3, an agreement to purchase attendance credits pursuant to Chapter 49, Texas Education Code, as amended (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Revenue Level in Excess of Entitlement" herein).

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

For a detailed discussion of State funding for school districts, see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts" herein.

## AD VALOREM PROPERTY TAXATION

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

### Valuation of Taxable Property

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

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

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

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

During the second special session of the 88th Texas Legislature, the Legislature passed SB 2, which, among other things, includes provisions that prohibit an appraisal district from increasing the appraised value of real property during the 2024 tax year on non-homestead properties (the "Subjected Property") whose appraised values are not more than $5 million dollars (the "Maximum Property Value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property (collectively, the "Appraisal Cap"). After the 2024 tax year, through December 31, 2026, the Appraisal Cap may be increased or decreased by the product of the preceding State fiscal year's increase or decrease in the consumer price index, as applicable, to the Maximum Property Value. The Appraisal Cap takes effect on January 1, 2024, if the constitutional amendment proposed by House Joint Resolution 2 during the second special session is approved by the voters on November 7, 2023.

*State Mandated Homestead Exemptions*. State law grants, with respect to each school district in the State, (1) a $40,000 exemption of the appraised value of all homesteads, (2) a $10,000 exemption of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled, and (3) various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2023 Regular and Special Legislative Sessions" for a description of SB 2 and the November 7, 2023 statewide election at which voters will consider an amendment to the Texas Constitution to increase the homestead exemption from $40,000 to $100,000.

*Local Option Homestead Exemptions*. The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than $5,000) and (2) an additional exemption of at least $3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit.

*State Mandated Freeze on School District Taxes*. Except for increases attributable to certain improvements, a school district is prohibited from increasing the total ad valorem tax on the homestead of persons sixty-five (65) years of age or older or of disabled persons above the amount of tax imposed in the year such homestead qualified for such exemption. This freeze is transferable to a different homestead if a qualifying taxpayer moves and, under certain circumstances, is also transferable to the surviving spouse of persons sixty-five (65) years of age or older, but not the disabled. Additionally, at an election held on May 7, 2022, the voters in the State approved a constitutional amendment (SJR2) which requires a recalculation of the school district tax limitations (i.e. the tax ceiling) on residence homesteads for persons sixty-five (65) years of age or older or disabled persons to reflect the reductions in MCR (as defined herein) for 2019 and subsequent tax years. Senate Bill 1, which was also passed during the Third Special Session of the 87th Texas Legislature made provisions based on the outcome of the constitutional amendment election for additional State aid to hold school districts harmless for tax revenue losses resulting from these recalculations.

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

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

Certain goods, that are acquired in or imported into the State to be forwarded to another location within or outside the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or outside the State within 175 days ("Goods-in-Transit"), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer's motor vehicle, boat, or heavy equipment inventory.

A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

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

*Temporary Exemption for Qualified Property Damaged by a Disaster*. The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the Governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. Except in situations where the territory is declared a disaster on or after the date the taxing unit adopts a tax rate for the year in which the disaster declaration is issued, the governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the Governor declares the area to be a disaster area. For more information on the exemption, reference is made to Section 11.35 of the Tax Code. Section 11.35 of the Property Tax Code was recently amended to limit the temporary tax exemption to apply to property physically harmed as a result of a declared disaster.

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

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

*Tax Limitation Agreements*. The Texas Economic Development Act (Chapter 313, Texas Tax Code, as amended), allowed school districts to grant limitations on appraised property values to certain corporations and limited liability companies to encourage economic development within the school district. Generally, during the last eight (8) years of the ten-year term of a tax limitation agreement, a school district could only levy and collect M&O taxes on the agreed-to limited appraised property value. For the purposes of calculating its Tier One and Tier Two entitlements, the portion of a school district's property that is not fully taxable is excluded from the school district's taxable property values. Therefore, a school district was not subject to a reduction in Tier One or Tier Two State funds as a result of lost M&O tax revenues due to entering into a tax limitation agreement (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts"). The 87th Texas Legislature did not take action to extend this program, which expired by its terms effective December 31, 2022.

In the 88th Legislative Session, House Bill 5 ("HB 5" or "The Texas Jobs, Energy, Technology, and Innovation Act") was adopted to create an economic development program, subject to State oversight, which would attract jobs and investment to Texas through school district property tax abatement agreements with businesses. The effective date of HB 5 is January 1, 2024 and the District is currently monitoring the State's implementation of this new economic development program.

For a discussion of how the various exemptions described above are applied by the District, see "THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT" herein. For a schedule of the reductions in assessed valuation attributable to the exemptions allowed by the District, see "Appendix A – FINANCIAL INFORMATION REGARDING THE DISTRICT."

**District and Taxpayer Remedies**

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

Owners of certain property with a taxable value in excess of the current year "minimum eligibility amount," as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount was set at $57,216,456 for the 2023 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

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

**Levy and Collection of Taxes**

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the District. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the District may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

The Property Tax Code permits taxpayers owning homes or certain businesses located in a disaster area and damaged as a direct result of the declared disaster to pay taxes imposed in the year following the disaster in four equal installments without penalty or interest, commencing on February 1 and ending on August 1. See "AD VALOREM PROPERTY TAXATION – Valuation of Taxable Property – *Temporary Exemption for Qualified Property Damaged by a Disaster*" for further information related to a discussion of the applicability of this section of the Property Tax Code.

**District's Rights in the Event of Tax Delinquencies**

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 state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes 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; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property.

Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, 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.

## THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT

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

The District grants a State mandated $40,000 general residence homestead exemption.

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

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

The District has not granted a local option, additional exemption for persons who are 65 years of age or older or disabled persons above the amount of the State mandated exemption.

The District has not granted a local option, additional exemption of up to 20% of the market value of residence homesteads.

The District does not tax non-business personal property.

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

The District exempts "freeport property" from taxation.

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

The District is not currently a participant in any tax increment reinvestment zone.

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

The Board has approved a resolution initiating an additional 20% penalty to defray attorney costs in the collection of delinquent taxes over and above the penalty automatically assessed under the Property Tax Code. Charges for penalties and interest on the unpaid balance of delinquent taxes are as follows:

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

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

Property within the District is assessed as of January 1 of each year (except business inventories which may be assessed as of September 1 and mineral values which are assessed on the basis of a twelve-month average) and taxes become due October 1 of the same year and become delinquent on February 1 of the following year. Split payments of taxes are permitted. Discounts for the early payment of taxes are not permitted.

## TAX RATE LIMITATIONS

### M&O Tax Rate Limitations

The District is authorized to levy an M&O tax rate pursuant to the approval of the voters of the District at an election held on June 23, 1970, in accordance with the provisions of Chapter 20, Texas Education Code (now codified at Section 45.003, Texas Education Code, as amended).

The maximum M&O tax rate per $100 of taxable value that may be adopted by a school district is the sum of $0.17 and the school district's MCR. A school district's MCR is, generally, inversely proportional to the change in taxable property values both within the school district and the State, and is subject to recalculation annually. For any year, the highest possible MCR for a school district is $0.93 (see "TAX RATE LIMITATIONS – Public Hearing and Voter-Approval Tax Rate" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Funding for School Districts" herein).

Furthermore, a school district cannot annually increase its tax rate in excess of the school district's Voter-Approval Tax Rate without submitting such tax rate to an election and a majority of the voters voting at such election approving the adopted rate (see "TAX RATE LIMITATIONS – Public Hearing and Voter-Approval Tax Rate" herein).

### I&S Tax Rate Limitations

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

Section 45.0031 of the Texas Education Code, as amended, requires a school 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 voters of a school district 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 (the "50-cent Test"). In demonstrating the ability to pay debt service at a rate of $0.50, a school district may take into account EDA and IFA allotments to the school district, which effectively reduces the school district's local share of debt service, and may also take into account Tier One funds allotted to the school district. If a school district exercises this option, it may not adopt an I&S tax until it has credited to the school district's I&S fund an amount equal to all State allotments provided solely for payment of debt service and any Tier One funds needed to demonstrate compliance with the 50-cent Test and which is received or to be received in that year. Additionally, a school district may demonstrate its ability to comply with the 50-cent Test by applying the $0.50 tax rate to an amount equal to 90% of projected future taxable value of property in the school district, as certified by a registered professional appraiser, anticipated for the earlier of the tax year five (5) years after the current tax year or the tax year in which the final payment for the bonds is due. However, if a school district uses projected future taxable values to meet the 50-cent Test and subsequently imposes a tax at a rate greater than $0.50 per $100 of valuation to pay for bonds subject to the 50-cent Test, then for subsequent bond issues, the Texas Attorney General must find that the school district has the projected ability to pay principal and interest on the proposed bonds and all previously issued bonds subject to the 50-cent Test from a tax rate of $0.45 per $100 of valuation. Once the prospective ability to pay such tax has been shown and the bonds are issued, a school district may levy an unlimited tax to pay debt service. Refunding bonds issued pursuant to Chapter 1207, Texas Government Code, are not subject to the 50-cent 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 50-cent Test when applied to subsequent bond issues that are subject to the 50-cent Test. The Bonds are issued for school building purposes pursuant to Chapter 45, Texas Education Code as new debt and are, therefore, subject to the 50-cent Test. In connection with the issuance of the Bonds, the District does not expect to use State assistance or projected property values to satisfy this threshold test.

**Public Hearing and Voter-Approval Tax Rate**

A school district's total tax rate is the combination of the M&O tax rate and the I&S tax rate. Generally, the highest rate at which a school district may levy taxes for any given year without holding an election to approve the tax rate is the "Voter-Approval Tax Rate," as described below.

A school district is required to adopt its annual tax rate before the later of September 30 or the sixtieth (60th) day after the date the certified appraisal roll is received by the taxing unit, except that a tax rate that exceeds the Voter-Approval Tax Rate must be adopted not later than the seventy-first (71st) day before the next occurring November uniform election date. A school district's failure to adopt a tax rate equal to or less than the Voter-Approval Tax Rate by September 30 or the sixtieth (60th) day after receipt of the certified appraisal roll, will result in the tax rate for such school district for the tax year to be the lower of the "no-new-revenue tax rate" calculated for that tax year or the tax rate adopted by the school district for the preceding tax year. A school district's failure to adopt a tax rate in excess of the Voter-Approval Tax Rate on or prior to the seventy-first (71st) day before the next occurring November uniform election date, will result in the school district adopting a tax rate equal to or less than its Voter-Approval Tax Rate by the later of September 30 or the sixtieth (60th) day after receipt of the certified appraisal roll. "No-new-revenue tax rate" means the rate that will produce the prior year's total tax levy from the current year's total taxable values, adjusted such that lost values are not included in the calculation of the prior year's taxable values and new values are not included in the current year's taxable values.

The Voter-Approval Tax Rate for a school district is the sum of (i) the school district's MCR; (ii) the greater of (a) the school district's Enrichment Tax Rate for the preceding year, less any amount by which the school district is required to reduce its current year Enrichment Tax Rate pursuant to Section 48.202(f), Education Code, as amended, or (b) the rate of $0.05 per $100 of taxable value; and (iii) the school district's current I&S tax rate. A school district's M&O tax rate may not exceed the rate equal to the sum of (i) $0.17 and (ii) the school district's MCR (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" herein for more information regarding the State Compression Percentage, MCR, and the Enrichment Tax Rate).

The governing body of a school district generally cannot adopt a tax rate exceeding the school district's Voter-Approval Tax Rate without approval by a majority of the voters approving the higher rate at an election to be held on the next uniform election date. Further, subject to certain exceptions for areas declared disaster areas, State law requires the board of trustees of a school district to conduct an efficiency audit before seeking voter approval to adopt a tax rate exceeding the Voter-Approval Tax Rate and sets certain parameters for conducting and disclosing the results of such efficiency audit. An election is not required for a tax increase to address increased expenditures resulting from certain natural disasters in the year following the year in which such disaster occurs; however, the amount by which the increased tax rate exceeds the school district's Voter-Approval Tax Rate for such year may not be considered by the school district in the calculation of its subsequent Voter-Approval Tax Rate.

**The calculation of the Voter-Approval Tax Rate does not limit or impact the District's ability to set an I&S tax rate in each year sufficient to pay debt service on all of the District's tax-supported debt obligations, including the Bonds.**

Before adopting its annual tax rate, a public meeting must be held for the purpose of adopting a budget for the succeeding year. A notice of public meeting to discuss the school district's budget and proposed tax rate must be published in the time, format and manner prescribed in Section 44.004 of the Texas Education Code. Section 44.004(e) of the Texas Education Code provides that a person who owns taxable property in a school district is entitled to an injunction restraining the collection of taxes by the school district if the school district has not complied with such notice requirements or the language and format requirements of such notice as set forth in Section 44.004(b), (c), (c-1), (c-2), and (d), and, if applicable, subsection (i), and if such failure to comply was not in good faith. Section 44.004(e) further provides the action to enjoin the collection of taxes must be filed before the date the school district delivers substantially all of its tax bills. A school district that elects to adopt a tax rate before the adoption of a budget for the fiscal year that begins in the current tax year may adopt a tax rate for the current tax year before receipt of the certified appraisal roll, so long as the chief appraiser of the appraisal district in which the school district participates has certified to the assessor for the school district an estimate of the taxable value of property in the school district. If a school district adopts its tax rate prior to the adoption of its budget, both the no-new-revenue tax rate and the Voter-Approval Tax Rate of the school district shall be calculated based on the school district's certified estimate of taxable value. A school 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.

A school district must annually calculate and prominently post on its internet website, and submit to the county tax assessor-collector for each county in which all or part of the school district is located, its Voter-Approval Tax Rate in accordance with forms prescribed by the State Comptroller.

## RATINGS

Moody's Investors Service, Inc. ("Moody's") and S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P"), have assigned municipal bond ratings of "Aaa" and "AAA", respectively, to the Bonds based upon the Permanent School Fund Guarantee. Moody's and S&P generally rate all bond issues guaranteed by the Permanent School Fund of the State of Texas "Aaa" and "AAA", respectively (see "Appendix E – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM"). The District's underlying ratings for the Bonds (without consideration of the Permanent School Fund Guarantee or other credit enhancement) are "Aa2" by Moody's and "AA" by S&P.

Fitch Ratings, Inc. ("Fitch") has previously assigned ratings to certain of the District's outstanding bonds; however, the District has not requested Fitch assign a rating to the Bonds.

An explanation of the significance of any rating may be obtained from the company furnishing the rating. Each rating reflects only the respective view of such organization and the District makes no representation as to the appropriateness of the rating. There is no assurance that any rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by either or both rating companies, if in the judgment of either or both companies, circumstances so warrant. Additionally, if a significant default or other financial crisis should occur in the affairs of the United States of America or of any of its agencies or political subdivisions, then such event could also adversely affect the ratings of, market for, and market value of outstanding debt obligations, including the Bonds. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

## LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

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

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

## INVESTMENT AUTHORITY AND INVESTMENT OBJECTIVES OF THE DISTRICT

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

### Legal Investments

Under State law and subject to certain limitations, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations issued and secured by a federal agency or instrumentality of the United States; (4) other obligations unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies and instrumentalities; (5) "A" or better rated obligations of states, agencies, counties, cities, and other political subdivisions of any state; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) federally insured interest-bearing bank deposits, brokered pools of such deposits, and collateralized certificates of deposit and share certificates; (8) fully collateralized United States government securities repurchase agreements; (9) one-year or shorter securities lending agreements secured by obligations described in clauses (1) through (7) above or (11) through (14) below or an irrevocable letter of credit issued by an "A" or better rated state or national bank; (10) 270-day or shorter bankers' acceptances, if the short-term obligations of the accepting bank or its holding company are rated at least "A-1" or "P-1"; (11) commercial paper rated at least "A-1" or "P-1"; (12) SEC-registered no-load money market mutual funds that are subject to SEC Rule 2a-7; (13) SEC-registered no-load mutual funds that have an average weighted maturity of less than two years; (14) "AAA" or "AAAm"-rated investment pools that invest solely in investments described above; and (15) in the case of bond proceeds, guaranteed investment contracts that are secured by obligations described in clauses (1) through (7) above and, except for debt service funds and reserves, have a term of 5 years or less.

The District may not, however, invest in (1) interest only obligations, or non-interest bearing principal obligations, stripped from mortgage-backed securities; (2) collateralized mortgage obligations that have a remaining term that exceeds 10 years; and (3) collateralized mortgage obligations that bear interest at an index rate that adjusts opposite to the changes in a market index. In addition, the District may not invest more than 15% of its monthly average fund balance (excluding bond proceeds and debt service funds and reserves) in mutual funds described in clause (13) above or make an investment in any mutual fund that exceeds 10% of the fund's total assets.

Except as stated above or inconsistent with its investment policy, the District may invest in obligations of any duration without regard to their credit rating, if any. If an obligation ceases to qualify as an eligible investment after it has been purchased, the District is not required to liquidate the investment unless it no longer carries a required rating, in which case the District is required to take prudent measures to liquidate the investment that are consistent with its investment policy.

As a school district that qualifies as an "issuer" under Chapter 1371, Texas Government Code, as amended, the District may also invest up to 15% of its monthly average fund balance (excluding bond proceeds and debt service funds and reserves) in "AA-" or better rated corporate bonds with a remaining term of three years or less. Not more than 25% of its funds invested in corporate bonds may be invested in any single issuer and its affiliates. Corporate bonds must be sold if downgraded below the required rating or placed on negative credit watch.

### Investment Policies

Under State law, the District is required to adopt and annually review written investment policies and must invest its funds in accordance with its policies. The policies must identify eligible investments and address investment diversification, yield, maturity, and the quality and capability of investment management. For investments whose eligibility is rating dependent, the policies must adopt procedures to monitor ratings and liquidate investments if and when required. The policies must require that all investment transactions settle on a delivery versus payment basis. The District is required to adopt a written investment strategy for each fund group to achieve investment objectives in the following order of priority: (1) suitability, (2) preservation and safety of principal, (3) liquidity, (4) marketability, (5) diversification, and (6) yield.

State law requires the District's investments 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." The District is required to perform an annual audit of the management controls on investments and compliance with its investment policies and provide regular training for its investment officers.

### Current Investments

As of June 30, 2023 (unaudited), the District's investable funds were invested in the following investment instruments:

| Investment Instrument | Book Value | Percentage |
|---|---|---|
| Texas Local Investment Pool ("TexPool")(A) | $ 281,765,937.91 | 84.33% |
| U.S. Treasury Securities | 27,675,251.17 | 8.28% |
| U.S. Government Agency Securities | 17,795,145.83 | 5.33% |
| Municipal Bonds | 3,761,281.98 | 1.13% |
| Texas Cooperative Liquid Assets Securities System Trust ("Texas CLASS")(A) | 2,496,750.07 | 0.75% |
| Lone Star Investment Pool ("Lone Star")(A) | 614,549.65 | 0.18% |
| **Total** | **$ 334,108,916.61** | **100.00%** |

(A) TexPool, Texas CLASS and Lone Star operate pursuant to Chapter 2256 of the Texas Government Code, as amended. TexPool, Texas CLASS and Lone Star operate as a money market equivalent, in a manner consistent with the SEC's Rule 2a-7 under the Investment Company Act of 1940. 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.

## EMPLOYEES' BENEFIT PLANS

The District's employees participate in a retirement plan (the "Plan") with the State. 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 State's fiscal year ended August 31, 2022, the State contributed $8,562,485 to TRS on behalf of the District. For the District's fiscal year ended June 30, 2022, District employees paid $13,468,823 and other contributions into the Plan made from federal and private grants and the District for salaries above the statutory minimum were $5,822,186. For more detailed information concerning the Plan, TRS's net pension liability with respect thereto and the District's proportionate share of such net pension liability, see Note 9 to the District's audited financial statements attached hereto as Appendix D.

In addition to its participation in the TRS, the District contributes to the Texas Public School Retired Employees Group Insurance Program (the "TRS-Care Retired Plan"), a cost-sharing multiple-employer defined benefit post-employment health care plan. The TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the TRS. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. For more detailed information concerning the District's funding policy and contributions in connection with the TRS-Care Retired Plan, see Note 10 to the District's audited financial statements attached hereto as Appendix D.

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

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

## CYBERSECURITY

The District, like other school districts in the State, utilizes technology in conducting its operations. As a user of technology, the District potentially faces cybersecurity threats (e.g., hacking, phishing, viruses, malware and ransomware) on its technology systems. Accordingly, the District may be the target of a cyber-attack on its technology systems that could result in adverse consequences to the District. The District employs a multi-layered approach to combating cybersecurity threats. While the District deploys layered technologies and requires employees to receive cybersecurity training, as required by State law, among other efforts, cybersecurity breaches could cause material disruptions to the District's finances or operations. The costs of remedying such breaches or protecting against future cyber-attacks could be substantial and there is no assurance that these costs will be covered by insurance. Further, cybersecurity breaches could expose the District to litigation and other legal risks, which could cause the District to incur other costs related to such legal claims or proceedings.

## INFECTIOUS DISEASE OUTBREAK – COVID-19

The outbreak of COVID-19, a respiratory disease caused by a strain of coronavirus, was characterized as a pandemic by the World Health Organization for over three years (the "Pandemic") and negatively affected travel, commerce, the global supply chain, and financial markets globally, and may continue to negatively affect economic growth and financial markets worldwide. On April 10, 2023, the President of the United States signed into law a bill that ended the national emergency declaration resulting from COVID-19 and on May 5, 2023, the World Health Organization declared the outbreak of COVID-19 over as a global health emergency. The Pandemic affected enrollment and attendance for many school districts.

With the changes made to the Finance System in House Bill 3 passed during the 2019 Legislative Session, school funding is increasingly tied to ADA. As a result, student enrollment and attendance will be an important factor for M&O funding for the District going forward. The District did not experience a reduction in its taxable assessed valuation during the Pandemic. The Bonds are secured by an unlimited ad valorem tax.

For a discussion of the impact of the Pandemic on the Permanent School Fund, see "Appendix E – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM."

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

### Annual Reports

The District will provide certain updated financial information and operating data annually to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement in Tables 1 through 18 in "Appendix A – FINANCIAL INFORMATION REGARDING THE DISTRICT" (the "Annual Operating Report"). The District will additionally provide financial statements of the District (the "Financial Statements") that will be (i) prepared in accordance with the accounting principles described in Appendix D or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation and shall be in substantially the form included in Appendix D and (ii) audited, if the District commissions an audit of such Financial Statements and the audit is completed within the period during which they must be provided. The District will update and provide the Annual Operating Report within six months after the end of each fiscal year and the Financial Statements within 12 months of the end of each fiscal year, in each case beginning with the fiscal year ending in and after 2023. The District may provide the Financial Statements earlier, including at the time it provides its Annual Operating Report, but if the audit of such Financial Statements is not complete within 12 months after any such fiscal year end, then the District shall file unaudited Financial Statements within such 12-month period and audited Financial Statements for the applicable fiscal year, when and if the audit report on such Financial Statements becomes available.

The District's current fiscal year end is June 30. Accordingly, the District must provide the Annual Operating Report by the last day of December in each year, and the Financial Statements for the preceding fiscal year must be provided by June 30 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will file notice of the change (and of the date of the new fiscal year end) with the MSRB prior to the next date by which the District otherwise would be required to provide financial information and operating data as set forth above.

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

### Notices of Certain Events

The District will also provide timely notices of certain events to the MSRB. The District will provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten business days after the 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 a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a Financial Obligation of the District or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties. In addition, the District will provide timely notice of any failure by the District to provide annual financial information in accordance with its agreement described above under "Annual Reports." Neither the Bonds nor the Order provide for debt service reserves, liquidity enhancement, or credit enhancement (except with respect to the Permanent School Fund Guarantee).

For these purposes, (a) any event described in clause (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District, and (b) the District intends the words used in clauses (15) and (16) in the immediately preceding paragraph and the definition of Financial Obligation in the immediately preceding paragraph to have the same meanings as when they are used in Rule 15c2-12, as evidenced by SEC Release No. 34-83885, dated August 20, 2018.

**Availability of Information from MSRB**

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

**Limitations and Amendments**

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

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if (1) the agreement, as amended would have permitted an underwriter to purchase or sell the Bonds in the offering made hereby in compliance with Rule 15c2-12, taking into account any amendments or interpretations of Rule 15c2-12 since such offering as well as such changed circumstances, and (2) either (a) the registered owners of a majority in aggregate principal amount (or any greater amount required by any other provisions of the Order that authorizes such amendment) of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the District (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interest of the registered owners and beneficial owners of the Bonds. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of Rule 15c2-12 are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the District amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in type of information and data provided.

**Compliance with Prior Undertakings**

During the last five years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with Rule 15c2-12.

## LITIGATION

The District is not a party to any litigation or other proceeding pending or to its knowledge, threatened, in any court, agency or other administrative body (either state or federal) which, if decided adversely to the District, would have a material adverse effect on the financial condition or operations of the District.

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

## FINANCIAL ADVISOR

BOK Financial Securities, Inc. is employed as Financial Advisor to the District in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. In the normal course of business, the Financial Advisor may also from time to time sell investment securities to the District for the investment of debt proceeds or other funds of the District, upon the request of the District.

BOK Financial Securities, Inc., in its capacity as Financial Advisor, has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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

## UNDERWRITING

The Underwriters have agreed, subject to certain customary conditions, to purchase the Bonds at a price equal to the initial offering price to the public, as shown on page 2 of this Official Statement, less an underwriting discount of $705,722.58, and no accrued interest. The Underwriters' obligations are subject to certain conditions precedent, and they will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriters.

The Underwriters provided the following paragraphs for inclusion in this Official Statement and the District makes no representation or warranty with respect to such information.

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

Piper Sandler & Co., one of the Underwriters of the Bonds, has entered into a distribution agreement ("Distribution Agreement") with Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings including the Bonds, at the original issue prices. Pursuant to the Distribution Agreement, CS&Co. will purchase Bonds from Piper Sandler & Co. at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that CS&Co. sells.

## FORWARD-LOOKING STATEMENTS

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

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

## CONCLUDING STATEMENT

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

## MISCELLANEOUS

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.

In the Bond Order, the Board authorized the Pricing Officer to approve, and in the Pricing Certificate the Pricing Officer did approve, for and on behalf of the District, (i) the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and (ii) the Underwriters' use of this Official Statement in connection with the public offering and the sale of the Bonds in accordance with the provisions of Rule 15c2-12.

*Katie Bowman*

Pricing Officer

Birdville Independent School District

# APPENDIX A

# FINANCIAL INFORMATION REGARDING THE DISTRICT

## FINANCIAL INFORMATION REGARDING THE DISTRICT

### Table 1
### ASSESSED VALUATION [(A)(B)]

| | |
|---|---|
| 2022/23 Total Assessed Valuation | $16,857,370,127 |
| 2022/23 Taxable Assessed Valuation | $14,372,778,870 |

| Exemption | Total |
|---|---|
| Residential Homestead | $ 1,110,041,675 |
| Homestead Cap Adjustment | 758,161,774 |
| Over Age 65 | 105,854,994 |
| Disabled Persons | 6,873,769 |
| Disabled/Deceased Veterans | 86,675,418 |
| Freeport | 123,637,336 |
| Foreign Trade Zone | 194,015,823 |
| Misc. Personal Property (Vehicles, etc.) | 64,416,535 |
| Nominal Value | 4,182,637 |
| Pollution Control | 585,146 |
| Productivity Loss | 22,587,576 |
| Prorated Exempt Property | 4,561,876 |
| Other | 2,996,698 |
| Total (14.74% of Total Assessed Valuation) | $ 2,484,591,257 |

(A) Source: Tarrant Appraisal District. Certified values are subject to change throughout the year as contested values are resolved and the Tarrant Appraisal District updates records.
(B) The District's 2023/24 taxable assessed valuation is $14,980,381,686; such valuation includes an increase in the State-mandated general residence homestead exemption from $40,000 to $100,000 pursuant to a constitutional amendment which will be submitted to voters at a statewide election held on November 7, 2023. If voters do not approve the constitutional amendment authorizing the increase in the general residence homestead exemption and the general residence homestead exemption remains at $40,000, the District's 2023/24 taxable assessed valuation is $16,594,671,520.

### Table 2
### UNLIMITED TAX DEBT OUTSTANDING [(A)(B)]

| | |
|---|---|
| Unlimited Tax Debt Outstanding (As of August 1, 2023) | $ 515,125,000 |
| Plus: The Bonds (Dated: August 1, 2023) | 140,150,000 |
| TOTAL UNLIMITED TAX DEBT OUTSTANDING | $ 655,275,000 |
| Less: Interest & Sinking Fund Balance (As of June 30, 2022) | 29,822,119 |
| NET UNLIMITED TAX DEBT OUTSTANDING | $ 625,452,881 |

(A) See discussion under "TAX RATE LIMITATIONS" in the Official Statement.
(B) Does not include any limited tax obligations payable from the District's Maintenance & Operations tax rate (see "Table 15 - Commitments Under Leases").

| | | | |
|---|---|---|---|
| 2023 Estimated Population | 125,938 | Per Capita Total Assessed Valuation | $ 133,855 |
| 2022/23 Enrollment | 22,646 | Per Capita Taxable Assessed Valuation | $ 114,126 |
| Area (square miles) | 40 | Per Capita Total Unlimited Tax Debt | $ 5,203 |

**Table 3**
**ESTIMATED GENERAL OBLIGATION OVERLAPPING DEBT STATEMENT**

| Taxing Body | Gross Dollar Amount [(A)] | As Of | Percent Overlap | Dollar Overlap |
|---|---|---|---|---|
| Colleyville, City of | $ 11,870,000 | 08/01/23 | 0.15% | $ 17,805 |
| Fort Worth, City of | 1,045,695,000 | 08/01/23 | 0.66% | 6,901,587 |
| Haltom City, City of | 91,065,000 | 08/01/23 | 90.18% | 82,122,417 |
| Hurst, City of | 55,050,000 | 08/01/23 | 33.04% | 18,188,520 |
| North Richland Hills, City of | 137,190,000 | 08/01/23 | 87.68% | 120,288,192 |
| Richland Hills, City of | 23,755,000 | 08/01/23 | 98.20% | 23,327,410 |
| Tarrant County | 376,120,000 | 08/01/23 | 5.59% | 21,025,108 |
| Tarrant County College District | 610,315,000 | 08/01/23 | 5.59% | 34,116,609 |
| Tarrant County Hospital District | 448,410,000 | 08/01/23 | 5.59% | 25,066,119 |
| Watauga, City of | 39,560,000 | 08/01/23 | 62.56% | 24,748,736 |
| **Birdville ISD** | **$ 655,275,000** [(B)(C)] | **08/01/23** | **100.00%** | **$ 655,275,000** [(B)(C)] |
| **Total Direct and Overlapping Debt** | | | | **$ 1,011,077,503** |

| | |
|---|---|
| Ratio of Direct Debt to Taxable Assessed Valuation | 4.56% |
| Ratio of Direct and Overlapping Debt to Taxable Assessed Valuation | 7.03% |
| Ratio of Direct and Overlapping Debt to Total Assessed Valuation | 6.00% |
| Per Capita Direct and Overlapping Debt | $8,028 |

[(A)] Excludes interest accreted on outstanding capital appreciation bonds.
[(B)] Does not include any limited tax obligations payable from the District's Maintenance & Operations tax rate (see "Table 15 - Commitments Under Leases").
[(C)] Includes the Bonds.
Source: The Municipal Advisory Council of Texas - Texas Municipal Reports.

**Table 4**
**2022/23 TOTAL TAX RATES OF OVERLAPPING POLITICAL ENTITIES**

| | |
|---|---|
| Colleyville, City of | $0.265618 |
| Fort Worth, City of | 0.712500 |
| Haltom City, City of | 0.608162 |
| Hurst, City of | 0.614043 |
| North Richland Hills, City of | 0.547972 |
| Richland Hills, City of | 0.538885 |
| Tarrant County | 0.224000 |
| Tarrant County College District | 0.130170 |
| Tarrant County Hospital District | 0.224429 |
| Watauga, City of | 0.570200 |

Source: Tarrant Appraisal District.

**Table 5**
**PROPERTY TAX RATES AND COLLECTIONS**

| Tax Year | Taxable Assessed Valuation | Tax Rate | Percent Collections (A) Current | Percent Collections (A) Total | Fiscal Year Ended |
|---|---|---|---|---|---|
| 2017 | $ 9,609,857,817 | $1.4539 | 97.88% | 99.37% | 6-30-18 |
| 2018 | 10,571,333,760 | 1.4539 | 97.95% | 99.85% | 6-30-19 |
| 2019 | 11,769,003,318 | 1.3839 | 97.96% | 99.53% | 6-30-20 |
| 2020 | 12,315,574,268 | 1.3803 | 98.48% | 100.24% | 6-30-21 |
| 2021 | 13,083,284,147 | 1.3380 | 98.41% | 100.11% | 6-30-22 |
| | **Five Year Average**............................. | | **98.14%** | **99.82%** | |
| 2022 | $ 14,372,778,870 | $1.2798 | 96.68% (B) | 99.00% (B) | 6-30-23 |

(A) Excludes penalties and interest.
(B) Unaudited, partial collections as of May 31, 2023.
Source: District's Audited Financial Statements and Tarrant Appraisal District. Certified values are subject to change throughout the year as contested values are resolved and the Tarrant Appraisal District updates records.

**Table 6**
**TAX RATE DISTRIBUTION (A)**

| | 2022/23 | 2021/22 | 2020/21 | 2019/20 | 2018/19 |
|---|---|---|---|---|---|
| Local Maintenance | $0.8659 | $0.9241 | $0.9664 | $0.9700 (B) | $1.0400 |
| Interest & Sinking | 0.4139 | 0.4139 | 0.4139 | 0.4139 | 0.4139 |
| Total | **$1.2798** | **$1.3380** | **$1.3803** | **$1.3839** | **$1.4539** |

(A) See discussion under "TAX RATE LIMITATIONS" in the Official Statement.
(B) Beginning in year 2019/20, the District's maintenance and operations tax rate became subject to compression pursuant to House Bill 3 that was enacted during the 2019 legislative session (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - Overview" in the Official Statement).
Source: District's Audited Financial Statements and District records.

**Table 7**
**VALUATION AND UNLIMITED TAX DEBT HISTORY**

| Fiscal Year | Taxable Assessed Valuation | Percent Increase/ (Decrease) In Taxable Assessed Valuation Over Prior Year | Principal Amount Of Unlimited Tax Debt Outstanding At Year End (A)(B) | Ratio Of Unlimited Tax Debt To Taxable Assessed Valuation (A)(B) |
|---|---|---|---|---|
| 2018/19 | $ 10,571,333,760 | 10.01% | $ 397,327,084 | 3.76% |
| 2019/20 | 11,769,003,318 | 11.33% | 440,974,599 | 3.75% |
| 2020/21 | 12,315,574,268 | 4.64% | 440,840,000 | 3.58% |
| 2021/22 | 13,083,284,147 | 6.23% | 408,955,000 | 3.13% |
| 2022/23 | 14,372,778,870 | 9.86% | 515,125,000 | 3.58% |
| 2023/24 | 14,980,381,686 (C) | 4.23% | 621,060,000 (D) | 4.15% (D) |

(A) Does not include any limited tax obligations payable from the District's Maintenance & Operations tax rate (see "Table 15 - Commitments Under Leases").
(B) Excludes the interest accreted on outstanding capital appreciation bonds.
(C) Such valuation includes an increase in the State-mandated general residence homestead exemption from $40,000 to $100,000 pursuant to a constitutional amendment which will be submitted to voters at a statewide election held on November 7, 2023.
(D) Projected, as of June 30, 2024, subject to change. Includes the Bonds.
Source: District records and Tarrant Appraisal District.

**Table 8**
**HISTORICAL TOP TEN TAXPAYERS**

**PRINCIPAL TAXPAYERS AND THEIR 2022/23 TAXABLE ASSESSED VALUATIONS**

| Name of Taxpayer | Type of Property | Taxable Assessed Valuation | Percent Of T.A.V. |
|---|---|---|---|
| SPI Hometown 316 DE LLC/Cookscreek 255 LLC | Apartments | $ 104,700,000 | 0.73% |
| S2 8500 Harwood LLC | Apartments | 101,300,000 | 0.70% |
| Star Delano, LLC/Star Meadows LLC | Apartments | 100,300,000 | 0.70% |
| Melvin Simon & Associates, Inc. | Shopping Center | 99,876,370 | 0.69% |
| Exponential Property Group X-HLA LLC | Apartments | 92,300,000 | 0.64% |
| Oncor Electric Delivery Co., LLC | Utility | 82,245,054 | 0.57% |
| KV Belmond Apartments LP/Fossil Ridge Apartments | Apartments | 81,500,000 | 0.57% |
| Company One LLC | Apartments | 75,820,710 | 0.53% |
| Cavalli at Iron Horse Station POE LLC | Apartments | 75,600,000 | 0.53% |
| The Hillshire Brands Company | Food Manufacturing & Distribution | 73,081,095 | 0.51% |
| **Totals……** | | **$ 886,723,229** | **6.17%** |

**PRINCIPAL TAXPAYERS AND THEIR 2021/22 TAXABLE ASSESSED VALUATIONS**

| Name of Taxpayer | Type of Property | Taxable Assessed Valuation | Percent Of T.A.V. |
|---|---|---|---|
| Melvin Simon & Associates, Inc. | Shopping Center | $ 106,235,276 | 0.81% |
| The Hillshire Brands Company | Food Manufacturing & Distribution | 104,933,686 | 0.80% |
| SPI Hometown 316 DE LLC/Cookscreek 255 LLC | Apartments | 90,552,000 | 0.69% |
| Exponential Property Group X-HLA LLC | Apartments | 83,764,483 | 0.64% |
| Star Delano, LLC/Star Meadows LLC | Apartments | 82,371,920 | 0.63% |
| Oncor Electric Delivery Co., LLC | Utility | 79,501,562 | 0.61% |
| KV Belmond Apartments LP/Fossil Ridge Apartments | Apartments | 71,620,000 | 0.55% |
| Company One LLC/Company Two LLC | Apartments | 70,110,280 | 0.54% |
| 8500 Harwood Gardens LP | Apartments | 59,010,019 | 0.45% |
| Emmitt Luxury Apartment Homes LLC/4401 Glenview | Apartments | 57,700,000 | 0.44% |
| **Totals……** | | **$ 805,799,226** | **6.16%** |

**PRINCIPAL TAXPAYERS AND THEIR 2020/21 TAXABLE ASSESSED VALUATIONS**

| Name of Taxpayer | Type of Property | Taxable Assessed Valuation | Percent Of T.A.V. |
|---|---|---|---|
| Melvin Simon & Associates, Inc. | Shopping Center | $ 125,106,500 | 1.02% |
| Star Delano, LLC/Star Meadows LLC | Apartments | 82,071,920 | 0.67% |
| Oncor Electric Delivery Co., LLC | Utility | 75,612,092 | 0.61% |
| The Hillshire Brands Company | Food Manufacturing & Distribution | 71,815,699 | 0.58% |
| 8500 Harwood Gardens LP | Apartments | 70,100,000 | 0.57% |
| CAF TNREF III HL LLC/CAF TNREF III RFC LLC | Apartments | 70,000,000 | 0.57% |
| KV Belmond Apartments LP/Fossil Ridge Apartments | Apartments | 69,355,000 | 0.56% |
| Company One LLC/Company Two LLC | Apartments | 69,289,370 | 0.56% |
| Rockport NRH, LLC | Apartments | 52,200,000 | 0.42% |
| Dolce Living Hometown LLC | Apartments | 52,100,000 | 0.42% |
| **Totals……** | | **$ 737,650,581** | **5.99%** |

Source: Tarrant Appraisal District and District records.

**Table 9**
**CLASSIFICATION OF ASSESSED VALUATION BY USE CATEGORY**

| Property Use Category | 2022/23 | 2021/22 | 2020/21 | 2019/20 | 2018/19 |
|---|---|---|---|---|---|
| Real Property: | | | | | |
| Single-Family Residential | $ 10,242,745,696 | $ 8,856,263,604 | $ 8,168,234,010 | $ 7,950,123,590 | $ 7,048,619,294 |
| Multi-Family Residential | 2,046,916,348 | 1,681,209,165 | 1,500,362,460 | 1,458,296,375 | 1,265,675,847 |
| Vacant Lots/Tracts | 131,039,056 | 126,467,573 | 140,072,591 | 130,052,254 | 130,982,977 |
| Acreage (Land Only) | 22,706,983 | 22,614,560 | 23,410,242 | 21,680,976 | 20,056,009 |
| Farm and Ranch Improvements | 4,538,315 | 3,724,935 | 3,793,747 | 4,002,664 | 3,953,389 |
| Commercial and Industrial | 2,652,285,862 | 2,436,934,454 | 2,437,258,590 | 2,457,259,208 | 2,200,125,721 |
| Minerals, Oil and Gas | 65,533,223 | 17,237,230 | 16,595,792 | 27,989,120 | 4,975,110 |
| Inventory | 146,223,822 | 115,322,031 | 109,590,926 | 106,854,861 | 98,322,590 |
| Tangible Personal Property: | | | | | |
| Business | 1,338,609,881 | 1,302,508,995 | 1,287,668,107 | 1,279,092,027 | 1,214,453,056 |
| Other | 7,802,971 | 7,623,101 | 8,004,987 | 7,886,169 | 8,162,681 |
| Real and Tangible Personal Property: | | | | | |
| Utilities | 198,967,970 | 185,790,136 | 186,405,298 | 165,412,632 | 166,097,881 |
| **Total Assessed Valuation** | **$ 16,857,370,127** | **$ 14,755,695,784** | **$ 13,881,396,750** | **$ 13,608,649,876** | **$ 12,161,424,555** |
| | | | | | |
| Less Exemptions: | | | | | |
| Residential Homestead | $ 1,110,041,675 (B) | $ 690,117,095 | $ 688,246,268 | $ 688,723,521 | $ 679,876,238 |
| Homestead Cap Adjustment | 758,161,774 | 422,951,214 | 381,465,252 | 674,704,750 | 510,149,562 |
| Over Age 65 | 105,854,994 | 103,873,886 | 100,814,437 | 98,258,563 | 93,938,619 |
| Disabled Persons | 6,873,769 | 6,719,421 | 6,236,881 | 6,145,394 | 5,691,128 |
| Disabled/Deceased Veterans | 86,675,418 | 75,591,653 | 64,463,423 | 52,243,875 | 42,067,531 |
| Freeport | 123,637,336 | 121,025,825 | 221,694,596 | 214,798,801 | 165,838,946 |
| Foreign Trade Zone | 194,015,823 | 146,167,489 | - | - | - |
| Misc. Personal Property (Vehicles, etc.) | 64,416,535 | 75,134,606 | 75,993,075 | 79,781,393 | 71,272,913 |
| Nominal Value | 4,182,637 | 2,305,970 | 2,001,093 | 2,746,833 | 1,057,171 |
| Pollution Control | 585,146 | 618,312 | 670,866 | 561,205 | 69,517 |
| Productivity Loss | 22,587,576 | 22,494,065 | 23,285,575 | 21,538,281 | 19,939,248 |
| Prorated Exempt Property | 4,561,876 | 2,820,760 | 731,274 | 136,187 | 181,320 |
| Other | 2,996,698 | 2,591,341 | 219,742 | 7,755 | 8,602 |
| **Total Exemptions** | **$ 2,484,591,257** | **$ 1,672,411,637** | **$ 1,565,822,482** | **$ 1,839,646,558** | **$ 1,590,090,795** |
| | | | | | |
| **Taxable Assessed Valuation** (A) | **$ 14,372,778,870** | **$ 13,083,284,147** | **$ 12,315,574,268** | **$ 11,769,003,318** | **$ 10,571,333,760** |

(A) The District's 2023/24 taxable assessed valuation is $14,980,381,686; such valuation includes an increase in the State-mandated general residence homestead exemption from $40,000 to $100,000 pursuant to a constitutional amendment which will be submitted to voters at a statewide election held on November 7, 2023. If voters do not approve the constitutional amendment authorizing the increase in the general residence homestead exemption and the general residence homestead exemption remains at $40,000, the District's 2023/24 taxable assessed valuation is $16,594,671,520.
(B) Increase in "Residential Homestead" is primarily due to the increase in the State-mandated general residence homestead exemption from $25,000 to $40,000 pursuant to a constitutional amendment approved at a statewide election held on May 7, 2022.
Source: Tarrant Appraisal District. Certified values are subject to change throughout the year as contested values are resolved and the Tarrant Appraisal District updates records.

**Table 10**
**PERCENTAGE OF TOTAL ASSESSED VALUATION BY CATEGORY**

| Property Use Category | 2022/23 | 2021/22 | 2020/21 | 2019/20 | 2018/19 |
|---|---|---|---|---|---|
| Real Property: | | | | | |
| Single-Family Residential | 60.76% | 60.02% | 58.84% | 58.42% | 57.96% |
| Multi-Family Residential | 12.14% | 11.39% | 10.81% | 10.72% | 10.41% |
| Vacant Lots/Tracts | 0.78% | 0.86% | 1.01% | 0.96% | 1.08% |
| Acreage (Land Only) | 0.13% | 0.15% | 0.17% | 0.16% | 0.16% |
| Farm and Ranch Improvements | 0.03% | 0.03% | 0.03% | 0.03% | 0.03% |
| Commercial and Industrial | 15.73% | 16.52% | 17.56% | 18.06% | 18.09% |
| Minerals, Oil and Gas | 0.39% | 0.12% | 0.12% | 0.21% | 0.04% |
| Inventory | 0.87% | 0.78% | 0.79% | 0.79% | 0.81% |
| Tangible Personal Property: | | | | | |
| Business | 7.94% | 8.83% | 9.28% | 9.40% | 9.99% |
| Other | 0.05% | 0.05% | 0.06% | 0.06% | 0.07% |
| Real and Tangible Personal Property: | | | | | |
| Utilities | 1.18% | 1.26% | 1.34% | 1.22% | 1.37% |
| **Total** | **100.00%** | **100.00%** | **100.00%** | **100.00%** | **100.00%** |

Source: Tarrant Appraisal District.

**Table 11**
**OUTSTANDING UNLIMITED TAX DEBT SERVICE**

| Year (A) | Outstanding Debt Requirements Principal | Outstanding Debt Requirements Interest | Plus: The Bonds - Debt Requirements Principal | Plus: The Bonds - Debt Requirements Interest | Total Debt Service Requirements | Percent Of Principal Retired |
|---|---|---|---|---|---|---|
| 2022/23 | $ 39,220,000.00 (B) | $ 20,539,576.53 | $ - | $ 19,465.28 | $ 59,779,041.81 (B) | |
| 2023/24 | 34,215,000.00 | 22,073,062.50 | - | 6,715,520.83 | 63,003,583.33 | |
| 2024/25 | 30,775,000.00 | 20,494,487.50 | 1,550,000.00 | 6,968,750.00 | 59,788,237.50 | |
| 2025/26 | 31,570,000.00 | 18,994,512.50 | 2,350,000.00 | 6,871,250.00 | 59,785,762.50 | |
| 2026/27 | 21,505,000.00 | 17,774,962.50 | 3,225,000.00 | 6,731,875.00 | 49,236,837.50 | 23.67% |
| 2027/28 | 22,505,000.00 | 16,769,562.50 | 3,400,000.00 | 6,566,250.00 | 49,240,812.50 | |
| 2028/29 | 23,555,000.00 | 15,727,862.50 | 3,565,000.00 | 6,392,125.00 | 49,239,987.50 | |
| 2029/30 | 24,640,000.00 | 14,643,537.50 | 3,745,000.00 | 6,209,375.00 | 49,237,912.50 | |
| 2030/31 | 25,875,000.00 | 13,401,512.50 | 3,945,000.00 | 6,017,125.00 | 49,238,637.50 | |
| 2031/32 | 27,155,000.00 | 12,120,012.50 | 4,150,000.00 | 5,814,750.00 | 49,239,762.50 | 44.20% |
| 2032/33 | 18,045,000.00 | 11,078,562.50 | 4,870,000.00 | 5,589,250.00 | 39,582,812.50 | |
| 2033/34 | 18,860,000.00 | 10,266,787.50 | 5,115,000.00 | 5,339,625.00 | 39,581,412.50 | |
| 2034/35 | 19,700,000.00 | 9,432,015.63 | 5,375,000.00 | 5,077,375.00 | 39,584,390.63 | |
| 2035/36 | 21,070,000.00 | 8,560,721.88 | 5,140,000.00 | 4,814,500.00 | 39,585,221.88 | |
| 2036/37 | 22,000,000.00 | 7,627,812.50 | 5,405,000.00 | 4,550,875.00 | 39,583,687.50 | 62.28% |
| 2037/38 | 22,985,000.00 | 6,643,037.50 | 5,680,000.00 | 4,273,750.00 | 39,581,787.50 | |
| 2038/39 | 24,020,000.00 | 5,611,778.13 | 5,970,000.00 | 3,982,500.00 | 39,584,278.13 | |
| 2030/40 | 25,100,000.00 | 4,531,818.76 | 6,275,000.00 | 3,676,375.00 | 39,583,193.76 | |
| 2040/41 | 15,805,000.00 | 3,671,281.26 | 7,110,000.00 | 3,341,750.00 | 29,928,031.26 | |
| 2041/42 | 16,440,000.00 | 3,041,953.13 | 7,470,000.00 | 2,977,250.00 | 29,929,203.13 | 81.98% |
| 2042/43 | 17,075,000.00 | 2,398,581.25 | 7,860,000.00 | 2,594,000.00 | 29,927,581.25 | |
| 2043/44 | 17,750,000.00 | 1,727,668.75 | 8,260,000.00 | 2,191,000.00 | 29,928,668.75 | |
| 2044/45 | 8,110,000.00 | 1,217,000.00 | 9,190,000.00 | 1,754,750.00 | 20,271,750.00 | |
| 2045/46 | 8,440,000.00 | 886,000.00 | 9,665,000.00 | 1,283,375.00 | 20,274,375.00 | |
| 2046/47 | 8,785,000.00 | 541,500.00 | 10,160,000.00 | 787,750.00 | 20,274,250.00 | 97.15% |
| 2047/48 | 9,145,000.00 | 182,900.00 | 10,675,000.00 | 266,875.00 | 20,269,775.00 | 100.00% |
| **TOTAL** | **$ 554,345,000.00** | **$ 249,958,507.82** | **$ 140,150,000.00** | **$ 110,807,486.11** | **$ 1,055,260,993.93** | |

(A) Represents debt service payments from September 1 through August 31. The District's fiscal year ends on June 30. Due to timing of tax collection receipts, the District budgets for its debt service payments incurred during the time period of September 1 through August 31.
(B) Includes a $7,545,000 redemption of the District's Unlimited Tax School Building Bonds, Series 2019 prior to scheduled maturity on February 15, 2023.

Note: Table 11 does not include any potential funding the District may receive from the State of Texas. The District has budgeted for the receipt of State financial assistance in the amount of $969,289 for debt service in year 2022/23 and received State financial assistance in the amount of $584,547 for fiscal year ended June 30, 2022. The amount of State aid for debt service may substantially differ from year to year depending on a number of factors, including amounts, if any, appropriated for that purpose by the Texas Legislature (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM"). Table 11 does not include any limited tax debt obligations payable from the District's Maintenance & Operations tax rate (see "Table 15 - Commitments Under Leases").

**Table 12**
**AUTHORIZED BUT UNISSUED BONDS**

After the issuance of the Bonds, the District will have no authorized but unissued bonds remaining from an election held on November 8, 2022. Except for possible refundings for debt service savings, the District does not anticipate the issuance of additional unlimited tax bonds within the next 12 months.

In addition to unlimited tax bonds, the District may incur other financial obligations payable from its collection of taxes and other sources of revenue, including maintenance tax notes payable from its collection of maintenance taxes, public property finance contractual obligations, delinquent tax notes, and leases for various purposes payable from State appropriations and surplus maintenance taxes.

**Table 13**
**INTEREST & SINKING FUND BUDGET INFORMATION** [(A)]

| | | | |
|---|---|---|---|
| Tax Supported Debt Service Requirements, Fiscal Year Ending June 30, 2023 | | $ 57,437,425 | [(B)] |
| Interest and Sinking Fund Balance as of June 30, 2022 | $ 29,822,119 | | |
| Capitalized Interest on the Unlimited Tax School Building Bonds, Series 2023 | 3,285,495 | | |
| Estimated State Assistance | 969,289 | | |
| Local Taxes and Other Revenues | 53,805,347 | $ 87,882,250 | |
| Projected Interest and Sinking Fund Balance at June 30, 2023 | | $ 30,444,825 | [(C)] |

[(A)] The District's fiscal year ends on June 30. Due to the timing of tax collection receipts, the District budgets for its debt service payments incurred during the time period of September 1 through August 31.
[(B)] Reflects the District's debt service payments in August 2022 and February 2023. Includes estimated paying agent/registrar fees and other bond related expenses.
[(C)] The District's projected Interest & Sinking Fund balance as of June 30, 2023 will be reduced by approximately $11,465,329 in August 2023 to make the District's scheduled debt service payments in August 2023.

**Table 14**
**TAX ADEQUACY - UNLIMITED TAX DEBT SERVICE REQUIREMENTS** [(A)]

| | | |
|---|---|---|
| Year 2022/23 Principal And Interest Requirements | $ 59,779,042 | |
| $0.4239 Tax Rate At 98.14% Collections Produces | $ 59,792,982 | [(B)] |
| Year 2023/24 Principal And Interest Requirements | $ 63,003,583 | |
| $0.4286 Tax Rate At 98.14% Collections Produces | $ 63,011,686 | [(C)] |
| Maximum Principal And Interest Requirements, Year 2023/24 | $ 63,003,583 | |
| $0.4286 Tax Rate At 98.14% Collections Produces | $ 63,011,686 | [(C)] |

[(A)] Represents debt service payments from September 1 through August 31.
[(B)] Based upon 2022/23 taxable assessed valuation of $14,372,778,870.
[(C)] Based upon 2023/24 taxable assessed valuation of $14,980,381,686.

Note: Table 14 does not include any potential funding the District may receive from the State of Texas. The District has budgeted for the receipt of State financial assistance in the amount of $969,289 for debt service in year 2022/23 and received State financial assistance in the amount of $584,547 for fiscal year ended June 30, 2022. The amount of State aid for debt service may substantially differ from year to year depending on a number of factors, including amounts, if any, appropriated for that purpose by the Texas Legislature (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM"). Table 14 does not include any limited tax debt obligations payable from the District's Maintenance & Operations tax rate (see "Table 15 - Commitments Under Leases").

**Table 15**
**COMMITMENTS UNDER LEASES**

During the year ended June 30, 2022, the District implemented GASB 87, Leases, which required the District to record lease agreements related to equipment. The District is subject to equipment leases with various terms, including monthly and annually payments of principal and interest with various borrowing rates. An initial lease liability was recorded in the amount of $754,510 during the 2021/22 fiscal year. As of June 30, 2022, the value of the lease liability was $442,347. The value of the right-to-use assets as of the end of the 2021/22 fiscal year was $754,510, and had accumulated amortization of $304,738.

The future principal and interest lease payments as of June 30, 2022 were as follows:

| Fiscal Year Ending June 30 | Principal | Interest | Total Requirements |
|---|---|---|---|
| 2023 | $ 309,020 | $ 3,761 | $ 312,781 |
| 2024 | 50,261 | 1,348 | 51,609 |
| 2025 | 50,794 | 815 | 51,609 |
| 2026 | 32,272 | 279 | 32,551 |
| **TOTAL** | **$ 442,347** | **$ 6,203** | **$ 448,550** |

Source: District's Audited Financial Statements.

## Table 16
## COMBINED GENERAL FUND BALANCE SHEET

| | Fiscal Years Ending June 30, 2018 - 2022 | | | | |
|---|---|---|---|---|---|
| | 2022 | 2021 | 2020 | 2019 | 2018 |
| **Assets:** | | | | | |
| Cash and Cash Equivalents | $ 4,389,833 | $ 4,479,646 | $ 315,714 | $ 886,848 | $ 1,000,533 |
| Investments - Current | 94,586,545 | 79,126,653 | 68,792,314 | 62,703,457 | 58,308,204 |
| Property Taxes - Delinquent | 6,610,679 | 6,837,773 | 7,118,028 | 6,651,456 | 6,514,220 |
| Allowance for Uncollected Taxes (Credit) | (1,878,300) | (1,933,785) | (1,872,032) | (1,781,314) | (1,851,281) |
| Due from Other Governments | 14,429,279 | 16,645,506 | 22,840,640 | 21,039,907 | 23,125,410 |
| Accrued Interest | 25,146 | 45,780 | 85,788 | 114,494 | 99,679 |
| Due from Other Funds | 2,347,576 | 7,271,676 | 9,648,799 | 1,348,998 | 2,423,592 |
| Due from Enterprise Fund | - | - | - | 700,688 | - |
| Other Receivables | 2,250,886 | 1,352,598 | 1,067,290 | 1,035,015 | 701,433 |
| Inventories | 788,829 | 729,707 | 395,924 | 244,797 | 296,076 |
| Prepaid Items | 138,339 | 47,452 | 213,030 | 312,958 | 238,073 |
| Long-Term Investments | 2,762,570 | 780,329 | 4,720,402 | 5,671,993 | 10,253,036 |
| **Total Assets** | **$ 126,451,382** | **$ 115,383,335** | **$ 113,325,897** | **$ 98,929,297** | **$ 101,108,975** |
| **Liabilities, Deferred Inflows of Resources and Fund Balances:** | | | | | |
| *Liabilities:* | | | | | |
| Accounts Payable | $ 1,512,551 | $ 1,120,594 | $ 1,365,133 | $ 1,581,935 | $ 1,469,131 |
| Payroll Deductions and Withholdings Payable | 2,055,714 | 1,769,262 | 2,037,492 | 1,730,480 | 1,664,284 |
| Accrued Wages Payable | 19,670,212 | 21,088,626 | 20,786,691 | 20,099,658 | 19,945,544 |
| Due to Other Funds | 783,679 | 620,832 | 1,663,032 | 2,098,963 | 6,455,409 |
| Due to Others | 395,836 | 7,759 | 36,820 | 377 | 24,656 |
| **Total Liabilities** | **$ 24,417,992** | **$ 24,607,073** | **$ 25,889,168** | **$ 25,511,413** | **$ 29,559,024** |
| *Deferred Inflows of Resources:* | | | | | |
| Deferred Revenue - Property Taxes | $ 4,068,967 | $ 4,314,495 | $ 4,326,814 | $ 3,803,626 | $ 3,883,059 |
| Deferred Inflow - Leases | 838,149 | - | - | - | - |
| **Total Deferred Inflows of Resources** | **$ 4,907,116** | **$ 4,314,495** | **$ 4,326,814** | **$ 3,803,626** | **$ 3,883,059** |
| *Fund Balances:* | | | | | |
| Nonspendable Fund Balance: | | | | | |
| Inventories | $ 788,829 | $ 729,707 | $ 395,924 | $ 244,797 | $ 296,076 |
| Prepaid Items | 138,339 | 47,452 | 213,030 | 312,958 | 238,073 |
| Committed Fund Balance: | | | | | |
| Other Committed Fund Balance | 49,149,651 | 35,536,774 | 34,981,935 | 34,313,467 | 32,428,489 |
| Assigned Fund Balance: | | | | | |
| Other Assigned Fund Balance | 31,090,109 | 34,170,881 | 31,556,790 | 19,556,790 | 19,556,790 |
| Unassigned Fund Balance: | 15,959,346 | 15,976,953 | 15,962,236 | 15,186,246 | 15,147,464 |
| **Total General Fund Balances** (A) | **$ 97,126,274** | **$ 86,461,767** | **$ 83,109,915** | **$ 69,614,258** | **$ 67,666,892** |
| **Total Liabilities, Deferred Inflows of Resources and Fund Balances** | **$ 126,451,382** | **$ 115,383,335** | **$ 113,325,897** | **$ 98,929,297** | **$ 101,108,975** |

(A) The District estimates that its Total General Fund Balance as of June 30, 2023 will be approximately $77,347,135 due to a transfer of such fund balance to a special projects fund.
Source: District's Audited Financial Statements and District records.

Table 17
**COMPARATIVE STATEMENT OF GENERAL FUND REVENUES AND EXPENDITURES**

| | Fiscal Years Ending June 30, 2018 - 2022 | | | | |
|---|---|---|---|---|---|
| | **2022** | **2021** | **2020** | **2019** | **2018** |
| **Beginning General Fund Balance** | **$ 86,461,767** | **$ 83,109,915** | **$ 69,614,258** | **$ 67,666,892** | **$ 64,955,949** |
| **Revenues:** | | | | | |
| Local and Intermediate Sources | $ 115,535,666 | $ 112,164,483 | $ 108,459,867 | $ 105,640,817 | $ 97,159,327 |
| State Program Revenues | 92,001,212 | 95,344,021 | 100,501,279 | 93,782,997 | 99,369,360 |
| Federal Program Revenues | 7,556,811 | 5,440,751 | 5,405,420 | 7,313,482 | 3,634,696 |
| **Total Revenues** | **$ 215,093,689** | **$ 212,949,255** | **$ 214,366,566** | **$ 206,737,296** | **$ 200,163,383** |
| **Expenditures:** | | | | | |
| Instruction | $ 117,503,324 | $ 119,984,606 | $ 117,882,867 | $ 117,078,931 | $ 116,126,506 |
| Instructional Resources and Media Services | 2,751,713 | 2,858,587 | 2,814,022 | 2,939,308 | 2,713,933 |
| Curriculum and Instructional Staff Development | 4,849,977 | 6,391,606 | 5,330,445 | 4,513,124 | 3,940,253 |
| Instructional Leadership | 3,365,000 | 2,938,057 | 3,120,346 | 2,872,452 | 2,715,316 |
| School Leadership | 12,574,984 | 13,512,479 | 13,440,668 | 13,020,067 | 12,659,295 |
| Guidance, Counseling and Evaluation Services | 9,681,860 | 9,154,413 | 8,120,284 | 7,530,731 | 7,307,750 |
| Social Work Services | 275,951 | 293,712 | 271,501 | 333,939 | 364,456 |
| Health Services | 2,659,627 | 2,817,615 | 2,787,618 | 2,617,127 | 2,589,944 |
| Student (Pupil) Transportation | 5,018,841 | 4,372,507 | 5,017,247 | 4,919,502 | 4,335,034 |
| Extracurricular Activities | 5,283,461 | 5,293,772 | 5,034,694 | 5,246,225 | 5,378,653 |
| General Administration | 6,861,855 | 6,729,743 | 6,145,023 | 5,996,647 | 5,638,665 |
| Facilities Maintenance and Operations | 22,681,006 | 20,961,789 | 19,489,944 | 19,577,372 | 20,509,117 |
| Security and Monitoring Services | 1,467,157 | 1,385,135 | 1,182,957 | 935,614 | 1,075,999 |
| Data Processing Services | 5,060,275 | 5,307,278 | 5,209,818 | 4,806,445 | 4,451,202 |
| Community Services | 291,966 | 222,673 | 245,667 | 252,358 | 270,063 |
| Debt Service | 312,781 | 119,721 | 119,704 | 119,682 | 119,660 |
| Facilities Acquisition and Construction | 14,022 | 17,249 | 13,916 | 11,551 | 22,041 |
| Payments to Fiscal Agents SSA | 480,521 | 509,325 | 560,955 | 529,992 | 485,400 |
| Payments to Juvenile Justice Alternative Ed. Program | 2,709 | 8,643 | 15,222 | 14,835 | 39,216 |
| Payments to Tax Increment Fund | - | - | - | - | 122,009 |
| Other Intergovernmental Charges | 758,811 | 716,689 | 752,314 | 739,052 | 693,123 |
| **Total Expenditures** | **$ 201,895,841** | **$ 203,595,599** | **$ 197,555,212** | **$ 194,054,954** | **$ 191,557,635** |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | $ 13,197,848 | $ 9,353,656 | $ 16,811,354 | $ 12,682,342 | $ 8,605,748 |
| **Other Resources and (Uses):** | | | | | |
| Other Uses | $ (2,533,341) | $ (6,001,804) | $ (3,315,697) | $ (10,734,976) | $ (5,894,805) |
| **Total Other Resources (Uses)** | **$ (2,533,341)** | **$ (6,001,804)** | **$ (3,315,697)** | **$ (10,734,976)** | **$ (5,894,805)** |
| **Ending General Fund Balance** [(A)(B)] | **$ 97,126,274** | **$ 86,461,767** | **$ 83,109,915** | **$ 69,614,258** | **$ 67,666,892** |

[(A)] Ending General Fund Balance includes Nonspendable, Committed, Assigned and Unassigned Fund Balance.
[(B)] The District estimates that its Ending General Fund Balance as of June 30, 2023 will be approximately $77,347,135 due to a transfer of such fund balance to a special projects fund.
Source: District's Audited Financial Statements and District records.

## Table 18
## CHANGE IN NET POSITION [(A)]

| Revenues: | Fiscal Years Ending June 30, 2018 - 2022 | | | | |
|---|---|---|---|---|---|
| | 2022 | 2021 | 2020 | 2019 | 2018 |
| **Program Revenues** | | | | | |
| Charges for Services | $ 7,237,184 | $ 4,788,403 | $ 8,947,804 | $ 10,313,898 | $ 9,241,099 |
| Operating Grants and Contributions | 59,788,356 | 61,223,175 | 69,049,089 | 58,815,424 | 5,303,505 |
| Total Program Revenues | $ 67,025,540 | $ 66,011,578 | $ 77,996,893 | $ 69,129,322 | $ 14,544,604 |
| **General Revenues** | | | | | |
| Maintenance and Operations Taxes | $ 112,691,328 | $ 111,157,525 | $ 107,199,225 | $ 102,513,778 | $ 95,647,242 |
| Debt Service Taxes | 50,256,433 | 47,425,733 | 45,226,406 | 40,706,649 | 37,717,794 |
| State Aid - Formula Grants | 81,430,774 | 84,206,036 | 89,229,475 | 84,293,478 | 90,184,053 |
| Investment Earnings | 32,053 | 359,059 | 4,520,018 | 4,644,986 | 1,597,866 |
| Miscellaneous Local and Intermediate Revenue | 2,744,658 | 845,087 | 794,375 | 1,674,563 | 1,232,289 |
| Total General Revenues | $ 247,155,246 | $ 243,993,440 | $ 246,969,499 | $ 233,833,454 | $ 226,379,244 |
| **Total Revenues……………………………………** | **$ 314,180,786** | **$ 310,005,018** | **$ 324,966,392** | **$ 302,962,776** | **$ 240,923,848** |
| **Expenses** | | | | | |
| Instruction | $ 146,687,140 | $ 162,424,704 | $ 175,326,494 | $ 159,854,715 | $ 102,226,523 |
| Instruction Resources and Media Services | 2,703,758 | 3,052,307 | 3,213,665 | 3,353,484 | 2,186,558 |
| Curriculum and Instructional Staff Development | 10,553,941 | 10,752,760 | 10,167,098 | 9,013,261 | 4,884,354 |
| Instructional Leadership | 3,751,093 | 4,109,083 | 4,588,819 | 4,088,485 | 1,846,676 |
| School Leadership | 12,839,406 | 14,609,100 | 15,605,553 | 14,808,829 | 8,551,873 |
| Guidance, Counseling and Evaluation Services | 12,293,601 | 12,759,367 | 12,325,175 | 11,122,252 | 6,361,447 |
| Social Work Services | 304,518 | 356,835 | 309,417 | 374,695 | 278,651 |
| Health Services | 2,479,574 | 3,043,517 | 3,257,975 | 2,985,930 | 1,667,271 |
| Student (Pupil) Transportation | 5,793,171 | 5,073,909 | 5,346,313 | 5,097,592 | 4,212,295 |
| Food Services | 12,207,182 | 10,237,548 | 11,692,041 | 11,563,683 | 10,230,449 |
| Extracurricular Activities | 7,065,782 | 6,657,075 | 7,744,574 | 7,886,609 | 8,152,009 |
| General Administration | 6,774,536 | 7,397,789 | 7,204,290 | 6,818,888 | 4,416,950 |
| Facilities Maintenance and Operations | 25,791,774 | 24,128,635 | 23,160,670 | 22,273,564 | 20,239,242 |
| Security and Monitoring Services | 2,189,695 | 1,999,001 | 1,907,563 | 1,252,040 | 1,130,428 |
| Data Processing Services | 7,927,172 | 8,284,173 | 8,322,181 | 7,440,645 | 5,796,383 |
| Community Services | 723,773 | 640,180 | 704,853 | 699,765 | 342,968 |
| Debt Service - Interest on Long Term Debt | 15,449,070 | 15,682,669 | 17,138,418 | 20,040,422 | 16,234,781 |
| Debt Service - Bond Issuance Cost and Fees | - | 249,579 | 529,555 | 1,297,422 | - |
| Payments to Fiscal Agents SSA | 531,361 | 560,333 | 610,955 | 579,992 | 535,400 |
| Payments to Juvenile Justice Alternative Ed. Prg. | 2,709 | 8,643 | 15,222 | 14,835 | 39,216 |
| Payments to Tax Increment Fund | - | - | - | - | 122,009 |
| Business-Type Activities | 765,034 | 739,869 | 806,297 | 816,346 | 200,748 |
| **Total Expenses……………………………………** | **$ 276,834,290** | **$ 292,767,076** | **$ 309,977,128** | **$ 291,383,454** | **$ 199,656,231** |
| Increase/(Decrease) in Net Position | $ 37,346,496 | $ 17,237,942 | $ 14,989,264 | $ 11,579,322 | $ 41,267,617 |
| Beginning Net Position | 23,245,035 | 6,007,093 | (8,982,171) | (20,561,493) | 75,516,427 |
| Prior Period Adjustment | - | - | - | - | (137,345,537) [(B)] |
| **Ending Net Position………………………………** | **$ 60,591,531** | **$ 23,245,035** | **$ 6,007,093** | **$ (8,982,171)** | **$ (20,561,493)** |

[(A)] Financial operations for all governmental activities in accordance with GASB Statement No. 34.
[(B)] Prior Period Adjustment due to the adoption of GASB Statement Number 75 by the District.
Source: District's Audited Financial Statements and District records.

# APPENDIX B

# GENERAL INFORMATION REGARDING
THE DISTRICT AND ITS ECONOMY

## GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY

The Birdville Independent School District (the "District") is located in the northeastern portion of Tarrant County between the cities of Fort Worth and Dallas, and includes the cities of Haltom City, North Richland Hills, Richland Hills, Watauga, and a portion of Hurst. Encompassing 40 square miles, it is traversed by numerous highways and is in close proximity to the Dallas-Fort Worth International Airport. The District is located in an area between the Dallas-Fort Worth Airport and Alliance Airport.

The District is governed by a seven-member Board of Trustees (the "Board"). The members of the Board serve three-year staggered terms with at-large elections conducted annually. Board policy and decisions are decided by a majority vote of the Board. The Superintendent of Schools is selected by the Board; other District officials are employed as a result of action by the Superintendent and the Board.

The District owns and operates 33 instructional facilities which are fully accredited by the Texas Education Agency. The number and types of instructional facilities are as follows:

| | |
|---|---|
| Other Program Facilities | 2 |
| Elementary Schools | 20 |
| Middle Schools | 7 |
| High Schools | 4 |
| **Total** | **33** |

## DISTRICT ENROLLMENT INFORMATION

### SCHOLASTIC ENROLLMENT HISTORY

| YEAR | ENROLLMENT | INCREASE/ (DECREASE) | PERCENT CHANGE |
|---|---|---|---|
| 2012/13 | 24,190 | 479 | 2.02% |
| 2013/14 | 24,326 | 136 | 0.56% |
| 2014/15 | 24,389 | 63 | 0.26% |
| 2015/16 | 24,328 | (61) | (0.25%) |
| 2016/17 | 23,857 | (471) | (1.94%) |
| 2017/18 | 23,691 | (166) | (0.70%) |
| 2018/19 | 23,614 | (77) | (0.33%) |
| 2019/20 | 23,576 | (38) | (0.16%) |
| 2020/21 | 22,736 | (840) | (3.56%) |
| 2021/22 | 22,505 | (231) | (1.02%) |
| 2022/23[(A)] | 22,646 | 141 | 0.63% |

[(A)] Enrollment as of December 5, 2022.
Source: District records.

### PROJECTED STUDENT ENROLLMENT

| YEAR | ENROLLMENT | INCREASE/ (DECREASE) | PERCENT CHANGE |
|---|---|---|---|
| 2023/24 | 22,700 | 54 | 0.24% |
| 2024/25 | 22,725 | 25 | 0.11% |
| 2025/26 | 22,800 | 75 | 0.33% |
| 2026/27 | 22,750 | (50) | (0.22%) |
| 2027/28 | 22,720 | (30) | (0.13%) |

Source: District projections.

**STUDENT ENROLLMENT BY GRADES – YEARS 2012/13 – 2022/23**

| YEAR | EE | PK | K | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2012/13 | 100 | 986 | 1,854 | 1,902 | 1,850 | 1,769 | 1,809 | 1,756 | 1,802 | 1,817 | 1,707 | 1,932 | 1,734 | 1,556 | 1,616 | 24,190 |
| 2013/14 | 108 | 943 | 1,930 | 1,883 | 1,892 | 1,795 | 1,727 | 1,812 | 1,762 | 1,799 | 1,834 | 1,909 | 1,747 | 1,551 | 1,634 | 24,326 |
| 2014/15 | 107 | 858 | 1,898 | 1,963 | 1,839 | 1,859 | 1,809 | 1,711 | 1,819 | 1,709 | 1,807 | 2,051 | 1,772 | 1,537 | 1,650 | 24,389 |
| 2015/16 | 115 | 865 | 1,694 | 1,955 | 1,908 | 1,835 | 1,829 | 1,836 | 1,760 | 1,802 | 1,735 | 2,003 | 1,867 | 1,495 | 1,629 | 24,328 |
| 2016/17 | 147 | 851 | 1,647 | 1,718 | 1,853 | 1,807 | 1,774 | 1,767 | 1,789 | 1,714 | 1,805 | 1,956 | 1,814 | 1,620 | 1,595 | 23,857 |
| 2017/18 | 158 | 796 | 1,583 | 1,664 | 1,680 | 1,810 | 1,780 | 1,777 | 1,783 | 1,788 | 1,757 | 2,013 | 1,808 | 1,578 | 1,716 | 23,691 |
| 2018/19 | 166 | 804 | 1,657 | 1,607 | 1,687 | 1,688 | 1,808 | 1,785 | 1,805 | 1,769 | 1,780 | 1,958 | 1,866 | 1,552 | 1,682 | 23,614 |
| 2019/20 | 165 | 825 | 1,672 | 1,652 | 1,591 | 1,669 | 1,697 | 1,784 | 1,817 | 1,836 | 1,822 | 2,032 | 1,774 | 1,583 | 1,657 | 23,576 |
| 2020/21 | 139 | 546 | 1,486 | 1,659 | 1,589 | 1,518 | 1,611 | 1,637 | 1,727 | 1,818 | 1,812 | 1,910 | 1,897 | 1,690 | 1,697 | 22,736 |
| 2021/22 | 114 | 624 | 1,521 | 1,577 | 1,597 | 1,587 | 1,543 | 1,652 | 1,665 | 1,749 | 1,812 | 2,124 | 1,743 | 1,553 | 1,644 | 22,505 |
| 2022/23[(A)] | 109 | 779 | 1,577 | 1,574 | 1,633 | 1,615 | 1,614 | 1,607 | 1,669 | 1,676 | 1,758 | 1,984 | 1,889 | 1,495 | 1,667 | 22,646 |

(A) Enrollment as of December 5, 2022.
Source: District records.

**STUDENT ENROLLMENT BY SCHOOL TYPE**

| YEAR | ELEMENTARY SCHOOL (GRADES EE-5) | MIDDLE SCHOOL (GRADES 6-8) | HIGH SCHOOL (GRADES 9-12) | TOTAL ENROLLMENT |
|---|---|---|---|---|
| 2012/13 | 12,026 | 5,326 | 6,838 | 24,190 |
| 2013/14 | 12,090 | 5,395 | 6,841 | 24,326 |
| 2014/15 | 12,044 | 5,335 | 7,010 | 24,389 |
| 2015/16 | 12,037 | 5,297 | 6,994 | 24,328 |
| 2016/17 | 11,564 | 5,308 | 6,985 | 23,857 |
| 2017/18 | 11,248 | 5,328 | 7,115 | 23,691 |
| 2018/19 | 11,202 | 5,354 | 7,058 | 23,614 |
| 2019/20 | 11,055 | 5,475 | 7,046 | 23,576 |
| 2020/21 | 10,185 | 5,357 | 7,194 | 22,736 |
| 2021/22 | 10,215 | 5,226 | 7,064 | 22,505 |
| 2022/23[(A)] | 10,508 | 5,103 | 7,035 | 22,646 |

(A) Enrollment as of December 5, 2022.
Source: District records.

## EMPLOYMENT OF THE DISTRICT

| | DISTRICT EMPLOYEES | |
|---|---|---|
| STAFF INFORMATION | NUMBER | PERCENTAGE |
| Teachers | 1,515 | 48.26% |
| Administrators | 548 | 17.46% |
| Teacher Aides & Secretaries | 310 | 9.88% |
| Auxiliary Staff | 766 | 24.40% |
| **Total Number of Employees** | **3,139** | **100.00%** |

The District employs a staff of approximately 3,139. Beginning with the 2022/23 school year, entry level teachers without advanced degrees earn $58,600 annually. Teachers with longevity or advanced degrees can earn between $58,875 and $77,216 annually. All teachers receive life and health insurance benefits worth approximately $260 monthly.

Source: District records.

## PRESENT SCHOOL FACILITIES

| Location | Grades Served | Functional Capacity(A) | Present Enrollment(B) | Functional Capacity Less Present Enrollment |
|---|---|---|---|---|
| Birdville High School | 9 – 12 | 2,183 | 2,099 | 84 |
| Haltom High School | 9 – 12 | 2,627 | 2,774 | (147) |
| Richland High School | 9 – 12 | 2,250 | 2,008 | 242 |
| Shannon High School | 9 – 12 | 300 | 154 | 146 |
| **High School Total** | | **7,360** | **7,035** | **84** |
| Haltom Middle School | 6 – 8 | 968 | 955 | 13 |
| North Oaks Middle School | 6 – 8 | 686 | 513 | 173 |
| North Richland Middle School | 6 – 8 | 900 | 885 | 15 |
| North Ridge Middle School | 6 – 8 | 900 | 657 | 243 |
| Richland Middle School | 6 – 8 | 968 | 676 | 292 |
| Smithfield Middle School | 6 – 8 | 945 | 820 | 125 |
| Watauga Middle School | 6 – 8 | 1,013 | 597 | 416 |
| **Middle School Total** | | **6,380** | **5,103** | **1,277** |
| Jack C. Binion Elementary School | PK – 5 | 752 | 687 | 65 |
| Birdville Elementary School | EE – 5 | 653 | 492 | 161 |
| Cheney Hills Elementary School | EE – 5 | 772 | 654 | 118 |
| Foster Village Elementary School | PK – 5 | 673 | 458 | 215 |
| W.T. Francisco Elementary School | EE – 5 | 356 | 376 | (20) |
| Green Valley Elementary School | EE – 5 | 574 | 433 | 141 |
| Grace E. Hardeman Elementary School | EE – 5 | 851 | 595 | 256 |
| Holiday Heights Elementary School | EE – 5 | 693 | 514 | 179 |
| Alliene Mullendore Elementary School | EE – 5 | 376 | 376 | 0 |
| North Ridge Elementary School | K – 5 | 594 | 492 | 102 |
| W.A. Porter Elementary School | EE – 5 | 535 | 548 | (13) |
| David E. Smith Elementary School | PK – 5 | 436 | 364 | 72 |
| Smithfield Elementary School | PK – 5 | 772 | 611 | 161 |
| Snow Heights Elementary School | K – 5 | 455 | 398 | 57 |
| John D. Spicer Elementary School | EE – 5 | 634 | 383 | 251 |
| O.H. Stowe Elementary School | PK – 5 | 733 | 676 | 57 |
| Academy at C.F. Thomas | PK – 5 | 535 | 577 | (42) |
| Walker Creek Elementary School | PK – 5 | 713 | 459 | 254 |
| Watauga Elementary School | K – 5 | 871 | 712 | 159 |
| West Birdville Elementary School | EE – 5 | 772 | 703 | 69 |
| **Elementary School Total** | | **12,750** | **10,508** | **2,242** |
| Collegiate Academy of Birdville | 9 – 12 | --- | ---(C) | --- |
| Birdville Center of Technology and Advanced Learning | 9 – 12 | --- | ---(C) | --- |
| **Other Program Total** | | **---** | **---** | **---** |
| | **Totals** | **26,490** | **22,646** | **3,844** |

(A) Includes student capacity of any portable buildings on this campus.
(B) Enrollment as of December 5, 2022.
(C) Enrollment is included within each student's home high school campus.
Source: District records.

## SCHOOLS UNDER CONSTRUCTION

| Name Of School | Planned Functional Capacity | Grades Served | Estimated Completion Date |
|---|---|---|---|
| Smith/Francisco Elementary School [Combine and Rebuild] | 750 | PK – 5 | August 2025 |
| Alliene Mullendore Elementary School [Rebuild] | 750 | PK – 5 | August 2025 |
| Shannon High School [Remodel New Building] | 400 | 9 – 12 | August 2024 |

## TARRANT COUNTY, TEXAS
## DEMOGRAPHIC AND ECONOMIC INFORMATION

**Location**

Tarrant County (2020 census of 2,110,640 increasing 16.7% over 2010) is a north Texas county, and a component of the Dallas-Fort Worth Metropolitan Statistical Area. The county seat and largest city is Fort Worth. Other primary cities include Arlington, Richland Hills, North Richland Hills, Bedford, Euless, Grapevine, Hurst, Haltom City, Mansfield and Southlake.

**Economy**

The economy of Tarrant County is based on manufacturing and commerce. Major institutions of higher education include The University of Texas at Arlington, Tarrant County College, Texas Christian University, Texas Wesleyan University, University of North Texas Health Science Center and Southwestern Baptist Theological Seminary. Diversified manufacturing is a significant factor in the economy of Tarrant County, including aircraft, automobile and electronic manufacturing. Other segments of the local economy include aerospace products, food and beverage, mobile homes, tourism, livestock and agri-business, transportation including major railroad services, financial services, and medical industries.

**Major Employers – Tarrant County**

| Company | Industry | Estimated Number Of Employees |
|---|---|---|
| Lockheed Martin | Aerospace and Defense | 18,700 |
| Dallas Fort Worth International Airport | International Airport | 14,000 |
| General Motors – Arlington Assembly | Automobile Manufacturer | 10,512 |
| Naval Air Station Joint Reserve Base Fort Worth | Military | 10,500 |
| BNSF Railway | Freight Railroad | 4,900 |
| John Peter Smith Hospital | Health Care | 4,600 |
| Alcon Laboratories Inc. | Eye Care Products | 4,500 |
| The University of Texas at Arlington | Higher Education | 4,383 |
| GM Financial – Corporate Headquarters | Finance | 4,371 |
| Texas Health Harris Methodist Hospital | Health Care | 4,100 |

Source: Tarrant County – Economic Development.

**Comparative Unemployment Rates**

| Entity | 2018 | 2019 | 2020 | 2021 | 2022 | 2023(A) |
|---|---|---|---|---|---|---|
| Tarrant County | 3.5% | 3.3% | 7.4% | 5.3% | 3.6% | 3.8% |
| State of Texas | 3.9 | 3.5 | 7.7 | 5.6 | 3.9 | 4.1 |
| United States of America | 3.9 | 3.7 | 8.1 | 5.3 | 3.6 | 3.4 |

(A) As of May 2023.
Source: Labor Market Information Department, Texas Workforce Commission.

# APPENDIX C

# FORM OF LEGAL OPINION OF BOND COUNSEL

**Proposed Form of Opinion of Bond Counsel**

*An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Bonds, assuming no material changes in facts or law.*

**BIRDVILLE INDEPENDENT SCHOOL DISTRICT**
**UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2023-A**

**IN THE AGGREGATE PRINCIPAL AMOUNT OF $140,150,000**

---

**AS BOND COUNSEL** for the Birdville Independent School District (the "Issuer"), the issuer of the Bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the date specified in the text of the Bonds, at the rates and payable on the dates as stated in the text of the Bonds, maturing all in accordance with the terms and conditions stated in the text of the Bonds.

**WE HAVE EXAMINED** the applicable and pertinent provisions of the Constitution and laws of the State of Texas, and a transcript of certified proceedings of the Issuer, and other pertinent instruments authorizing and relating to the issuance of the Bonds, including executed Bond Number T-1.

**BASED ON SAID EXAMINATION, IT IS OUR OPINION** that the Bonds have been authorized and issued and the Bonds delivered concurrently with this opinion have been duly delivered and that, assuming due authentication, Bonds issued in exchange therefore will have been duly delivered, in accordance with law, and that the Bonds, except as may be limited by laws applicable to the Issuer relating to bankruptcy, reorganization and other similar matters affecting creditors' rights generally, and by governmental immunity and general principles of equity which permit the exercise of judicial discretion, constitute valid and legally binding obligations of the Issuer, and ad valorem taxes sufficient to provide for the payment of the interest on and principal of the Bonds have been levied and pledged for such purpose, without limit as to rate or amount.

**IT IS FURTHER OUR OPINION**, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code").

**IN EXPRESSING THE AFOREMENTIONED OPINIONS**, we have relied on and assume continuing compliance with, certain representations contained in the federal tax certificate of the Issuer and covenants set forth in the order adopted by the Issuer to authorize the issuance of the Bonds, relating to, among other matters, the use of the project and the investment and expenditure of the proceeds and certain other amounts used to pay or to secure the payment of debt service on the Bonds, the accuracy of which we have not independently verified. We call your attention to the fact that if such representations are determined to be inaccurate or if the Issuer fails to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

**EXCEPT AS STATED ABOVE,** we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds, including the amount, accrual or receipt of interest on, the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

**WE CALL YOUR ATTENTION TO THE FACT** that the interest on tax-exempt obligations, such as the Bonds, may be includable in a corporation's adjusted financial statement income for purposes of determining the alternative minimum tax imposed on certain corporations by section 55 of the Code.

**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 (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

**OUR SOLE ENGAGEMENT** in connection with the issuance of the Bonds is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering our opinions with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. 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, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the Issuer as to the current outstanding indebtedness of, and assessed valuation of taxable property within the Issuer. 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.

Respectfully,

## APPENDIX D

## EXCERPTS FROM THE AUDITED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED JUNE 30, 2022

The information contained in this Appendix consists of excerpts from the Birdville Independent School District Annual Financial Report for the Year Ended June 30, 2022, and is not intended to be a complete statement of the District's financial condition. Reference is made to the complete Annual Financial Report for further information.

## Independent Auditor's Report

To the Board of Trustees
Birdville Independent School District
Fort Worth, Texas

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Birdville Independent School District (the District), as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2022, 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.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Emphasis of Matter*

As discussed in Note 18 to the basic financial statements, during the year ended June 30, 2022, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

#### *Responsibilities of Management for the Financial Statements*

The District's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

Weaver and Tidwell, L.L.P.
2821 West 7th Street, Suite 700 | Fort Worth, Texas 76107
Main: 817.332.7905

The Board of Trustees
Birdville Independent School District

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

The Board of Trustees
Birdville Independent School District

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and the Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Supplementary 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 Other Supplementary Information as listed in the table of contents, and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Other Supplementary Information as listed in the table of contents, and Schedule of Expenditures of Federal Awards are the responsibility of management and was 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 Other Supplementary Information as listed in the table of contents, and Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2022 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

Fort Worth, Texas
November 15, 2022

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## Management's Discussion and Analysis
## (Unaudited)

This section of the Birdville Independent School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2022. It should be read in conjunction with the independent auditor's report and the basic financial statements.

### Financial Highlights

- At the close of the fiscal year, the District reported $182.4 million combined governmental fund balance, a decrease of $25.1 million from the prior year. The decrease was the result of near completion of the four campuses included in 2018 Bond. This lowered the capital projects restricted fund balance by $39.8 million.

- Of the combined governmental fund balance at year-end, the District had $70.3 million of committed fund balance, $63.7 million in restricted fund balance, $31.1 million in assigned fund balance, and $16.0 million of unassigned fund balance. The remainder pertained to non-spendable balances of $1.3 million.

- As of June 30, 2022, the General Fund had $97.1 million in total fund balance, which represented 48.1 percent of fiscal year 2022 expenditures. The District committed $32.7 million (15% of fiscal year 2023 budgeted expenditures) for other purposes and $2.6 million for compensated absences. The District also committed $7.75 million to purchase property, $3.3 million related to other capital projects at year end, and an additional $2.8 million for other purposes. The District assigned $31.1 million in fund balance for future financial needs. Of the remainder, $16.0 million of unassigned fund balance was also available for future spending and current cash flow needs.

- At June 30, 2022, the District's net position was $60.6 million.

### Overview of the Financial Statements

The District's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements themselves.

The basic financial statements include two types of statements that present different views of the District: the government-wide financial statements and the fund financial statements.

**Government-wide Financial Statements**. The government-wide financial statements, including the *Statement* of *Net Position* and the *Statement* of *Activities,* report on the District as a whole and are designed to provide readers with a broad overview of the District's finances. These statements are presented on the accrual basis of accounting similar to the accounting basis used by most private-sector entities.

The *Statement* of *Net Position* presents information on all of the District's assets, deferred outflows and inflows of resources, and liabilities including capital assets and long-term debt. The value of assets and deferred outflows of resources less liabilities and deferred inflows of resources are reported as net position. The *Statement* of *Activities* presents the increases and decreases in net position for the current fiscal year regardless of when cash is received or paid. Increases and decreases in net position over time may serve as one indicator of whether the financial position of the District is improving or deteriorating but should be considered with additional factors as well.

Government-wide financial statements distinguish net position and the changes in net position between governmental activities, which are supported principally by taxes and intergovernmental revenues, and business-type activities, which are intended to recover all or a significant portion of their costs through user fees and charges. Most of the District's activities are reported as governmental activities as they are primarily financed by property taxes, state aid, and federal grants; however, the District purchased an office complex during fiscal year 2018 for future facility needs. Since approximately 29.4 percent of this facility was leased to tenants during the fiscal year, the rental activity for the complex is reported separately as a business-type entity in the government-wide financial statements. The government-wide financial statements can be found on pages 21-23 of this report.

**Fund Financial Statements.** The fund financial statements provide detailed information about the District's most significant funds as opposed to the District as a whole. Funds are accounting devices used to account for specific sources of funding and spending for particular purposes. State law and bond covenants require the District to establish some funds. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

The District's funds include three types: 1) governmental funds, 2) proprietary funds, and 3) fiduciary funds.

**Governmental Funds.** Most of the District's activities are reported in governmental funds. Governmental funds report on the modified accrual basis of accounting which focuses on 1) how cash and other financial resources can be readily converted to cash inflows and outflows and 2) the balances remaining at year-end available for future spending. The governmental fund statements provide a detailed short-term view of the District's operations and funds available to finance future operations. Because the focus and accounting methods are different for the governmental fund statements and the government-wide statements, reconciliation schedules are presented following each of the fund's financial statements. The governmental fund financial statements can be found on pages 24-30 of this report.

**Proprietary Funds.** Proprietary funds are used to account for operations that provide services and/or goods for a fee, whether to outside users or units within the District. Proprietary funds use the accrual basis of accounting similar to the government-wide financial statements. There are two types of proprietary funds, enterprise funds and internal service funds. Enterprise funds report the same functions presented as *business-type activities* in the government-wide financial statements. Internal service funds are an accounting tool used to accumulate and allocate costs internally among various functions. For a number of years, the District used an internal service fund to report activities for its self-funded workers' compensation insurance program. During fiscal year 2022, this fund represents only the residual claims from 2012-13 and prior, since the District began participation in a fully-insured workers' compensation program on July 1, 2013. The District's enterprise fund represents the transactions associated with the office complex purchase mentioned earlier. The rental activities of the complex are treated as an enterprise fund since it is partially leased to outside entities. The proprietary fund financial statements can be found on pages 31-33 of this report.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The District is the trustee, or fiduciary, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The District uses fiduciary funds to account for money raised by student activities. The fiduciary fund financial statements can be found on pages 34-35 of this report.

Table I below provides a concise view of the major features of the District's financial statements including the portion of the District they cover and types of information they contain.

| Table I<br>Major Features of the District's Financial Statements | | | | |
|---|---|---|---|---|
| | | Fund Statements | | |
| | **Government-wide Statements** | **Governmental Funds** | **Proprietary Funds** | **Fiduciary Funds** |
| Scope | Entire District (except fiduciary funds) | Activities of the District that are not proprietary or fiduciary | Activities of the District that charge fees for services and/or goods | Activities for which the District is the agent for other parties |
| Required financial statements | •Statement of Net Position<br>•Statement of Activities | •Balance Sheet<br>•Statement of Revenues, Expenditures and Changes in Fund Balance | •Statement of Net Position<br>•Statement of Revenues, Expenses and Changes in Fund Net Position<br>•Statement of Cash Flows | •Statement of Fiduciary Net Position<br>•Statement of Changes in Fiduciary Net Position |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus | Accrual accounting and economic resources focus |
| Type of asset/liability information | All assets and liabilities, both financial and capital, short-term and long-term | Only assets expected to be used up and liabilities to be paid during the year or soon thereafter; no capital assets or long-term debt | All assets and liabilities, both financial and capital, short-term and long-term | Only assets expected to be used up and liabilities to be paid during the year or soon thereafter; no capital assets or long-term debt |
| Type of inflow/outflow information | All revenues and expenses during the year, regardless of when cash is received or paid | Revenues for which cash is received during the year or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter | All revenues and expenses during the year, regardless of when cash is received or paid | All revenues and expenses during the year, regardless of when cash is received or paid |

**Notes to the Financial Statements.** The notes to the financial statements provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 37-68 of this report.

**Other Information**. In addition to the basic financial statements and accompanying notes, this report also includes certain *Required Supplementary Information* that further explains and supports the financial statements. Required supplementary information can be found on pages 71-77 of this report.

The combining statements for the District's various non-major funds are presented immediately following the required supplementary information beginning on page 82.

The Texas Education Agency (TEA) requires that certain information be included in this report. Those schedules can be found on pages 100-104. The Federal Awards Section of the report can be found on pages 107-118.

## Government-Wide Financial Analysis

In fiscal year 2018, the District adopted the GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions – which superseded GASB Statement No. 45. Statement No. 75 establishes financial reporting standards and/or accounting standards for state and local government defined other postemployment benefit (OPEB) plans and defined contribution OPEB plans. The adoption of this statement has no impact on the District's governmental fund financial statements. However, adoption has resulted in certain changes to the presentation of the District's government-wide financial statements. More information on the District's OPEB plan is available in Note 1 and Note 10.

During fiscal year 2022, the District implemented GASB Statement No. 87, *Leases*, (GASB 87) which establishes a single model for lease accounting that all leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset. A lessor is required to recognize a lease receivable and a deferred inflow of resources. The requirements for this statement were originally effective for reporting periods beginning after December 15, 2019; however, GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, (GASB 95), extended the effective date of GASB 87 to reporting periods beginning after June 15, 2021. While GASB 87 impacts both the governmental fund financial statements and the government-wide, the impact to the governmental fund statements only involves a reclassification of lease expenditures. There is no direct impact on general fund balance. More information is provided in Notes 1, 6, 7 and 18.

**Net Position – Governmental Activities.** For fiscal year 2022, the District’s unrestricted net position reflects a deficit due to reporting the District's proportionate share of the net OPEB liability, Texas Public School Retired Employees Group Program (TRS-Care). While the total district liability is reported in the governmental activities, the actual liability does not require the use of current resources at the fund level, which results in a timing difference since the TRS-Care plan is funded on a pay-as-you-go basis. The District has made all contractually required contributions as noted in the required supplementary information and has sufficient fund balance to meet the District's ongoing obligations to students and creditors. Detailed information about the OPEB liability is provided in Note 10.

Table II provides details on the changes in the Net Position from fiscal year 2021 to fiscal year 2022. At the end of fiscal year 2022, the District's net position for all activities was $60.6 million (see Table II).

**Table II**
**NET POSITION**

| | Governmental Activities | | Business-Type Activities | | Totals | | |
|---|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | % Change |
| Assets & Deferred Outflows of Resources | | | | | | | |
| Current and other assets | $ 221,587,611 | $ 259,774,178 | $ 11,864,084 | $ 1,790,504 | $ 233,451,695 | $ 261,564,682 | -10.75% |
| Capital assets | 496,904,276 | 479,491,997 | 9,959,225 | 10,275,982 | 506,863,501 | 489,767,979 | 3.49% |
| Total assets | 718,491,887 | 739,266,175 | 21,823,309 | 12,066,486 | 740,315,196 | 751,332,661 | -1.47% |
| Deferred outflows of resources | 36,526,896 | 41,420,031 | - | - | 36,526,896 | 41,420,031 | -11.81% |
| Total assets and deferred outflows of resources | 755,018,783 | 780,686,206 | 21,823,309 | 12,066,486 | 776,842,092 | 792,752,692 | -2.01% |
| Liabilities & Deferred Inflows of Resources | | | | | | | |
| Other liabilities | 70,571,905 | 82,393,700 | 141,458 | 167,656 | 70,713,363 | 82,561,356 | -14.35% |
| Long-term liabilities outstanding | 542,136,299 | 620,520,878 | 34,469 | 34,469 | 542,170,768 | 620,555,347 | -12.63% |
| Total liabilities | 612,708,204 | 702,914,578 | 175,927 | 202,125 | 612,884,131 | 703,116,703 | -12.83% |
| Deferred inflows of resources | 94,098,306 | 66,390,954 | 9,268,124 | - | 103,366,430 | 66,390,954 | 55.69% |
| Total liabilities and deferred inflows of resources | 706,806,510 | 769,305,532 | 9,444,051 | 202,125 | 716,250,561 | 769,507,657 | -6.92% |
| Net Position | | | | | | | |
| Net investment in capital assets | 61,098,596 | 47,976,749 | 9,959,225 | 10,275,982 | 71,057,821 | 58,252,731 | 21.98% |
| Restricted | 30,802,789 | 27,375,282 | - | - | 30,802,789 | 27,375,282 | 12.52% |
| Unrestricted | (43,689,112) | (63,971,357) | 2,420,033 | 1,588,379 | (41,269,079) | (62,382,978) | -33.85% |
| Total Net Position | $ 48,212,273 | $ 11,380,674 | $ 12,379,258 | $ 11,864,361 | $ 60,591,531 | $ 23,245,035 | 160.66% |

The unrestricted portion of net position for the governmental activities was a negative $43.7 million. If not for the $106.5 million in GASB 75 liabilities (net of deferred outflows and deferred inflows of resources), the District's unrestricted net position would be positive.

Another area of net position includes approximately $61.1 million for investment in capital assets less related outstanding debt to purchase those assets. The District's investment in capital assets includes land, buildings, furniture/equipment and construction in progress. Due to the nature of these assets, they are not available for future spending. Although the District's investment in capital assets is reported net of debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

Restricted net position of $30.8 million is used predominately in food service and debt service and is not available for spending other than the purpose for which it is restricted.

Table III provides details for fiscal year 2022 governmental activities and business-type activities. Net position increased for fiscal year 2022 by approximately $37.3 million.

**Table III**
**Changes in Net Position**

| | Governmental Activities | | Business-Type Activities | | Totals | | % Change |
|---|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | |
| Revenues: | | | | | | | |
| Program Revenues: | | | | | | | |
| Charges for services | $ 5,961,296 | $ 3,434,296 | $ 1,275,888 | $ 1,354,107 | $ 7,237,184 | $ 4,788,403 | 51.14% |
| Operating grants and contributions | 59,788,356 | 61,223,175 | - | - | 59,788,356 | 61,223,175 | -2.34% |
| General Revenues: | | | | | | | |
| Property taxes | 162,947,761 | 158,583,258 | - | - | 162,947,761 | 158,583,258 | 2.75% |
| State aid and unrestricted grants | 81,430,774 | 84,206,036 | - | - | 81,430,774 | 84,206,036 | -3.30% |
| Investment earnings | 28,010 | 358,116 | 4,043 | 943 | 32,053 | 359,059 | -91.07% |
| Miscellaneous | 2,744,658 | 845,087 | - | - | 2,744,658 | 845,087 | 224.78% |
| Total Revenues | 312,900,855 | 308,649,968 | 1,279,931 | 1,355,050 | 314,180,786 | 310,005,018 | 1.35% |
| Expenses: | | | | | | | |
| Instruction, curriculum and media services | 159,944,839 | 176,229,771 | - | - | 159,944,839 | 176,229,771 | -9.24% |
| Instructional and school leadership | 16,590,499 | 18,718,183 | - | - | 16,590,499 | 18,718,183 | -11.37% |
| Student support services | 20,870,864 | 21,233,628 | - | - | 20,870,864 | 21,233,628 | -1.71% |
| Food services | 12,207,182 | 10,237,548 | - | - | 12,207,182 | 10,237,548 | 19.24% |
| Cocurricular/extracurricular activities | 7,065,782 | 6,657,075 | - | - | 7,065,782 | 6,657,075 | 6.14% |
| General administration | 6,774,536 | 7,397,789 | - | - | 6,774,536 | 7,397,789 | -8.42% |
| Plant maintenance, security and data processing | 35,908,641 | 34,411,809 | - | - | 35,908,641 | 34,411,809 | 4.35% |
| Community services | 723,773 | 640,180 | - | - | 723,773 | 640,180 | 13.06% |
| Debt service | 15,449,070 | 15,932,248 | - | - | 15,449,070 | 15,932,248 | -3.03% |
| Intergovernmental charges | 534,070 | 568,976 | - | - | 534,070 | 568,976 | -6.13% |
| Total Expenses | 276,069,256 | 292,027,207 | - | - | 276,069,256 | 292,027,207 | -5.46% |
| Business Type Activities | | | | | | | |
| Rental Property | - | - | 765,034 | 739,869 | 765,034 | 739,869 | 3.40% |
| Increase in net position | 36,831,599 | 16,622,761 | 514,897 | 615,181 | 37,346,496 | 17,237,942 | |
| Beginning net position | 11,380,674 | (5,242,087) | 11,864,361 | 11,249,180 | 23,245,035 | 6,007,093 | |
| Ending net position | $ 48,212,273 | $ 11,380,674 | $ 12,379,258 | $ 11,864,361 | $ 60,591,531 | $ 23,245,035 | -160.66% |

**Revenues.** Table III indicates fiscal year 2022 overall revenue increased by $4.1 million or 1.3 percent. Property tax revenue increased due to increasing property values. While the tax rate declined in fiscal year 2022, the assessed property values were approximately 6.2 percent higher than in fiscal year 2021. Charges for services increased as students returned from COVID-19 leave and school activities resumed. These increases in revenue were offset by a decrease in operating grants and contributions, State funding, and investment earnings. State revenue was reduced due to lower student enrollment and attendance. Hold harmless funds for declining enrollment due to COVID-19 were not provided in fiscal year 2022. Investment earnings decreased due to continued interest rate declines and market changes in longer term investments. The revenue and expenses related to the office complex are recorded as business-type activities. The business-type activities consist primarily of rental income as tenants occupy approximately 29.4 percent of the facility.

Figures 1 and 2 depict the District's revenue sources for fiscal year 2022 and 2021. The graphs show that property taxes are the primary source of revenue for the District followed by state aid and operating grants.

Figure 1

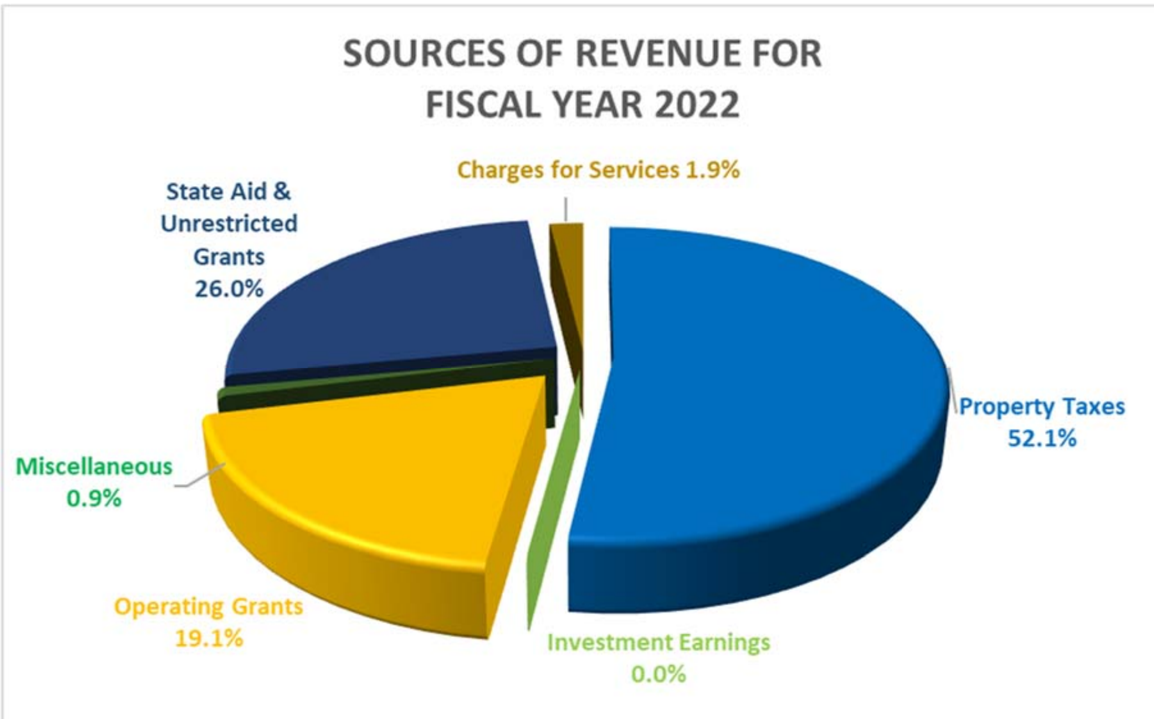
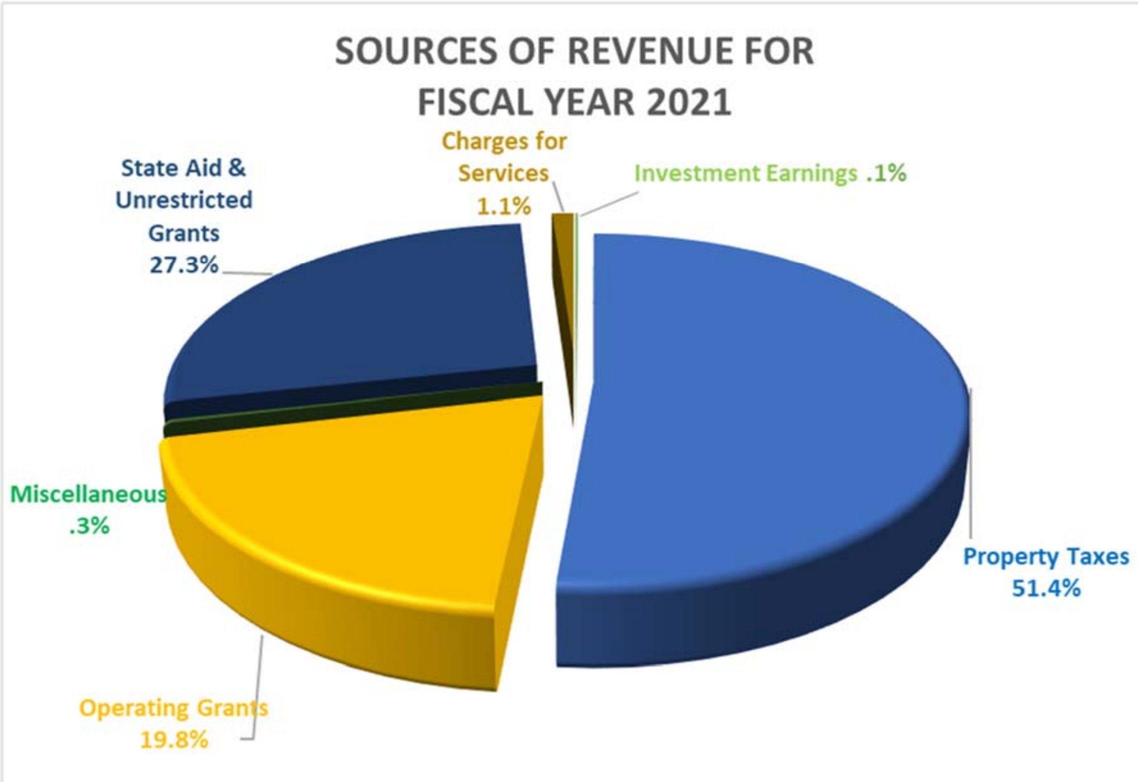


Figure 2




**Expenses.** Fiscal year 2022 expenses as compared to fiscal year 2021 expenses decreased by 5.5 percent. Expenses are shown in Table III by functional categories that reflect the purpose of the transaction. Various operating expenses are reflected in each functional category. Total expenses in the current fiscal year were $276.1 million.

OPEB and pension liability changes created the largest decreases in expenditures. Decreases in instructional services, instructional and school leadership, and student support services were also impacted from the ongoing impacts of the COVID-19 pandemic. The district had a lower student enrollment as well as a lower attendance rate. In addition, staffing shortages contributed to a large number of vacant positions throughout the year.

Figure 3 graphically depicts the total expenses of the District by function, while Table IV presents the cost of the District's largest programs.

Figure 3

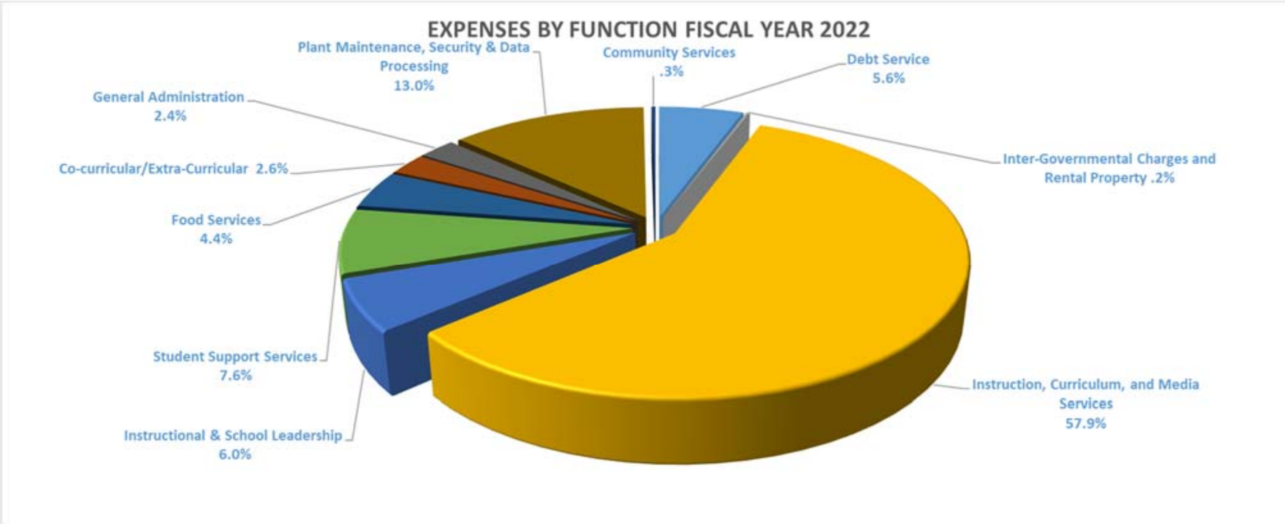



Table IV
Costs of Services for Major Functions

| | Total Cost of Services | | |
|---|---|---|---|
| | 2022 | 2021 | % Change |
| Instruction, Curriculum, & Media Services | $ 159,944,839 | $ 176,229,771 | -9.24% |
| Maintenance, Security, & Data Processing | 35,908,641 | 34,411,809 | 4.35% |
| Student Support Services | 20,870,864 | 21,233,628 | -1.71% |
| Instruction and School Leadership | 16,590,499 | 18,718,183 | -11.37% |

**Financial Analysis of the District's Funds**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, bond covenants, and segregation for particular purposes.

**Governmental Funds.** The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements and may serve as a useful measure of the District's net resources available for spending at the end of a fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined fund balances of $182.4 million (as presented in the Balance Sheet on pages 24-25), a decrease of $25.1 million from the prior year. General Fund expenditures were lower in fiscal year 2022 by $1.7 million based lower student enrollment and position vacancies throughout the year.

The following non-spendable and restricted items, which total $65,017,278 or 35.6 percent of fund balances, are either unavailable for new spending or limited to specific types of expenditures due to legal restrictions:

| | |
|---|---|
| • Inventories & Prepaid Items | $ 1,314,227 |
| • Food Services | 6,159,898 |
| • Other Restricted Grants | 13,619 |
| • Debt Service | 29,822,119 |
| • Capital Projects | 27,707,415 |
| **Total** | **$ 65,017,278** |

An additional 38.6 percent of fund balance, or $70,331,211, has been committed by the District's Board of Trustees for specific purposes. While technically not available for legal expenditures, these funds are nonetheless at the control of the District. The committed purposes are:

| | |
|---|---|
| • General Fund Reserves | $ 32,657,385 |
| • General Fund Property Purchase | 7,750,000 |
| • General Fund Capital Projects | 3,314,201 |
| • General Fund Other | 2,828,065 |
| • Legacy Fund | 9,077,059 |
| • Other Capital Projects | 10,175,111 |
| • Compensated Absences | 2,600,000 |
| • Campus Activity | 1,846,512 |
| • Other Special Revenue Funds | 82,878 |
| **Total** | **$ 70,331,211** |

The General Fund is the primary operating fund of the District. As a measure of the General Fund's liquidity, it may be useful to compare both available fund balance and total fund balance to total fund expenditures. At the end of the current fiscal year, the total fund balance of the General Fund was $97.1 million which represents 48.1 percent of fiscal year 2022 General Fund expenditures. Of the total fund balance, the District's Board of Trustees elected to commit 15 percent of the fiscal year 2023 General Fund expenditures budget as the minimum reserve or committed fund balance of $32.7 million to be combined with $2.6 million for future payments for compensated absences; $7.75 million for a property purchase currently under contract; $3.3 million for capital projects committed at year end; and $2.8 million committed for other purposes. At June 30, 2022, the total committed fund balance in the general fund was $49.1 million.

The District underspent revenues by $13.2 million for the year. This excess is related to continued underspending due to COVID-19 and utilizing ESSER funds to supplant general fund salaries.

The fund balance of the Debt Service Fund decreased $0.6 million from the prior year. The entire ending fund balance of $29.8 million is restricted for the payment of debt service.

The Capital Projects Fund decreased around $39.8 million during the year as the District nearly completed four campuses under the 2018 Bond program.

The District's Nonmajor Funds ended the fiscal year with a fund balance of $17.6 million, which was a $4.7 million increase compared to the prior year fund balance of $12.9 million. Revenues typically approximate expenditures in these funds as grant monies are generally earned when expended. Most of the restricted fund balance of $6.2 million is restricted for the Child Nutrition Program. This is an increase of $3.5 million compared to the prior year. This increase in fund balance is attributed to students returning to campuses and increased funding through the National School Lunch program. In 2022, all students were eligible for free meals which significantly increased participation rates.

**Proprietary Funds.** The District has two proprietary funds. One is an internal service fund to process the remaining claims from a self-funded workers' compensation program that ended on June 30, 2013. On July 1, 2013, the District moved to a fully-insured workers' compensation plan. This internal service fund exists to handle the residual claims for accidents that occurred prior to July 1, 2013. At year-end, the fund had $644,493 in total net position representing an increase from the prior year of $30,016.

An enterprise fund was established during fiscal year 2018 to process the operational revenue and expenses related to the office complex mentioned earlier. This complex, purchased during fiscal year 2018, is partially leased to outside entities and available for District operations. At year-end, the fund had approximately $12.4 million in total net position, an increase of $514,897 from the prior year as a result of revenues over expenditures. This fund was impacted by the implementation of GASB 87. A lease receivable of $9.4 million was recorded as an asset with a corresponding deferred inflow of $9.3 million. The overall impact of GASB 87 on net position was not material.

**General Fund Budgetary Highlights.** Over the course of the year, the District revised its budget several times. In accordance with Board Policy CE (Local), the District submitted amendments during the course of the budget year to the Board of Trustees for approval. Several large budget amendments were approved during the year. In July 2021, the Board approved a budget amendment of around $4.1 million of incomplete projects from the 2020-21 budget year. In October, general fund revenue was reduced by $10 million to reflect the decrease in enrollment for fiscal year 2022. The final amended budget reflected reduced salaries due to vacancies and salaries supplanted by ESSER II and III.

## Capital Assets and Debt Administration

**Capital Assets.** As of June 30, 2022, the District had invested approximately $506.9 million in a broad range of capital assets, including land, equipment, and buildings, less depreciation (see Table V). Net capital assets increased approximately $17.1 million from the prior year. The increase is a result of construction in progress associated with 2018 bond election.

More detailed information about the District’s capital assets is presented in the Notes to the Financial Statements.

Table V
Capital Assets
(Net of Depreciation)

| | 2022 | 2021 | % Change |
|---|---|---|---|
| Land | $ 21,296,730 | $ 21,027,566 | 1.28% |
| Buildings and Improvements | 277,645,840 | 277,724,878 | -0.03% |
| Furniture and Equipment | 18,187,180 | 13,572,558 | 34.00% |
| Right to Use Leases Assets | 449,772 | - | |
| Construction-in-Progress | 189,283,979 | 177,442,977 | 6.67% |
| Totals | $ 506,863,501 | $ 489,767,979 | 3.49% |

**Long-Term Debt.** The District had $574.3 million in long-term debt at year-end, a decrease of $75.3 million or 11.6 percent from the prior year. Major debt reductions included just $39.5 million in the liabilities related to the GASB 68 OPEB and bond premium payments.

During fiscal year 2022, the District has continued the practice of setting a maximum maturity for facility bonds of no longer than 25 years and an average five-year maturity for technology equipment purchases.

**Table VI**
**Long-Term Debt**

| | Governmental Activities | | |
|---|---|---|---|
| | 2022 | 2021 | % Change |
| Bonds Payable | $ 408,955,000 | $ 440,840,000 | -7.23% |
| Bond Premiums | 58,330,159 | 62,456,608 | -6.61% |
| Compensated Absences | 2,760,552 | 2,930,121 | -5.79% |
| Leases | 442,347 | - | 100.00% |
| Net Pension Liability | 34,744,308 | 74,224,260 | -53.19% |
| Net OPEB Liability | 69,045,260 | 69,137,196 | -0.13% |
| Totals | $ 574,277,626 | $ 649,588,185 | -11.59% |

More detailed information about the District's debt is presented in the Notes to the Financial Statements.

**Bond Ratings.** The bonds have a municipal bond rating of "AAA" by Standard & Poor's Ratings Services ("S&P") and "AAA" by Fitch Ratings (Fitch) based upon the Permanent School Fund Guarantee of the State of Texas ("PSF Guarantee"). The underlying or secondary credit ratings for the District are "AA" by S&P and "AA+" by Fitch.

## Economic Factors and Next Year's Budgets and Rates

Budget planning for fiscal year 2022 in the spring of 2021 was positive. COVID-19 cases dropped significantly with hopes enrollment would rebound for the 2022 fiscal year. Information from the District's demographer indicated the District enrollment would increase around one percent as all students were required to return to school as online learning was no longer permitted. The TEA had held districts harmless against enrollment drops for the prior 2021 fiscal year providing additional funds for the District. Spending during the previous 2021 fiscal year had also been low due to COVID-19 restrictions which provided significant additional funds for proposed one-time projects during the 2022 budget planning. Property values were not expected to grow significantly, but with new funding formulas, values have very little impact on overall general fund revenues.

As the beginning of the 2022 school year approached, a new variant of COVID-19 appeared. Although vaccines were available for students over 12, they were not available for younger students when school started in August 2021. As a result, the District's enrollment dropped around 500 students compared with projections in the K-5 grades as parents opted for alternative learning through homeschooling, online campuses, and private schools. Unlike fiscal year 2021, the State did not hold districts harmless for enrollment drops. However, since the resurgence of COVID-19 during the fall created low attendance around the state, the TEA provided attendance hold harmless funds for the first four six-week periods, if district attendance dropped below pre-COVID-19 numbers.

Federal ESSER I and II funds had been used by the TEA in the two prior years to offset enrollment hold harmless funding. For the 2022 fiscal year, districts could utilize the remaining ESSER II and the new ESSER III funds to supplant general fund salaries. ESSER II provided around $5.3 million and ESSER III around $3 million of supplanted salaries for the District. ESSER II will be available for both fiscal year 2022 and 2023. ESSER III will be available through fiscal year 2024. The use of ESSER funds provides the time needed to regain lost students and trim budgets.

The general fund balance increased around $10.7 million at year end due to ESSER supplanted salaries and underspending from employee vacancies. These surplus funds were allocated to a number of facility projects and equipment purchases for the 2023 fiscal year. Ending general fund balance increased to $97.1 million or around 48 percent of expenditures at the end of fiscal year 2022.

Final fiscal year 2022 property values grew slightly higher than expected at just over six percent. While tax values have little impact on the overall general fund revenue, the additional revenue provided the Debt Service Fund the ability to pre-pay additional principal of $2.975 million for fiscal year 2022.

For fiscal year 2023, the District projected flat enrollment and property value growth of six percent. The District continued supplanting salaries with ESSER II and III funds along with strategic budget cuts. Limited increases were proposed with the adopted budget, but three percent raises were provided to ensure the District remained competitive with area districts. With general fund balance growth, the District elected to adopt a $5.99 million deficit budget. With a Legislative session scheduled for the spring of 2023, additional funding should be provided to districts since no significant increases in funding have occurred since 2019.

Certified property values for 2023 increased just under ten percent, significantly higher than projections. Texas voters approved an increase in the State homestead exemption from $25,000 to $40,000. Without the change in homestead exemption, the District values would have increased over 13 percent. The fiscal year 2023 maintenance and operations (M&O) tax rate under HB3 is calculated by TEA and reflects a decrease from $0.9241 to $0.8659 per $100 of property valuation. This is the maximum rate allowed without a tax ratification election.

In regard to the Debt Service Fund, the District adopted a tax rate of $0.4139 per $100 of property value reflecting no increase over the prior year. The adopted tax rate is 1.35 cents lower than projected in the 2014 bond election and represents the rate promised to voters during the 2018 Bond election. The Board was able to approve a bond principal prepayment of $7.45 million for the 2023 fiscal year due to increased property values. The District has prepaid over $28.9 million in bond principal over the last eight years saving taxpayers $20.2 million in interest payments.

**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 money it receives. If you have questions about this report or need additional financial information, contact the District's Finance Department.

# Basic Financial Statements

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**Birdville Independent School District** **Exhibit A-1**

Statement of Net Position

June 30, 2022

| Data Control Codes | | Governmental Activities | Primary Government Business-Type Activities | Total |
|---|---|---|---|---|
| | **ASSETS** | | | |
| 1110 | Cash and cash equivalents | $ 4,392,333 | $ 83,216 | $ 4,475,549 |
| 1120 | Investments - current | 172,370,734 | 2,176,550 | 174,547,284 |
| 1220 | Property taxes receivable (delinquent) | 8,884,053 | - | 8,884,053 |
| 1230 | Allowance for uncollectible taxes | (2,524,237) | - | (2,524,237) |
| 1240 | Due from other governments | 22,244,439 | - | 22,244,439 |
| 1250 | Accrued interest | 59,845 | - | 59,845 |
| 1290 | Other receivables | 3,750,941 | 840,932 | 4,591,873 |
| 1300 | Inventories | 1,152,863 | - | 1,152,863 |
| 1410 | Prepaid items | 161,364 | 225,613 | 386,977 |
| | Capital assets: | | | |
| 1510 | Land | 19,436,782 | 1,859,948 | 21,296,730 |
| 1520 | Buildings, net | 269,546,563 | 8,099,277 | 277,645,840 |
| 1530 | Furniture and equipment, net | 18,187,180 | - | 18,187,180 |
| 1550 | Right to use leases assets - equipment, net | 449,772 | - | 449,772 |
| 1580 | Construction in progress | 189,283,979 | - | 189,283,979 |
| 1990 | Long-term rent receivable | - | 8,537,773 | 8,537,773 |
| 1910 | Long-term investments | 11,095,276 | - | 11,095,276 |
| 1000 | Total assets | 718,491,887 | 21,823,309 | 740,315,196 |
| | **DEFERRED OUTFLOWS OF RESOURCES** | | | |
| 1701 | Deferred loss on bond refundings | 4,214,411 | - | 4,214,411 |
| 1705 | Deferred outflows - pension | 18,400,004 | - | 18,400,004 |
| 1706 | Deferred outflows - OPEB | 13,912,481 | - | 13,912,481 |
| 1700 | Total deferred outflows of resources | 36,526,896 | - | 36,526,896 |
| | **LIABILITIES** | | | |
| 2110 | Accounts payable | 3,836,462 | 29,204 | 3,865,666 |
| 2140 | Accrued interest payable | 6,820,284 | - | 6,820,284 |
| 2150 | Payroll deductions & withholdings | 2,079,407 | - | 2,079,407 |
| 2160 | Accrued wages payable | 24,243,646 | - | 24,243,646 |
| 2190 | Due to student groups | 609,195 | - | 609,195 |
| 2200 | Accrued expenses | - | 43,832 | 43,832 |
| 2300 | Unearned revenue | 841,584 | 68,422 | 910,006 |
| | Noncurrent liabilities: | | | |
| 2501 | Due within one year | 32,141,327 | - | 32,141,327 |
| 2502 | Due in more than one year | 438,346,731 | - | 438,346,731 |
| 2540 | Net pension liability (District's share) | 34,744,308 | - | 34,744,308 |
| 2545 | Net OPEB liability (District's share) | 69,045,260 | - | 69,045,260 |
| 2590 | Other long term liabilities | - | 34,469 | 34,469 |
| 2000 | Total liabilities | 612,708,204 | 175,927 | 612,884,131 |
| | **DEFERRED INFLOWS OF RESOURCES** | | | |
| 2605 | Deferred inflows - pension | 41,132,240 | - | 41,132,240 |
| 2606 | Deferred inflows - OPEB | 51,400,792 | - | 51,400,792 |
| 2607 | Deferred inflows - leases | 1,565,274 | 9,268,124 | 10,833,398 |
| 2600 | Total deferred inflows of resources | 94,098,306 | 9,268,124 | 103,366,430 |
| | **NET POSITION** | | | |
| 3200 | Net investment in capital assets | 61,098,596 | 9,959,225 | 71,057,821 |
| 3820 | Restricted for federal and state programs | 6,173,517 | - | 6,173,517 |
| 3850 | Restricted for debt service | 24,629,272 | - | 24,629,272 |
| 3900 | Unrestricted | (43,689,112) | 2,420,033 | (41,269,079) |
| 3000 | **TOTAL NET POSITION** | $ 48,212,273 | $ 12,379,258 | $ 60,591,531 |

The Notes to the Financial Statements are an integral part of this statement.

**Birdville Independent School District**
Statement of Activities
For the Fiscal Year Ended June 30, 2022

| Data Control Codes | Functions/Programs | 1 Expenses | Program Revenues 3 Charges for Services | Program Revenues 4 Operating Grants and Contributions |
|---|---|---|---|---|
| | **PRIMARY GOVERNMENT** | | | |
| | Governmental activities: | | | |
| 11 | Instruction | $ 146,687,140 | $ 1,528,653 | $ 26,747,871 |
| 12 | Instructional resources and media services | 2,703,758 | - | 90,550 |
| 13 | Curriculum and instructional staff development | 10,553,941 | - | 8,196,728 |
| 21 | Instructional leadership | 3,751,093 | - | 915,105 |
| 23 | School leadership | 12,839,406 | - | 1,475,905 |
| 31 | Guidance, counseling and evaluation services | 12,293,601 | - | 4,462,328 |
| 32 | Social work services | 304,518 | - | 55,615 |
| 33 | Health services | 2,479,574 | - | 20,638 |
| 34 | Student (pupil) transportation | 5,793,171 | - | 168,122 |
| 35 | Food services | 12,207,182 | 875,344 | 15,155,854 |
| 36 | Extracurricular activities | 7,065,782 | 3,557,299 | 1,150,930 |
| 41 | General administration | 6,774,536 | - | 60,178 |
| 51 | Facilities maintenance and operations | 25,791,774 | - | 382,946 |
| 52 | Security and monitoring services | 2,189,695 | - | 247,629 |
| 53 | Data processing services | 7,927,172 | - | - |
| 61 | Community services | 723,773 | - | 591,749 |
| 72 | Debt service - interest on long-term debt | 15,449,070 | - | - |
| 93 | Payments to fiscal agents SSA | 531,361 | - | 66,208 |
| 95 | Payments to juvenile justice alternative education programs | 2,709 | - | - |
| | Total governmental activities | 276,069,256 | 5,961,296 | 59,788,356 |
| | Business-type activities: | | | |
| | Rental Property | 765,034 | 1,275,888 | - |
| | Total business-type activities | 765,034 | 1,275,888 | - |
| TP | **TOTAL PRIMARY GOVERNMENT** | $ 276,834,290 | $ 7,237,184 | $ 59,788,356 |

| Data Control Codes | |
|---|---|
| | General revenues: |
| | Taxes: |
| MT | Property taxes, levied for general purposes |
| DT | Property taxes, levied for debt service |
| SF | State aid - formula grants |
| IE | Investment earnings |
| MI | Miscellaneous local and intermediate revenue |
| TR | Total general revenues |
| CN | Change in net position |
| NB | Net position - beginning |
| NE | **NET POSITION ENDING** |

The Notes to the Financial Statements are an integral part of this statement.

| Net (Expense) Revenue and Changes in Net Position | | |
|---|---|---|
| 6 | | |
| Primary Government | | |
| Governmental Activities | Business-Type Activities | Total |
| $ (118,410,616) | $ - | $ (118,410,616) |
| (2,613,208) | - | (2,613,208) |
| (2,357,213) | - | (2,357,213) |
| (2,835,988) | - | (2,835,988) |
| (11,363,501) | - | (11,363,501) |
| (7,831,273) | - | (7,831,273) |
| (248,903) | - | (248,903) |
| (2,458,936) | - | (2,458,936) |
| (5,625,049) | - | (5,625,049) |
| 3,824,016 | - | 3,824,016 |
| (2,357,553) | - | (2,357,553) |
| (6,714,358) | - | (6,714,358) |
| (25,408,828) | - | (25,408,828) |
| (1,942,066) | - | (1,942,066) |
| (7,927,172) | - | (7,927,172) |
| (132,024) | - | (132,024) |
| (15,449,070) | - | (15,449,070) |
| (465,153) | - | (465,153) |
| (2,709) | - | (2,709) |
| (210,319,604) | - | (210,319,604) |
| - | 510,854 | 510,854 |
| - | 510,854 | 510,854 |
| $ (210,319,604) | $ 510,854 | $ (209,808,750) |
| 112,691,328 | - | 112,691,328 |
| 50,256,433 | - | 50,256,433 |
| 81,430,774 | - | 81,430,774 |
| 28,010 | 4,043 | 32,053 |
| 2,744,658 | - | 2,744,658 |
| 247,151,203 | 4,043 | 247,155,246 |
| 36,831,599 | 514,897 | 37,346,496 |
| 11,380,674 | 11,864,361 | 23,245,035 |
| $ 48,212,273 | $ 12,379,258 | $ 60,591,531 |

**Birdville Independent School District**
Balance Sheet
Governmental Funds
June 30, 2022

| Data Control Codes | | 10 General Fund | 50 Debt Service Fund | 60 Capital Projects |
|---|---|---|---|---|
| | **ASSETS** | | | |
| 1110 | Cash and cash equivalents | $ 4,389,833 | $ - | $ - |
| 1120 | Investments- current | 94,586,545 | 28,077,914 | 36,301,092 |
| 1220 | Property taxes (delinquent) | 6,610,679 | 2,273,374 | - |
| 1230 | Allowance for uncollectible taxes | (1,878,300) | (645,937) | - |
| 1240 | Due from other governments | 14,429,279 | 5,392 | - |
| 1250 | Accrued Interest | 25,146 | - | 1,569 |
| 1260 | Due from other funds | 2,347,576 | 783,679 | 21,387 |
| 1290 | Other receivables | 2,250,886 | 628,336 | - |
| 1300 | Inventories | 788,829 | - | - |
| 1410 | Prepaid items | 138,339 | - | - |
| 1910 | Long-term investments | 2,762,570 | - | 3,868,988 |
| 1000 | **TOTAL ASSETS** | $ 126,451,382 | $ 31,122,758 | $ 40,193,036 |
| | **LIABILITIES** | | | |
| 2110 | Accounts payable | $ 1,512,551 | $ - | $ 2,223,698 |
| 2150 | Payroll deductions and withholdings | 2,055,714 | - | - |
| 2160 | Accrued wages payable | 19,670,212 | - | - |
| 2170 | Due to other funds | 783,679 | - | 86,812 |
| 2190 | Due to others | 395,836 | - | - |
| 2300 | Unearned revenue | - | - | - |
| 2000 | Total liabilities | 24,417,992 | - | 2,310,510 |
| | **DEFERRED INFLOWS OF RESOURCES** | | | |
| 2601 | Deferred revenue - property taxes | 4,068,967 | 1,300,639 | - |
| 2602 | Deferred inflow - leases | 838,149 | - | - |
| 2600 | Total deferred inflows of resources | 4,907,116 | 1,300,639 | - |
| | **FUND BALANCES** | | | |
| | Non-spendable fund balance: | | | |
| 3410 | Inventories | 788,829 | - | - |
| 3430 | Prepaid items | 138,339 | - | - |
| | Restricted fund balance: | | | |
| 3450 | Federal and state funds grant | - | - | - |
| 3470 | Capital acquisition and contractual obligation | - | - | 27,707,415 |
| 3480 | Retirement of long-term debt | - | 29,822,119 | - |
| | Committed fund balance: | | | |
| 3545 | Other committed fund balance | 49,149,651 | - | 10,175,111 |
| | Assigned fund balance: | | | |
| 3590 | Other assigned fund balance | 31,090,109 | - | - |
| 3600 | Unassigned fund balance | 15,959,346 | - | - |
| 3000 | Total fund balances | 97,126,274 | 29,822,119 | 37,882,526 |
| 4000 | **TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES** | $ 126,451,382 | $ 31,122,758 | $ 40,193,036 |

The Notes to the Financial Statements are an integral part of this statement.

| Nonmajor Funds | 98 Total Governmental Funds |
|---|---|
| $ 2,500 | $ 4,392,333 |
| 12,736,997 | 171,702,548 |
| - | 8,884,053 |
| - | (2,524,237) |
| 7,809,768 | 22,244,439 |
| 33,130 | 59,845 |
| 2,701,492 | 5,854,134 |
| 871,719 | 3,750,941 |
| 364,034 | 1,152,863 |
| 23,025 | 161,364 |
| 4,463,718 | 11,095,276 |
| $ 29,006,383 | $ 226,773,559 |
| $ 100,213 | $ 3,836,462 |
| - | 2,055,714 |
| 4,573,434 | 24,243,646 |
| 4,983,643 | 5,854,134 |
| 213,359 | 609,195 |
| 841,584 | 841,584 |
| 10,712,233 | 37,440,735 |
| - | 5,369,606 |
| 727,125 | 1,565,274 |
| 727,125 | 6,934,880 |
| 364,034 | 1,152,863 |
| 23,025 | 161,364 |
| 6,173,517 | 6,173,517 |
| - | 27,707,415 |
| - | 29,822,119 |
| 11,006,449 | 70,331,211 |
| - | 31,090,109 |
| - | 15,959,346 |
| 17,567,025 | 182,397,944 |
| $ 29,006,383 | $ 226,773,559 |

**Birdville Independent School District** **Exhibit C-2**

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2022

| | | |
|---|---|---|
| **TOTAL FUND BALANCE - GOVERNMENTAL FUNDS** | $ | 182,397,944 |
| The District uses an internal service fund to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. The net effect is to increase net position. | | 644,493 |
| Capital assets, including right to use leased assets, used in governmental activities are not current financial resources, and therefore, are not reported in the fund financial statements. | | 877,661,781 |
| Accumulated depreciation/amortization is not reported in the fund financial statements. | | (380,757,505) |
| Bonds, loans and leases payable are not reported in the fund financial statements. | | (409,397,347) |
| Bond premiums on outstanding bonds payable are not reported in the fund financial statements. | | (58,330,159) |
| Revenue from property taxes is reported as deferred revenue in the fund financial statements but is recognized as revenue in the government-wide financial statements. | | 5,369,606 |
| Accrued liabilities for compensated absences are not recorded in the fund financial statements. | | (2,760,552) |
| Interest on outstanding debt is accrued in the government-wide financial statements, whereas in the fund financial statements interest expenditures are recorded when due. | | (6,820,284) |
| The deferred charge on bond refundings is not recorded in the fund financial statements, but is shown as a deferred outflow of resources in the government-wide financial statements. | | 4,214,411 |
| Included in the items related to government-wide long-term debt is the recognition of the District's proportionate share of the net pension liability in the amount of $34,744,308, deferred outflows of resources related to pension in the amount of $18,400,004 and deferred inflows of resources related to pension in the amount of $41,132,240 cumulatively resulting in a decrease in net position in the amount of $57,476,544. | | (57,476,544) |
| Included in the items related to government-wide long-term debt is the recognition of the District's proportionate share of the net OPEB liability in the amount of $69,045,260, deferred outflows of resources related to OPEB in the amount of $13,912,481, and deferred inflows of resources related to OPEB in the amount of $51,400,792 cumulatively resulting in a decrease in net position in the amount of $106,533,571. | | (106,533,571) |
| **NET POSITION OF GOVERNMENTAL ACTIVITIES** | $ | 48,212,273 |

The Notes to the Financial Statements are an integral part of this statement.

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**Birdville Independent School District**
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2022

| Data Control Codes | | 10 General Fund | 50 Debt Service Fund | 60 Capital Projects |
|---|---|---|---|---|
| | **REVENUES** | | | |
| 5700 | Local and intermediate | $ 115,535,666 | $ 50,312,412 | $ (18,136) |
| 5800 | State program revenues | 92,001,212 | 584,547 | - |
| 5900 | Federal program revenues | 7,556,811 | - | 630,274 |
| 5020 | Total revenues | 215,093,689 | 50,896,959 | 612,138 |
| | **EXPENDITURES** | | | |
| | Current: | | | |
| 0011 | Instruction | 117,503,324 | - | 27,904 |
| 0012 | Instructional resources and media services | 2,751,713 | - | - |
| 0013 | Curriculum and instructional staff development | 4,849,977 | - | - |
| 0021 | Instructional leadership | 3,365,000 | - | - |
| 0023 | School leadership | 12,574,984 | - | - |
| 0031 | Guidance, counseling and evaluation services | 9,681,860 | - | - |
| 0032 | Social work services | 275,951 | - | - |
| 0033 | Health services | 2,659,627 | - | - |
| 0034 | Student (pupil) transportation | 5,018,841 | - | 299,781 |
| 0035 | Food services | - | - | - |
| 0036 | Extracurricular activities | 5,283,461 | - | - |
| 0041 | General administration | 6,861,855 | - | - |
| 0051 | Facilities maintenance and operations | 22,681,006 | - | 1,020,395 |
| 0052 | Security and monitoring services | 1,467,157 | - | 49,580 |
| 0053 | Data processing services | 5,060,275 | - | 143,852 |
| 0061 | Community services | 291,966 | - | - |
| | Debt service: | | | |
| 0071 | Principal and interest on long-term debt | 312,781 | 51,535,060 | - |
| | Capital outlay: | | | |
| 0081 | Facilities acquisition and construction | 14,022 | - | 41,395,045 |
| | Intergovernmental: | | | |
| 0093 | Payments to fiscal agents SSA | 480,521 | - | - |
| 0095 | Payments to juvenile justice alternative education programs | 2,709 | - | - |
| 0099 | Other intergovernmental charges | 758,811 | - | - |
| 6030 | Total expenditures | 201,895,841 | 51,535,060 | 42,936,557 |
| 1100 | Excess (deficiency) of revenues over (under) expenditures | 13,197,848 | (638,101) | (42,324,419) |
| | **OTHER FINANCING SOURCES (USES)** | | | |
| 7915 | Transfers in | - | - | 2,768,153 |
| 8911 | Transfers out | (2,533,341) | - | (234,812) |
| 7080 | Total other financing sources (uses) | (2,533,341) | - | 2,533,341 |
| 1200 | Net change in fund balances | 10,664,507 | (638,101) | (39,791,078) |
| 0100 | Fund balance - July 1 (beginning) | 86,461,767 | 30,460,220 | 77,673,604 |
| 3000 | **FUND BALANCE - JUNE 30 (ENDING)** | $ 97,126,274 | $ 29,822,119 | $ 37,882,526 |

The Notes to the Financial Statements are an integral part of this statement.

Exhibit C-3

| Nonmajor Funds | Total Governmental Funds |
|---|---|
| $ 6,377,012 | $ 172,206,954 |
| 2,240,531 | 94,826,290 |
| 41,187,697 | 49,374,782 |
| 49,805,240 | 316,408,026 |
| | |
| 20,165,788 | 137,697,016 |
| 68,383 | 2,820,096 |
| 6,190,082 | 11,040,059 |
| 691,077 | 4,056,077 |
| 1,114,588 | 13,689,572 |
| 3,369,902 | 13,051,762 |
| 42,000 | 317,951 |
| 15,585 | 2,675,212 |
| 126,964 | 5,445,586 |
| 11,445,543 | 11,445,543 |
| 869,171 | 6,152,632 |
| 45,445 | 6,907,300 |
| 289,197 | 23,990,598 |
| 187,007 | 1,703,744 |
| - | 5,204,127 |
| 446,882 | 738,848 |
| - | 51,847,841 |
| 33,921 | 41,442,988 |
| 50,000 | 530,521 |
| - | 2,709 |
| - | 758,811 |
| 45,151,535 | 341,518,993 |
| 4,653,705 | (25,110,967) |
| | |
| - | 2,768,153 |
| - | (2,768,153) |
| - | - |
| 4,653,705 | (25,110,967) |
| 12,913,320 | 207,508,911 |
| $ 17,567,025 | $ 182,397,944 |

**Birdville Independent School District** **Exhibit C-4**

Reconciliation of the Government Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities
For the Fiscal Year Ended June 30, 2022

| | |
|---|---|
| **TOTAL NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS** | $ (25,110,967) |
| The District uses an internal service fund to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. Change in net assets in this fund results in an increase in net position. | 30,016 |
| Current year capital asset additions are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The effect of recognizing the current year capital asset additions is an increase in government-wide net position. | 38,300,069 |
| Depreciation and amortization are not recognized as an expense in the governmental funds since they do not require the use of current financial resources. The net effect of the current year's depreciation and amortization is to decrease government-wide net position. | (20,887,790) |
| Current year long-term debt principal payments on bonds, loans and leases payable are expenditures in the fund financial statements, but are shown as reductions of long-term debt in the government-wide financial statements. | 31,442,653 |
| Current year amortization and reductions of the premium on bonds payable is not recorded in the fund financial statements, but is shown as an increase in long-term debt in the government-wide financial statements. | 4,126,449 |
| Current year amortization of the deferred loss on bond refundings is not reflected in the fund financial statements, but is shown as a reduction of the deferred charge in the government-wide financial statements. | (477,219) |
| The current year change in compensated absences has not been recorded in the fund financial statements, but is shown as a decrease in long-term debt in the government-wide financial | 169,569 |
| Interest is accrued on outstanding debt in the government-wide financial statements, but interest is expended as due in the fund financial statements. | 552,378 |
| Revenues from property taxes are deferred in the fund financial statements until they are considered available to finance current expenditures, however, such revenues are recognized when assessed net of an allowance for uncollectible amounts in the government-wide financial statements. | (327,453) |
| Changes related to the District's pension are recorded as decreases in deferred outflows of resources of $6,966,367, increases in deferred inflows of $27,430,058, and a decrease in net pension liability of $39,479,952, which nets to a cumulative increase of $5,083,527. | 5,083,527 |
| Changes related to the District's OPEB are recorded increases in deferred outflows of resources of $2,550,451, decreases in deferred inflows of ($1,287,980) and a increase in net OPEB liability of $91,936, which cumulatively nets to a cumulative increase of $3,930,367. | 3,930,367 |
| **CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** | $ 36,831,599 |

The Notes to the Financial Statements are an integral part of this statement.

**Birdville Independent School District** **Exhibit D-1**

Statement of Net Position
Proprietary Funds
June 30, 2022

| | Business-type Activities Enterprise Funds | Governmental Activities Internal Service Fund |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 83,216 | $ - |
| Investments - current | 2,176,550 | 668,186 |
| Receivables | 840,932 | - |
| Prepaid expenses and other assets | 225,613 | - |
| Total current assets | 3,326,311 | 668,186 |
| Non-current assets: | | |
| Receivables | 8,537,773 | - |
| Property and equipment: | | |
| Land | 1,859,948 | - |
| Buildings and improvements | 9,528,415 | - |
| | 11,388,363 | - |
| Less accumulated depreciation | (1,429,138) | - |
| Property and equipment, net | 9,959,225 | - |
| Total non-current assets | 18,496,998 | - |
| **TOTAL ASSETS** | $ 21,823,309 | $ 668,186 |
| **LIABILITIES** | | |
| Current liabilities: | | |
| Accounts payable | $ 29,204 | $ - |
| Accrued expenses | 43,832 | 23,693 |
| Unearned revenue | 68,422 | - |
| Total current liabilities | 141,458 | 23,693 |
| Noncurrent liabilities: | | |
| Other long-term liabilities | 34,469 | - |
| Total Liabilities | 175,927 | 23,693 |
| **DEFERRED INFLOWS OF RESOURCES** | | |
| Deferred Inflows - Leases | 9,268,124 | - |
| Total Deferred Inflows of Resources | 9,268,124 | - |
| **NET POSITION** | | |
| Net investment in capital assets | 9,959,225 | - |
| Unrestricted net position | 2,420,033 | 644,493 |
| **TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION** | $ 21,823,309 | $ 668,186 |

The Notes to the Financial Statements are an integral part of this statement.

**Birdville Independent School District** **Exhibit D-2**

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2022

| | Business-type Activities Enterprise Funds | Governmental Activities Internal Service Fund |
|---|---|---|
| **OPERATING REVENUES** | | |
| Local and intermediate sources | $ 1,275,888 | $ 28,842 |
| Total operating revenues | 1,275,888 | 28,842 |
| **OPERATING EXPENSES** | | |
| Contracted services | 375,788 | - |
| Supplies | - | 136 |
| Depreciation | 317,586 | - |
| Other operating costs | 71,660 | - |
| Total operating expenses | 765,034 | 136 |
| Operating income | 510,854 | 28,706 |
| **NONOPERATING REVENUES** | | |
| Earnings from temporary deposits and investments | 4,043 | 1,310 |
| Total nonoperating revenues | 4,043 | 1,310 |
| Change in net position | 514,897 | 30,016 |
| Net position - July 1 (beginning) | 11,864,361 | 614,477 |
| **NET POSITION - JUNE 30, 2022** | $ 12,379,258 | $ 644,493 |

The Notes to the Financial Statements are an integral part of this statement.

**Birdville Independent School District** **Exhibit D-3**

Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2022

| | Business-type Activities | Governmental Activities |
|---|---|---|
| | Enterprise Funds | Internal Service Fund |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Receipts from customers and interfund services | $ 1,154,473 | $ 28,842 |
| Cash payments to suppliers for goods and services | (639,922) | (28,981) |
| Net cash provided by (used in) operating activities | 514,551 | (139) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Sales (purchases) of investments, net | (494,773) | (1,171) |
| Purchase of property and equipment | (830) | - |
| Interest and dividends on investments | 4,043 | 1,310 |
| Net cash provided by (used in) investing activities | (491,560) | 139 |
| Net change in cash and cash equivalents | 22,991 | - |
| Cash and cash equivalents at beginning of year | 60,224 | - |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | $ 83,215 | $ - |
| **RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES** | | |
| Operating income: | $ 510,854 | $ 28,706 |
| Adjustments to reconcile change in operating income to net cash provided by (used in) operating activities | | |
| Depreciation | 317,586 | - |
| Effect of increases and decreases in current assets and liabilities: | | |
| Receivables | (105,329) | - |
| Prepaid expenses and other assets | (182,362) | - |
| Accounts payable | (110) | - |
| Accrued expenses | (10,002) | (28,845) |
| Unearned revenue | (16,086) | - |
| **NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES** | $ 514,551 | $ (139) |

The Notes to the Financial Statements are an integral part of this statement.

**Birdville Independent School District** **Exhibit E-1**

Statement of Fiduciary Net Position – Fiduciary Funds
June 30, 2022

| | | Custodial Fund |
|---|---|---|
| | | Student Activity |
| **ASSETS** | | |
| Receivables | $ | 1,177,399 |
| Total assets | | 1,177,399 |
| **LIABILITIES** | | |
| Accounts payable | | 603 |
| Due to others | | 814,368 |
| Total liabilities | | 814,971 |
| **NET POSITION** | | |
| Restricted for other purposes | $ | 362,428 |
| Total liabilities and net position | $ | 1,177,399 |

The Notes to the Financial Statements are an integral part of this statement.

Statement of Changes in Fiduciary Net Position – Fiduciary Funds
June 30, 2022

| | | Custodial Fund |
|---|---|---|
| | | Student Activity |
| **ADDITIONS** | | |
| Revenue from student activities | $ | 615,673 |
| Total additions | | 615,673 |
| **DEDUCTIONS** | | |
| Payroll | | 3,751 |
| Contracted services | | 161,987 |
| Supplies | | 231,753 |
| Miscellaneous | | 206,774 |
| Total deductions | | 604,265 |
| Net change in fiduciary net position | | 11,408 |
| **NET POSITION - BEGINNING OF YEAR** | | 351,020 |
| **NET POSITION - END OF YEAR** | $ | 362,428 |

The Notes to the Financial Statements are an integral part of this statement.

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## Note 1. Significant Accounting Policies

The Birdville Independent School District (the District) is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees that are elected by registered voters of the District. The District prepares its basic financial statements in conformity with U.S. Generally Accepted Accounting Principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in *Statement* of *Auditing Standards No.* 69 of the American Institute of Certified Public Accountants. Additionally, the District complies with the requirements of the appropriate version of the Texas Education Agency (TEA) *Financial Accountability System Resource Guide* (FASRG) and the requirements of contracts and grants of agencies from which it receives funds. Following is a summary of the more significant accounting policies of the District.

### A. Reporting Entity

For financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was considered by applying the criteria set forth in Governmental Accounting Standard Board (GASB) Statement No. 14, *The Financial Reporting Entity* as amended by GASB 39 *Determining Whether Certain Organizations are Component Units*. Based on these standards, management has determined that the District has no component units.

### B. Government-wide and Fund Financial Statements

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Birdville Independent School District's nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, state foundation funds, grants, and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

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

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are non-operating.

### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

Custodial funds account for resources held for others in a custodial capacity. The funds are used to account for assets held by the District as an agent for student and other organizations. These funds were previously reported as agency funds. The District reports additions to and deductions from custodial funds. The custodial funds are reported using the economic resources measurement focus and the accrual basis of accounting. Reporting is oriented towards providing accountability for the sources, uses, and balances or resources held in trust for others, therefore, the additions and deductions in fiduciary balances are reported. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the funds' statements of net position. The funds' equity is segregated into restricted net position and unrestricted net position.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

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

### D. Fund Accounting

The District reports the following major Governmental Funds:

The General Fund - The General Fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund. Major program revenues include local property taxes and state funding under the Foundation School Program. Expenditures include all costs associated with the daily operations of the District except for specific programs funded by the federal or state government, food service, debt service, and capital projects.

Debt Service Fund - The debt service fund is utilized to account for the accumulation of resources for, the payment of general long-term debt principal, interest, and related costs arising from general obligation bonds.

Capital Projects Fund - The capital projects fund is utilized to account for financial resources to be used for the acquisition or construction of major capital facilities. Such resources are derived from proceeds of General Obligation Bonds and interest earned on such monies and local sources designated for such purposes.

Additionally, the District reports the following fund types:

Proprietary Funds:

Internal Service Funds - Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis are accounted for in an internal service fund. The District's Internal Service Fund is a Worker's Compensation self-insurance fund that includes only the residual claims from 2012-13 and prior, since the District began participation in a fully-insured workers' compensation program on July 1, 2013.

Enterprise Fund – The enterprise fund is a proprietary fund used to account for the operations of a District owned facility partially leased to outside entities and partially used for District operations. The enterprise fund reports the same functions presented as business-type activities in the government-wide financial statements. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Revenues are distinguished between operating and non-operating. Operating revenues are derived primarily from charges to lessees. Non-operating revenues earned during the year consist of earnings from temporary deposits and investments. All expenses are considered operating.

Fiduciary Funds:

Fiduciary Funds - The District accounts for resources held for others in a custodial capacity in an custodial fund. The District's Custodial Fund is the Student Activity Fund.

Non-major Governmental Funds:

Special Revenue Funds - The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Some Federal, State and Local financial assistance is accounted for in a Special Revenue Fund and in certain cases unused balances must be returned to the grantor at the close of specified project periods.

### E. Cash and Cash Equivalents

The District's cash and cash equivalents are comprised of demand accounts and imprest funds. All daily receipts are deposited to the demand accounts until the funds are invested under the terms of the District's depository contract. The District considers cash equivalents to be all highly liquid investments with initial maturities of ninety days or less from the date of purchase.

### F. Investments

The District's general policy is to report money market investments, short-term participating interest-earning investment contracts and certain investment pools at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at June 30, 2022. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes.

### G. Inventory

Inventories on the balance sheet consist of materials and supplies and are recorded at first-in, first-out (FIFO) cost. The District follows the consumption method of accounting whereby supplies and materials are recorded as expenditures when utilized.

### H. Deferred Outflows/Inflows of Resources

Deferred outflows of resources represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditures) until then.

Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension and OPEB activities are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and OPEB, except for projected and actual earnings differences on investments which are amortized on a closed basis over a 5-year period.
- District contributions after the measurement date are recognized in the subsequent year.
- Deferred charge/gain on refunding is amortized over the shorter of the life of the refunded or refunding debt.
- Property taxes are recognized in the period the amount becomes available.
- Deferred inflows of resources related to long-term leases are amortized over the lease term.

### I. Compensated Absences

Five vacation days may be carried over beginning June 1 and must be used by November 1 of the same year.

Leave days are earned at a rate of five State and five local sick days per year. The State days accrue with no limit and the local days may accrue to a maximum of 100 days. For those employees retiring after June 30, 2004, the date of May 31, 2003, was established as a cap for the compensation of unused paid leave at retirement or death. This capped amount is used to determine an employee's, or the beneficiary of a deceased employee's, maximum compensation for unused leave at the time of retirement or death. The employee shall have his or her capped amount of compensation reduced by 20 percent. If retirement does not occur prior to July 1, 2005, the employee shall have his or her capped amount of compensation reduced by an additional 20 percent for an approximate 40 percent reduction. If after the approximate 40 percent reduction an employee qualifies for an amount greater than $10,000, that amount shall remain his or her capped amount until the time of retirement or death. This amount cannot be exceeded but shall be reduced if the number of unused state and local leave days accumulated in the District, multiplied by 50 percent of the employee's daily rate of pay, results in an amount less than the established capped amount at the time of retirement or death.

If the 40 percent reduction reduces an employee's benefit below $10,000, then the benefit amount may increase to a maximum of $10,000 with the accumulation of additional local and state leave days. This benefit shall be determined by multiplying 50 percent of the employee's daily rate of pay by the number of unused accumulated state and local days up to a maximum of 100 days earned in the District at the time of retirement or death.

An employee who qualified for retirement benefits from the Teacher Retirement System of Texas and who was hired after May 31, 2003, or the beneficiary of a deceased employee who was hired after May 31, 2003, shall be eligible to receive a maximum $10,000 compensation benefit at retirement. This benefit shall be determined by calculating 50 percent of the employee's daily rate of pay multiplied by the number of local leave days up to a maximum of 100 days earned in the District, to include days earned in the current school year, at the time of retirement or death.

The accrual for accumulated unpaid sick leave benefits has been recorded as compensated absences in the government-wide financial statements.

### J. Account Code Reporting

In accordance with the Texas Education Code, 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. Specifically, the District's accounting system uses codes and the code structure prescribed by TEA in the FASRG. The Data Control Codes refer to the account code structure prescribed by TEA in the FASRG. The Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a statewide database for policy development and funding plans.

### K. Accounting Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

The amount of state foundation revenue a school district earns for a year can and does vary until the time when final values for each of the factors in the formula becomes available. Availability can be as late as midway into the next fiscal year. It is reasonably possible that adjustments may be made to the foundation revenue by the State.

### L. Property Taxes

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

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

### M. Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Buildings, furniture, and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

| Assets | Years |
|---|---|
| Buildings | 15-45 |
| Vehicles | 5-10 |
| Office equipment | 5-15 |
| Computer equipment | 3-10 |

### N. Leases

The District is a lessee for non-cancellable leases of equipment. The District recognizes a lease liability, reported with long-term debt, and a right-to-use lease asset (lease asset), reported with other capital assets, in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of $25,000 or more.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the shorter of the lease term or its useful life.

Key estimates and judgments related to leases include how the District determined (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the non-cancellable period of the lease.
- Lease payments included in the measurement of the lease receivable are composed of fixed payments from the lessee, variable payments from the lessee that are fixed in substance or that depend on an index or a rate, residual value guarantee payments from the lessee that are fixed in substance, and any lease incentives that are payable to the lessee.

The District monitors changes in circumstances that would require a re-measurement of its leases and will re-measure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

The District is a lessor for noncancellable leases of property and equipment. The District recognizes a lease receivable and a deferred inflow of resources in the government-wide, governmental fund and proprietary fund financial statements.

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the non-cancellable period of the lease.
- Lease payments included in the measurement of the lease receivable are composed of fixed payments from the lessee, variable payments from the lessee that are fixed in substance or that depend on an index or a rate, residual value guarantee payments from the lessee that are fixed in substance, and any lease incentives that are payable the lessee.

The District monitors changes in circumstances that would require a re-measurement of its leases and will re-measure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

### O. Long-Term Liabilities

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Debt issuance costs are reported as expenditures when incurred.

### P. Defined Benefit Pension Plan

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

### Q. Other Post-Employment Benefits

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

The General Fund and the Child Nutrition Program Fund have been used to liquidate other postemployment benefits liabilities.

### R. Implementation of New Accounting Standards

GASB Statement No. 87, *Leases* (GASB 87), establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement were originally effective for reporting periods beginning after December 15, 2019; however, issuance of GASB Statement No.95, *Postponement of the Effective Dates of Certain Authoritative Guidance* (GASB 95), extended the effective date of GASB 87 to reporting periods beginning after June 15, 2021, with earlier application encouraged. GASB 87 was implemented in the District's 2022 financial statements with no impact to amounts reported under previous standards.

## Note 2. Fund Balance

### Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District has classified inventories and prepaid items as being nonspendable as these items are not expected to be converted to cash.

- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the District's bonded debt and are restricted through debt covenants. Capital projects fund resources are to be used for future construction and renovation projects and are restricted through bond orders and constitutional law.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District's Board of Trustees. The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This can also be done through adoption and amendment of the budget. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Trustees or through the Board of Trustees delegating this responsibility to other individuals in the District. Under the District's adopted policy, the Board of Trustees delegated this authority to the Superintendent or the Superintendent's designee.
- Unassigned: This classification includes all amounts not included in other spendable classifications, including the residual fund balance for the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Trustees has provided otherwise in its commitment or assignment actions.

The details of the District’s fund balances are included in the Governmental Funds Balance Sheet and are described below:

**General Fund**
The General Fund has unassigned fund balance of $15,959,346 at June 30, 2022. Inventories of $788,829 and prepaid items of $138,339 are considered nonspendable fund balance.

The Board of Trustees has adopted a resolution committing a portion of the General Fund fund balance equal to fifteen percent of General Fund operating expenditures in the following year’s adopted budget.

This commitment was $32,657,385 as of June 30, 2022. The District also committed General Fund fund balance of $2,600,000 for future payments of compensated absences, $7,750,000 related to property purchases, $3,314,201 related to other capital projects at year-end, and $2,828,065 for other purposes.

The District has assigned $25,100,000 of General Fund fund balance as additional operating reserves. Additionally, $5,990,109 was assigned due to utilization to balance the fiscal year 2022-2023 budget.

**Other Major Funds**
The Debt Service Fund has restricted funds of $29,822,119 at June 30, 2022 consisting primarily of property tax collections that are restricted for debt service payments on bonded debt. The Capital Projects Fund has fund balance of $27,707,415 restricted for future capital acquisitions and $10,175,111 committed for future capital acquisitions.

**Other Funds**
Non-spendable fund balances of $364,034 related to inventories, and restricted fund balances of $6,159,898 related to Federal grant restrictions related to the national breakfast and lunch program. Prepaid items of $23,025 in the non-major funds are considered non-spendable fund balance. Special revenue funds fund balances of $13,619 are restricted by state or other grant restrictions related to advanced placement initiatives.

The following special revenue funds fund balances have been committed by the District for the following purposes:

| | | |
|---|---|---|
| Campus activities | $ | 1,846,512 |
| Other local special revenue funds | | 36,568 |
| Career tech | | 46,310 |
| Legacy fund | | 9,077,059 |
| Total | $ | 11,006,449 |

## Note 3. Bonded Debt Payable

Bonded debt payable as of June 30, 2022 is as follows:

| Description | Interest Rate Payable | Amount of Original Issue | Amount Outstanding 7/1/2021 | Issued Current Year | Refunded Current Year | Retired Current Year | Amount Outstanding 6/30/2022 |
|---|---|---|---|---|---|---|---|
| Unlimited Tax School Building Bonds Series 2015A | 2.00-5.00 | $ 91,975,000 | $ 85,390,000 | $ - | $ - | $ 9,785,000 | $ 75,605,000 |
| Unlimited Tax Refunding Bonds Series 2015B | 1.21-5.00 | 98,312,081 | 82,360,000 | - | - | 6,475,000 | 75,885,000 |
| Unlimited Tax School Building Bonds Series 2016 | 2.00-5.00 | 41,785,000 | 39,185,000 | - | - | 6,170,000 | 33,015,000 |
| Unlimited Tax School Building Bonds Series 2019 | 3.00-5.00 | 157,635,000 | 152,180,000 | - | - | 4,905,000 | 147,275,000 |
| Unlimited Tax School Building Bonds Series 2020 | 2.38-5.00 | 62,810,000 | 57,380,000 | - | - | 4,550,000 | 52,830,000 |
| Unlimited Tax School Building Bonds Series 2021 | 2.00-5.00 | 24,345,000 | 24,345,000 | - | - | - | 24,345,000 |
| Total bonded debt payable | | | $ 440,840,000 | $ - | $ - | $ 31,885,000 | $ 408,955,000 |

The debt service requirements on the District's bonds are as follows:

| Fiscal Year Ending June 30 | Principal | Interest | Total |
|---|---|---|---|
| 2023 | $ 31,675,000 | $ 18,187,425 | $ 49,862,425 |
| 2024 | 27,420,000 | 16,603,674 | 44,023,674 |
| 2025 | 26,795,000 | 15,232,675 | 42,027,675 |
| 2026 | 28,105,000 | 13,985,274 | 42,090,274 |
| 2027 | 18,555,000 | 12,604,975 | 31,159,975 |
| 2028-2032 | 106,565,000 | 49,895,623 | 156,460,623 |
| 2033-2037 | 74,120,000 | 28,463,242 | 102,583,242 |
| 2038-2042 | 74,890,000 | 12,127,781 | 87,017,781 |
| 2043-2044 | 20,830,000 | 1,096,837 | 21,926,837 |
| | $ 408,955,000 | $ 168,197,506 | $ 577,152,506 |

Bonded debt payable is collateralized by revenue from the District's tax collections.

## Note 4. Debt Refunding and Defeased Bonds Outstanding

As of June 30, 2022, there were no defeased bonds outstanding.

The District's deferred loss on bond refundings are as follows:

| | |
|---|---|
| Balance - June 30, 2021 | $ 4,691,630 |
| Current year amortization | (477,219) |
| Balance - June 30, 2022 | $ 4,214,411 |

## Note 5. Accumulated Unpaid Sick Leave Benefits

On retirement or death of certain employees, the District pays eligible accrued sick leave in a lump sum payment to the employee or his/her estate. A summary of changes in the accumulated sick leave follows:

| | |
|---|---|
| Balance, July 1, 2021 | $ 2,930,121 |
| New entrants and sick leave accruals | 394,980 |
| Payments to participants | (564,549) |
| Balance, June 30, 2022 | $ 2,760,552 |

The General Fund has historically been used to liquidate the liability for compensated absences.

## Note 6. Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2022 was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| Governmental activities | | | | | |
| Bonds and notes payable | | | | | |
| General obligation bonds | $ 440,840,000 | $ - | $ 31,885,000 | $ 408,955,000 | $ 31,675,000 |
| Bond premiums | 62,456,608 | - | 4,126,449 | 58,330,159 | - |
| Compensated absences | 2,930,121 | 394,980 | 564,549 | 2,760,552 | 157,307 |
| Leases | - | 754,510 | 312,163 | 442,347 | 309,020 |
| Net pension liability | 74,224,260 | - | 39,479,952 | 34,744,308 | - |
| Net OPEB liability | 69,137,196 | 8,633,348 | 8,725,284 | 69,045,260 | - |
| | $ 649,588,185 | $ 9,782,838 | $ 85,093,397 | $ 574,277,626 | $ 32,141,327 |

During the year ended June 30, 2022, the District implemented GASB 87, Leases, which required the District to record lease agreements related to equipment. The District is subject to equipment leases with various terms, including monthly and annually payments of principal and interest with various borrowing rates. An initial lease liability was recorded in the amount of $754,510 during the current fiscal year. As of June 30, 2022, the value of the lease liability was $442,347. The value of the right-to-use assets as of the end of the current fiscal year was $754,510, and had accumulated amortization of $304,738.

The future principal and interest lease payments as of June 30, 2022 were as follows:

| Fiscal Year Ending June 30 | Principal | Interest | Total |
|---|---|---|---|
| 2023 | $ 309,020 | $ 3,761 | $ 312,781 |
| 2024 | 50,261 | 1,348 | 51,609 |
| 2025 | 50,794 | 815 | 51,609 |
| 2026 | 32,272 | 279 | 32,551 |
| | $ 442,347 | $ 6,203 | $ 448,550 |

## Note 7. Capital Asset Activity

Capital asset activity in the governmental funds of the District for the year ended June 30, 2022 was as follows:

| | Beginning Balance | Additions | Transfers | Deletions | Ending Balance |
|---|---|---|---|---|---|
| Capital assets, not being depreciated | | | | | |
| Land | $ 19,167,618 | $ 269,164 | $ - | $ - | $ 19,436,782 |
| Construction in progress | 177,442,977 | 32,400,080 | (20,559,078) | - | 189,283,979 |
| Total capital assets, not being depreciated | 196,610,595 | 32,669,244 | (20,559,078) | - | 208,720,761 |
| Capital assets, being depreciated | | | | | |
| Buildings and improvements | 589,114,673 | 1,238,042 | 14,462,722 | - | 604,815,437 |
| Furniture and equipment | 53,819,462 | 3,638,273 | 6,096,356 | 183,018 | 63,371,073 |
| Right to use leased equipment | - | 754,510 | - | - | 754,510 |
| Total capital assets, being depreciated | 642,934,135 | 5,630,825 | 20,559,078 | 183,018 | 668,941,020 |
| Less accumulated depreciation on | | | | | |
| Buildings and improvements | 319,805,829 | 15,463,045 | - | - | 335,268,874 |
| Furniture and equipment | 40,246,904 | 5,120,007 | - | 183,018 | 45,183,893 |
| Right to use leased equipment | - | 304,738 | - | - | 304,738 |
| Total accumulated depreciation | 360,052,733 | 20,887,790 | - | 183,018 | 380,757,505 |
| Total capital assets, being depreciated, net | 282,881,402 | (15,256,965) | 20,559,078 | - | 288,183,515 |
| Governmental activities capital assets, net | $ 479,491,997 | $ 17,412,279 | $ - | $ - | $ 496,904,276 |

Depreciation/amortization expense of the governmental activities was charged to functions/programs as follows:

| | |
|---|---|
| Instruction | $ 12,800,676 |
| Instructional resources and media services | 833 |
| Guidance, counseling, and evaluation services | 10,340 |
| Student (pupil) transportation | 626,378 |
| Food services | 643,324 |
| Co-curricular/extracurricular activities | 937,350 |
| General administration | 156,053 |
| Facilities maintenance and operations | 3,021,147 |
| Security and monitoring services | 422,367 |
| Data processing services | 2,266,809 |
| Community services | 2,513 |
| Total depreciation/amortization expense | $ 20,887,790 |

Capital asset activity in the enterprise fund for the District for the year ended June 30, 2022 was as follows:

| | Beginning Balance | Additions | Transfers | Deletions | Ending Balance |
|---|---|---|---|---|---|
| Capital assets, not being depreciated | | | | | |
| Land | $ 1,859,948 | $ - | $ - | $ - | $ 1,859,948 |
| Total capital assets, not being depreciated | 1,859,948 | - | - | - | 1,859,948 |
| Capital assets, being depreciated | | | | | |
| Buildings and improvements | 9,527,585 | 830 | - | - | 9,528,415 |
| Total capital assets, being depreciated | 9,527,585 | 830 | - | - | 9,528,415 |
| Less accumulated depreciation on | | | | | |
| Buildings and improvements | 1,111,551 | 317,587 | - | - | 1,429,138 |
| Total accumulated depreciation | 1,111,551 | 317,587 | - | - | 1,429,138 |
| Total capital assets, being depreciated, net | 8,416,034 | (316,757) | - | - | 8,099,277 |
| Business activities capital assets, net | $ 10,275,982 | $ (316,757) | $ - | $ - | $ 9,959,225 |

Depreciation expense of $317,586 related to enterprise activities was charged to facilities maintenance and operations.

## Note 8. Deposits and Investments

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

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy.

That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity, allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes and the District's investment policy authorized the District to invest in the following investments as summarized in the following table:

| Authorized Investment Type | Maximum Maturity* | Maximum Percentage of Portfolio | Maximum Investment in One Issuer |
|---|---|---|---|
| U.S. Treasury obligations | 5 years | none | none |
| U.S. Agency obligations | 5 years | none | none |
| State and municipal securities | 5 years | none | none |
| Certificates of deposit | 5 years | none | none |
| Repurchase agreements | 5 years | none | none |
| Commercial paper | 270 days | none | none |
| Public funds investment pools | N/A | none | none |

*The District's investment policy allows for a maximum maturity of twenty years for investments made from the District's Legacy Fund (a special revenue fund).

The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

Cash and cash equivalents as of June 30, 2022 are classified in the accompanying financial statements as follows:

| | | |
|---|---|---|
| Primary government | $ | 4,392,333 |
| Business type activities | | 83,216 |
| | $ | 4,475,549 |

Cash and investments as of June 30, 2022 consist of the following:

| | | |
|---|---|---|
| Deposits with financial institutions | $ | 4,462,572 |
| Petty cash | | 12,977 |
| Investments - current | | 174,547,284 |
| Investments - long-term | | 11,095,276 |
| | $ | 190,118,109 |

**Disclosures Relating to 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. The District manages its exposure to interest rate risk by investing in investment pools which purchase a combination of shorter term investments with an average maturity of less than 120 days and by holding longer-term investments until maturity, thus reducing the interest rate risk. The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The District's investment policy has no specific limitations with respect to this metric.

As of June 30, 2022, the District had the following current and long-term investments:

| Account/Investment Type | | Amount | Weighted Average Maturity |
|---|---|---|---|
| TexPool | $ | 158,397,669 | 25 |
| Lone Star | | 591,798 | 80 |
| MBIA TexasCLASS | | 2,399,671 | 70 |
| Negotiable certificates of deposit | | 68,352 | 0 |
| U.S. agency securities | | 20,458,224 | N/A |
| State and municipal securities | | 3,726,846 | N/A |
| | $ | 185,642,560 | |

### Disclosures Relating to 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. Presented below is the minimum rating required by (where applicable) the Public Funds Investment Act, the District's investment policy, or debt agreements, and the actual rating as of year-end for each investment type. The amounts held in bank and certificates of deposit are covered by FDIC insurance or pledged securities.

| Account/Investment Type | Amount | Minimum Legal Rating | Rating as of June 30, 2022 |
|---|---|---|---|
| TexPool | $ 158,397,669 | AAA/AAAm | AAAm |
| Lone Star | 591,798 | AAA/AAAm | AAA |
| MBIA TexasCLASS | 2,399,671 | AAA/AAAm | AAAm |
| Negotiable certificates of deposit | 68,352 | N/A | N/A |
| U.S. Agency securities | 20,458,224 | N/A | AA+ |
| State and municipal securities | 3,726,846 | A or better | A - AAA |

### Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer. As of June 30, 2022, other than bank deposits, external investment pools, and securities guaranteed by the U.S. Government, the District did not have five percent or more of its investment with one issuer.

### Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The Public Funds Investment Act and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times.

As of June 30, 2022, the District's deposits with financial institutions were 100 percent covered by federal depository insurance or by pledged securities.

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

A. Depository: Frost Bank

B. Security pledged as of the date of the highest combined balance on deposit was $30,725,895.

C. Largest cash, savings and time deposit combined account balance amounted to $25,274,233 and occurred during the month of July 2021.

D. Total amount of FDIC coverage at the time of largest combined balance was $250,000.

**Investment in State Investment Pools**
The District is a voluntary participant in various investment pools. These pools included the following: TexPool, Lone Star, and MBIA.

The State Comptroller of Public Accounts exercises responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. TexPool operates in a manner consistent with the SEC's Rule2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

The Lone Star Investment Pool is governed by an 11-member board, all of whom are participants in the Pool. This ensures that the policies they set affect not only other entities' assets, but their own as well. The Board meets quarterly to review Pool operations, adopt or make changes to the investment policy, review the Pool's financials and audited financial statements, and approve Pool contractor agreements. The pool is tailored to comply with the Public Funds Investment Act.

The MBIA Texas CLASS Investment Pool is governed by a Board of Trustees, the number of trustees is determined and elected by the participants in the pool annually but it must be an odd number and a minimum of three trustees. The Board meets upon the request of at least two trustees, but not less than once annually. The pool is tailored to comply with the Public Funds Investment Act.

**Fair Value Measurements**
The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgement and considers factors specific to each asset or liability.

The Texpool, Lone Star and MBIA Texas CLASS investment pools are external investment pools measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, investment pools must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity and diversification requirements within the investment pool.

The investment pools meet the criteria to be recorded at amortized cost, which in most cases approximates fair value. The objective of the external investment pools is to maintain a stable $1.00 net asset value. The investment pools have weighted average maturity of 60 days or less and weighted average life of 120 days or less, investments held are highly rated by nationally recognized statistical rating organization, have no more than five percent of portfolio with one issuer (excluding US government securities), and can meet reasonably foreseeable redemptions. Texpool and Lone Star have a redemption notice period of one day and no maximum transaction amounts. The investment pools' authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pools' liquidity.

Investment Pools measured at amortized cost are exempt from fair value reporting.

### Assets and Liabilities Measured at Fair Value on a Recurring Basis

| | | Fair Value Measurements Using | | |
|---|---|---|---|---|
| Investments by Fair Value Level: | Balance at 6/30/2022 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Negotiable certificates of deposit | $ 68,352 | $ - | $ 68,352 | $ - |
| U.S. Agency securities | 20,458,224 | - | 20,458,224 | - |
| State and municipal securities | 3,726,846 | - | 3,726,846 | - |
| **Total** | $ 24,253,422 | $ - | $ 24,253,422 | $ - |

The fair value of the negotiable certificates of deposit, U.S. Agency securities and state and municipal securities at June 30, 2022 was determined based on level 2 inputs. The District estimates the fair value of these investments using inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

## Note 9. Defined Benefit Pension Plan

### 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). It is a defined benefit pension plan 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 TRS' fiduciary net position is available in a separately-issued Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at http://www.trs.texas.gov/Pages/about_archive_cafr.aspx; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

**Benefits Provided**

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity, except for members who are grandfathered, where the three highest annual salaries are used. The normal service retirement is at age 65 with five 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 five 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 cost of living adjustments (COLAs). Ad hoc postemployment benefit changes, including ad hoc COLAs, can be granted by the Texas Legislature as noted in the Plan description above.

**Contributions**

Employee contribution rates are set in state statute, Texas Government Code 825.402. Contribution requirements are established or amended pursuant to Article XVI, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than six percent of the member's annual compensation and a state contribution rate of not less than six percent and not more than ten percent 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. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 thru 2025.

Rates for such plan fiscal years are as follows:

| | Contribution Rates | |
|---|---|---|
| | 2021 | 2022 |
| Member | 7.70% | 8.00% |
| Non-employer contributing entity (state) | 7.50% | 7.75% |
| Employers (District) | 7.50% | 7.75% |

The contribution amounts for the District's fiscal year 2022 are as follows:

| | | |
|---|---|---|
| Employer Contributions | $ | 5,822,186 |
| Member Contributions | | 13,468,823 |
| NECE On-behalf Contributions | | 8,562,485 |

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

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during the 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 or 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, there are two additional surcharges an employer is subject to.

- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

- Public education employer contribution - all public schools, charter schools and regional education service centers must contribute 1.5% of the member's salary beginning in September 1, 2019, gradually increasing to 2.0% on September 1, 2024.

### Actuarial Assumptions

The actuarial valuation of the total pension liability was performed as of August 31, 2020. Update procedures were used to roll forward the total pension liability to August 31, 2021, and was determined using the following actuarial methods and assumptions:

| | |
|---|---|
| Actuarial cost method | Individual entry age normal |
| Asset valuation method | Market value |
| Single discount rate | 7.25% |
| Long-term expected rate of return | 7.25% |
| Municipal bond rate as of August 2021 | 1.95%. Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index." |
| Last year ending August 31 in projection period (100) | 2120 |
| Inflation | 2.30% |
| Salary Increases | 3.05% to 9.05% including inflation |
| Ad hoc postemployment benefit changes | None |
| Active mortality rates | Based on 90% of the RP2014 Employing Mortality Tables for makes and females with full generation mortality, The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables with full generational projection using the ultimate improvement rates from the most recently published projections scale U-MP. |

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

**Discount Rate**

A single discount rate of 7.25% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7.25%. The projection of cash flows used to determine the single discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity will be made at the statutorily required rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected 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 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 TRS's target asset allocation as of August 31, 2021, are summarized below:

| Asset Class* | Target Allocation** | Long-Term Expected Geometric Real Rate of Return*** | Expected Contribution to Long Term Portfolio Returns |
|---|---|---|---|
| Global equity: | | | |
| U.S. | 18.00% | 3.60% | 0.94% |
| Non-U.S. developed | 13.00% | 4.40% | 0.83% |
| Emerging markets | 9.00% | 4.60% | 0.74% |
| Private equity | 14.00% | 6.30% | 1.36% |
| Stable value: | | | |
| Government Bonds | 16.00% | -0.20% | 0.01% |
| Absolute return | - | 1.10% | - |
| Stable value hedge funds | 5.00% | 2.20% | 0.12% |
| Real return: | | | |
| Real Estate | 15.00% | 4.50% | 1.00% |
| Energy, natural resources and infrastructure | 6.00% | 4.70% | 0.35% |
| Commodities | - | 1.70% | - |
| Risk parity: | | | |
| Risk parity | 8.00% | 2.80% | 0.28% |
| Asset Allocation Leverage: | | | |
| Cash | 2.00% | -0.70% | -0.01% |
| Asset Allocation Leverage | -6.00% | -0.50% | 0.03% |
| Inflation Expectation | | | 2.20% |
| Volatility Drag**** | | | -0.95% |
| **Totals** | 100.00% | | 6.90% |

* Absolute Return includes Credit Sensitive Investments

** Target allocations are based on the FY2021 policy model

*** Capital Market Assumptions come from Aon Hewitt (as of 8/31/2021)

**** The volatility drag results from the conversion between arithmetic and geometric mean returns

**Discount Rate Sensitivity Analysis**
The following table presents the District's proportionate share of the TRS net pension liability calculated using the discount rate of 7.25%, as well as what the District's proportionate share of the net pension liability would be if it was calculated using a discount rate that is 1% lower or 1% higher than the current rate:

| | 1% Decrease in Discount Rate (6.25%) | Discount Rate (7.25%) | 1% Increase in Discount Rate (8.25%) |
|---|---|---|---|
| District's proportionate share of the net pension liability | $ 75,921,827 | $ 34,744,308 | $ 1,336,841 |

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**
At June 30, 2022, the District reported a liability of $34,744,308 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 | $ 34,744,308 |
| State's proportionate share that is associated with the District | 51,097,236 |
| **Total** | $ 85,841,544 |

The net pension liability was measured as of August 31, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2020, rolled forward to August 31, 2021. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 30, 2020 through August 31, 2021. The net pension liability is typically liquidated by the General Fund and Child Nutrition Fund.

At August 31, 2021, the District's proportion of the collective net pension liability was 0.13643162 percent, a decrease of .00215517 percent from its proportion measured as of August 31, 2020.

**Change of Assumptions Since the Prior Measurement Date**
There were no changes of assumptions that affected measurement of the total pension liability during the measurement period.

**Change of Benefit Terms Since the Prior Measurement Date**
There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

For the year ended June 30, 2022, the District recognized negative pension expense of $2,044,628 and revenue of $204,280 for support provided by the State.

At June 30, 2022, 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 | $ | 58,144 | $ | (2,446,027) |
| Changes in actuarial assumptions | | 12,281,434 | | (5,353,652) |
| Difference between projected and actual investment earnings | | | | (29,132,651) |
| Changes in proportion and difference between the employer's contributions and the proportionate share of contributions | | 133,954 | | (4,199,910) |
| Contributions paid to TRS subsequent to the measurement date | | 5,926,472 | | - |
| **Total** | $ | 18,400,004 | $ | (41,132,240) |

Contributions paid to TRS subsequent to the measurement dates will be recognized as a reduction of the pension liability in the year ended June 30, 2023 and are reported as deferred outflows of resources in the amount of $5,926,472. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending June 30, | | |
|---|---|---|
| 2023 | $ | (5,322,438) |
| 2024 | | (5,392,351) |
| 2025 | | (7,662,753) |
| 2026 | | (9,575,415) |
| 2017 | | (589,788) |
| Thereafter | | (115,963) |
| | $ | (28,658,708) |

## Note 10. Defined Other Post-Employment Benefit Plan

### Plan Description

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

### OPEB Plan Fiduciary Net Position

Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at http://www.trs.texas.gov/Pages/about_archive_cafr.aspx; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

**Benefits Provided**

TRS-Care provides a basic health insurance coverage (TRS-Care1) at no cost to all retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees of TRS is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052.

The premium rates for retirees are reflected in the following table:

| | Medicare | Non Medicare |
|---|---|---|
| Retiree or Surviving Spouse | $ 135 | $ 200 |
| Retiree and Spouse | 529 | 689 |
| Retiree or Surviving Spouse and children | 468 | 408 |
| Retiree and Family | 1,020 | 999 |

**Contributions**

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

Texas Insurance Code, section 1575.202 establishes the State's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act.

Rates for such plan fiscal years are as follows:

| | 2022 | 2021 |
|---|---|---|
| Active Employee | 0.65% | 0.65% |
| Non-employer contribution entity (state) | 1.25% | 1.25% |
| Employers/District | 0.75% | 0.75% |
| Federal/private funding remitted by employers | 1.25% | 1.25% |

The contribution amounts for the District's fiscal year 2022 are as follows:

| | | |
|---|---|---|
| District contributions | $ | 1,398,335 |
| Member contributions | | 1,065,263 |
| NECE on-behalf contributions (state) | | 1,873,457 |

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

TRS-Care received a supplemental appropriation from the State of Texas as the Non-Employer Contributing Entity in the amount of $5.5 million in fiscal year 2021 for consumer protections against medical health care billing by certain out-of-network providers.

**Actuarial Assumptions**

The actuarial valuation of the total OPEB liability was performed as of August 31, 2020. Update procedures were used to roll forward the total OPEB liability to August 31, 2021.

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The following assumptions used for the valuation of the TRS-Care OPEB liability are identical to the assumptions employed in the August 31, 2021 TRS annual pension actuarial valuation:

| Demographic Assumptions | Economic Assumptions |
|---|---|
| Rates of mortality | General inflation |
| Rates of retirement | Wage inflation |
| Rates of termination | Salary increases |
| Rates of disability | |

See Note 9 for detail on these assumptions. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.

The initial medical trend rates were 8.50 percent for Medicare retirees and 7.10 percent for non-medicare retirees. There was an initial prescription drug trend rate of 8.50% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 12 years.

The following methods and additional assumptions were used in the TRS-Care OPEB valuation:

| | |
|---|---|
| Actuarial cost method | Individual entry age normal |
| Single discount rate | 1.95% |
| Aging factors | Based on plan specific experience |
| Election rates | Normal retirement: 65 percent participation prior to age 65 and 40 percent after age 65. 25 percent of pre age 65 retirees are assumed to discontinue coverage at age 65. |
| Expenses | Third-party administrative expenses related to the delivery of health car benefits are included in the age-adjusted claims costs. |
| Ad hoc postemployment benefit changes | None |

**Discount Rate**

A single discount rate of 1.95% was used to measure the total OPEB liability at August 31, 2021. This was a decrease of 0.38% in the discount rate since the August 31, 2020 measurement date. The plan is essentially a "pay-as-you-go" plan, and based on the assumption that contributions are made at the statutorily required rates, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments to current members, and therefore, the single discount rate is equal to the prevailing municipal bond rate. The source for the rate is the Fixed Income Market Data / Yield Curve / Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of August 31, 2021.

**Discount Rate Sensitivity Analysis**

The following table presents the District's proportionate share of the TRS-Care net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that was 1% less than and 1% greater than the discount rate that was used (1.95%) in measuring the net OPEB liability.

| | 1% Decrease (.95%) | Current Discount Rate (1.95%) | 1% Increase (2.95%) |
|---|---|---|---|
| District's proportionate share of the Net OPEB Liability | $ 83,284,494 | $ 69,045,260 | $ 57,838,520 |

**Healthcare Cost Trend Rates** The following table presents the District's proportionate share of net OPEB liability using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1 percent lower or 1 percent higher than the assumed health-care cost trend rate:

| | 1% Decrease | Current Healthcare Cost Trend Rate | 1% Increase |
|---|---|---|---|
| District's proportionate share of the Net OPEB Liability | $ 55,924,373 | $ 69,045,260 | $ 86,650,232 |

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs**
At June 30, 2022, the District reported a liability of $69,045,260 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

| | |
|---|---|
| District's proportionate share of the net OPEB liability | $ 69,045,260 |
| State's proportionate share of the net OPEB liability associated with the District | 92,505,262 |
| **Total** | $ 161,550,522 |

The net OPEB liability was measured as of August 31, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of August 31, 2020 rolled forward to August 31, 2021. The District's proportion of the net OPEB liability was based on the District's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2020 through August 31, 2021. The net OPEB liability is typically liquidated by the General Fund and Child Nutrition Fund.

At August 31, 2021, the employer's proportion of the collective net OPEB liability was 0.17899212 percent which was a decrease of 0.00287839 percent from its proportion measured as of August 31, 2020.

**Changes Since the Prior Measurement Date** – The following were changes to the actuarial assumptions or other inputs that affected measurement of the total OPEB liability since the prior measurement period:

- The single discount rate changed from 2.33 percent as of August 31, 2020 to 1.95 percent, as of August 31, 2021. This change increased the Total OPEB liability.

**Change of Benefit Terms Since the Prior Measurement Date**
There were no changes in benefit terms since the prior measurement date.

For the fiscal year ended June 30, 2022, the District recognized negative OPEB expense of $5,961,487 and revenue of $3,414,151 for support provided by the State.

At June 30, 2022, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual economic experience | $ 2,972,725 | $ (33,422,736) |
| Changes of assumptions | 7,647,573 | (14,601,795) |
| Net difference between projected and actual earnings on pension plan investments | 74,961 | - |
| Changes in proportion and differences between District contributions and proportionate share of contributions (cost-sharing plan) | 1,924,235 | (3,376,261) |
| District contributions after measurement date | 1,292,987 | - |
| Totals | $ 13,912,481 | $ (51,400,792) |

The deferred outflow of resources relating to District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. The net amounts of the remaining balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year Ending June 30, | | |
|---|---|---|
| 2023 | $ | (7,357,492) |
| 2024 | | (7,359,182) |
| 2025 | | (7,358,719) |
| 2026 | | (5,541,262) |
| 2027 | | (3,080,749) |
| Thereafter | | (8,083,894) |
| Total | $ | (38,781,298) |

**Medicare Part D**

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care retiree drug subsidy payments from the federal government offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended June 30, 2020, June 30, 2021, and June 30, 2022, the subsidy payments received by the TRS-Care on behalf of the District were $691,332, $785,993 and $526,243, respectively. These payments are recorded as equal revenues and expenditures in the governmental fund financial statements.

## Note 11. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance.

In years prior to 1998, the District maintained a self-insured workers' compensation plan. For this plan, stop-loss coverage was in effect for individual claims exceeding $200,000 with an aggregate limit of $850,000 for claims incurred during the fiscal year 1996 and $1,000,000 for claims incurred during fiscal years 1997 and 1998. Effective September 1, 1998 through August 31, 2000, the District obtained commercial insurance to cover its risk of loss from workers' compensation claims occurring from these dates. Effective September 1, 2000, the District again maintained a self-insured workers' compensation plan. Effective July 1, 2013, the District once again fully insured its workers' compensation risk. For the self-insured plan, stop-loss coverage was in effect for claims exceeding $200,000 with an aggregate limit of $1,000,000. Settled claims have not exceeded the aggregate coverage in any of the past three fiscal years. Unpaid claims related to the period prior to July 1, 2013 are recorded as a liability.

The claims liability of $23,693 reported in the self-insurance fund at June 30, 2022 is based on an actuarial review of claims pending and an estimate of incurred but not reported claims. Changes in the fund's claims liability amount for the year ended June 30, 2022 and 2021 are as follows:

| | 2022 | 2021 |
|---|---|---|
| Liability, beginning of year | $ 52,538 | $ 57,312 |
| Current year claims and changes in estimates | (28,845) | (628) |
| Claim payments | - | (4,146) |
| Liability, end of year | $ 23,693 | $ 52,538 |

## Note 12. Commitments and Contingencies

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

## Note 13. Due from Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of June 30, 2022, are summarized below. All federal grants shown below are passed through the State of Texas and are reported on the combined financial statements as Due from Other Governments.

| Fund | Federal and State Entitlements |
|---|---|
| General | $ 14,429,279 |
| Debt service | 5,392 |
| Nonmajor | 7,809,768 |
| Total | $ 22,244,439 |

## Note 14. Unearned Revenue

Unearned revenue at June 30, 2022 consisted of the following:

| Fund | Nonmajor Fund | Enterprise Fund | Total |
|---|---|---|---|
| Local funding | $ 63,555 | $ - | $ 63,555 |
| State funding | 101,949 | - | 101,949 |
| Federal funding | 676,080 | - | 676,080 |
| Rental payments | - | 68,422 | 68,422 |
| Total | $ 841,584 | $ 68,422 | $ 910,006 |

## Note 15. Interfund Balances and Activities

Interfund balances at June 30, 2022 consisted of the following individual fund balances:

| | Due To | Due From | Purpose |
|---|---|---|---|
| General fund | | | |
| Nonmajor fund | $ - | $ 2,282,151 | Investment maturities and reimbursement reimbursement of expenditures |
| Debt service fund | 783,679 | - | Investment maturity and pending tax collection transfers |
| Capital projects fund | - | 65,425 | Investment maturity and transfer in for year-end projects |
| Total general fund | 783,679 | 2,347,576 | |
| Debt service fund | | | |
| General fund | - | 783,679 | Investment maturity and pending tax collection transfers |
| Capital projects fund | | | |
| General fund | 86,812 | 21,387 | Investment maturity and transfer in for year-end projects |
| Nonmajor Funds | | | |
| General fund | 4,983,643 | 2,701,492 | Investment maturities and reimbursement of expenditures |
| Total Nonmajor Funds | 4,983,643 | 2,701,492 | |
| Totals | $ 5,854,134 | $ 5,854,134 | |

All amounts due are scheduled to be repaid within one year.

During the year ended June 30, 2022, the District transferred $2,533,341 from the general fund to capital project funds to commit funds for capital projects, and transferred $234,812 from capital project funds to capital project funds to commit funds for capital projects.

## Note 16. Instructional Materials Allotment

In May 2011, Senate Rule 6 repealed the technology allotment used by Texas schools and created an Instructional Materials Allotment (IMA) for the purchase of instructional materials, technology equipment, and technology related services. Under the IMA instructional material purchases must be made through TEA's online registration system. Instructional materials acquired through the IMA totaling $1,269,315 are recorded as revenues in the State Instructional Materials Fund.

Ownership of textbooks previously purchased by the state and utilized by the District was transferred to the District. The majority of these textbooks were sold or otherwise disposed of in accordance with TEA guidelines. At June 30, 2022, the remainder of the District's textbooks have minimal value and are not otherwise reflected elsewhere in these statements.

## Note 17. Construction Commitments

As of June 30, 2022, the District had entered into several construction contracts for various construction projects totaling $44,238,638. At June 30, 2022, there was $5,740,437 of remaining costs under these contracts.

## Note 18. Lease Receivable

During the year ended June 30, 2022, the District implemented GASB 87, *Leases*, which required the District to record lease agreements related to leasing a building, land and cell towers. The District's lease receivables have various terms, including monthly and annually payments of principal and interest with various borrowing rates. During the year ended June 30, 2022, the District recognized $876,029 in lease revenue and $87,248 in interest revenue in the enterprise fund. During the year ended June 30, 2022 the District recognized $59,062 in lease revenue and $15,627 in interest revenue in the general fund, and $60,607 in lease revenue and $563 in interest revenue in the nonmajor fund. As of June 30, 2022, the District's receivables for lease payments were $856,672 in the general fund, $730,958 in the nonmajor fund, and $9,378,705 in the enterprise fund. Also, the District has deferred inflows of resources associated with these leases that will be recognized as revenue over the lease term. As of June 30, 2022, the balances of the deferred inflows of resources were $838,149 in the general fund, $727,125 in the nonmajor fund, and $9,268,124 in the enterprise fund.

The future principal and interest lease payments to be received as of June 30, 2022 were as follows:

| Fiscal Year Ending | Government-wide | | | Business-type | | | Total |
|---|---|---|---|---|---|---|---|
| June 30 | Principal | Interest | Total | Principal | Interest | Total | Leases |
| 2023 | $ 82,836 | $ 31,162 | $ 113,998 | $ 840,932 | $ 160,579 | $ 1,001,511 | $ 1,115,509 |
| 2024 | 87,384 | 29,589 | 116,973 | 844,538 | 148,686 | 993,224 | 1,110,197 |
| 2025 | 102,838 | 27,935 | 130,773 | 735,119 | 137,012 | 872,131 | 1,002,904 |
| 2026 | 104,797 | 25,976 | 130,773 | 773,753 | 125,174 | 898,927 | 1,029,700 |
| 2027 | 106,793 | 23,980 | 130,773 | 794,548 | 112,804 | 907,352 | 1,038,125 |
| 2028-2032 | 631,535 | 87,047 | 718,582 | 3,353,872 | 375,863 | 3,729,735 | 4,448,317 |
| 2033-2037 | 369,906 | 30,842 | 400,748 | 2,100 | 263,817 | 265,917 | 666,665 |
| 2038-2042 | 101,541 | 3,398 | 104,939 | 31,356 | 262,479 | 293,835 | 398,774 |
| 2043-2047 | - | - | - | 82,599 | 255,309 | 337,908 | 337,908 |
| 2048-2052 | - | - | - | 137,532 | 240,653 | 378,185 | 378,185 |
| 2053-2057 | - | - | - | 230,377 | 216,508 | 446,885 | 446,885 |
| 2058-2062 | - | - | - | 333,471 | 180,444 | 513,915 | 513,915 |
| 2063-2067 | - | - | - | 461,469 | 129,535 | 591,004 | 591,004 |
| 2068-2072 | - | - | - | 619,404 | 60,251 | 679,655 | 679,655 |
| 2073 | - | - | - | 137,635 | 1,933 | 139,568 | 139,568 |
| | $ 1,587,630 | $ 259,929 | $ 1,847,559 | $ 9,378,705 | $ 2,671,047 | $ 12,049,752 | $ 13,897,311 |

## Note 19. Subsequent Events

The District evaluated all events or transactions that occurred after June 30, 2022 through November 15, 2022, the date these financial statements were available to be issued, noting the following:

In July 2022, the District purchased property with a cost of $7,750,000.

**APPENDIX E**

**THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM**

## THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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

During the 87th Regular Session of the Texas Legislature (the "87th Regular Session"), which concluded on May 31, 2021, Senate Bill 1232 ("SB 1232" or "the bill") was enacted, and the bill became effective on September 1, 2021. SB 1232 provides for a variety of changes to the operations and management of the Fund, including the creation of the Permanent School Fund Corporation (the "PSF Corporation"), and the delegation of responsibility to manage the portion of the Fund previously under the management supervision of the State Board of Education (the "SBOE") to the PSF Corporation. SB 1232 also requires changes with respect to the management of certain investments previously made at the discretion of the Texas School Land Board (the "SLB"), including limiting the types of investments that may be made by the SLB and mandating the transfer of cash and certain other investment properties from the SLB to the PSF Corporation once the PSF Corporation is created. Certain of the authorizations of SB 1232, including the creation of the PSF Corporation have occurred, and other authorized changes are expected to be implemented in phases through the end of calendar year 2023. See "Management Transition to the PSF Corporation" for a summary of SB 1232 and its expected impact on the management and operations of the Fund.

The regular session of the 88th Texas Legislature (the "Legislature") is scheduled from January 10, 2023 to May 29, 2023. Thereafter, the Texas Governor may call one or more additional special sessions. During this time, the Legislature may enact laws that materially change current law as it relates to the Guarantee Program, the TEA, the SBOE, the Act, the PSF Corporation, and Texas school finance generally. No representation is made regarding any actions the Legislature may take, but the TEA, SBOE, and PSF Corporation intend to monitor proposed legislation for any developments applicable thereto.

### History and Purpose

The PSF supports the State's public school system in two major ways: distributions to the constitutionally established Available School Fund (the "ASF"), as described below, and the guarantee of school district and charter district issued bonds through the Guarantee Program. The PSF was created in 1845 and received its first significant funding with a $2,000,000 appropriation by the Legislature in 1854 expressly for the benefit of the public schools of Texas, with the sole purpose of assisting in the funding of public education for present and future generations. The Constitution of 1876 described that the PSF would be "permanent," and 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, only the income produced by the PSF could be used to complement taxes in financing public education, which primarily consisted of income from securities, 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.

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 "Education Commissioner"), bonds properly issued by a school district are fully guaranteed by 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 Education Commissioner. On approval by the Education Commissioner, bonds properly issued by a charter district participating in the Guarantee Program are fully guaranteed by the PSF. The Charter District Bond Guarantee Program 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 (the "Attorney General") been requested to issue an opinion, with respect to its constitutional validity.

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 SLB's land and real assets investment operations, which are part of the PSF as described below, are also included in the annual financial report of the Texas General Land Office (the "GLO") that is included in the comprehensive annual report of the State of Texas. 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, 2022, 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 United States 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, 2022 is derived from the audited financial statements of the PSF, which are included in the Annual Report as it is filed and posted. Reference is made to the Annual Report for the complete Message and MD&A for the year ended August 31, 2022 and for a description of the financial results of the PSF for the year ended August 31, 2022, the most recent year for which audited financial information regarding the Fund is available. The 2022 Annual Report speaks only as of its date and the TEA has not obligated itself to update the 2022 Annual Report or any other Annual Report. The TEA posts (i) each Annual Report, which includes statistical data regarding the Fund as of the close of each fiscal year, (ii) the most recent disclosure for the Guarantee Program, (iii) the PSF Corporation's Investment Policy Statement (the "IPS"), and (iv) 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. A list of the Fund's equity and fixed income holdings as of August 31 of each year is posted to the TEA web site and filed with the MSRB. Such list excludes holdings in the Fund's securities lending program. Such list, as filed, is incorporated herein and made a part hereof for all purposes. See "Management Transition to the PSF Corporation" for a discussion of the PSF Corporation audit. At its November 2022 quarterly board meeting, the SBOE considered new regulations for the administration of the Bond Guarantee Program. Two readings and a publication period are required for modifications to the Texas Administrative Code, and such process (the "Regulatory Recodification") was completed in February 2023, with the new regulations becoming effective March 1, 2023. The Regulatory Recodification was taken as an acknowledgment of the new role and powers that are delegated to the PSF Corporation. Among other regulations affecting the Fund that were restructured include the Statement of Investment Objectives, Policies and Guidelines of the Texas Permanent School Fund, which is codified at 19 Texas Administrative Code, Chapter 33 (recodified in part and replaced in part by the IPS).

**Management and Administration of the Fund**

*The following discussion describes some legal and management aspects of the structure of the Fund prior to full implementation of SB 1232. SB 1232 is being implemented in phases. See "Management Transition to the PSF Corporation" for summaries of certain laws applicable to the Fund pursuant to the Texas Constitution and SB 1232 as well as certain prior actions and the ongoing changes in the management structure 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, but SB 1232 authorized the SBOE to delegate management of the Fund to the Corporation, which, as noted above, has been done. The SBOE consists of 15 members who are elected by territorial districts in the State to four year terms of office.

The Texas Constitution provides that the Fund shall be managed though the exercise of 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 "Prudent Person Standard").

In accordance with the Texas Constitution, the SBOE views the PSF as a perpetual endowment, and the Fund is managed as an endowment fund with a long-term investment horizon. Under the total-return investment objective, the IPS provides that the PSF shall be managed consistently with respect to the following: support for public free schools in Texas, real growth in Fund asset values, protection of Fund capital, and the provision of sustained income distributions to current and future generations of Texas school children. As described below, the Total Return Constitutional Amendment restricts the annual pay-out from the Fund to both (i) 6% of the average of the market value of the Fund, excluding real property, 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, and (ii) the total-return on all investment assets of the Fund over a rolling ten-year period.

By law, the Education Commissioner is appointed by the Governor, with Senate confirmation, and assists the SBOE, but the Education Commissioner can neither be hired nor dismissed by the SBOE. The PSF Corporation has also engaged outside counsel to advise it as to its duties with respect to 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. TEA's General Counsel provides legal advice to the SBOE but will not provide legal advice directly to the PSF Corporation.

The Total Return Constitutional Amendment shifted administrative costs of the Fund from the ASF to the PSF, providing that expenses of managing the PSF are to be paid "by appropriation" from the PSF. In January 2005, the Attorney General issued a legal opinion, Op. Tex. Att'y Gen. No. GA-0293 (2005), stating 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.

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

Prior to the enactment of SB 1232, Texas law assigned to the SLB control of the Fund's land and mineral rights and authority to invest in certain real assets. Administrative duties related to these assets have in the past resided with the GLO, which is under the guidance of the elected commissioner of the GLO (the "Land Commissioner").

In 2019, the Texas Legislature enacted legislation that created a "permanent school fund liquid account" (the "Liquid Account") in the PSF for the purpose of the SBOE receiving, administering, and investing funds transferred from the SLB on a quarterly basis that are not then invested by the SLB or needed within the forthcoming quarter. On January 1, 2023, management of the Liquid Account transferred from the SBOE to the PSF Corporation. The bill grants the PSF Corporation authority and discretion to abolish the Liquid Account when its purpose has been resolved and transfer any remaining balance to the Fund.

**Management Transition to the PSF Corporation**

In accordance with SB 1232, at its November 2021 board meeting, the SBOE approved the articles of formation of the PSF Corporation. The articles were filed on December 1, 2021, thus effecting the creation of the PSF Corporation. SB 1232 authorizes the SBOE to delegate investment authority over the PSF and the Charter District Reserve Fund to the PSF Corporation. The bill also provides that the PSF Corporation, the SBOE and TEA must coordinate to determine the PSF Corporation's role in the operation and management of the Guarantee Program to ensure the proper and efficient operation of the program.

The description of SB 1232 that follows summarizes some key provisions of the bill. The full text of the bill can be found at https://capitol.texas.gov/BillLookup/Text.aspx?LegSess=87R&Bill=SB1232. SB 1232 provides for various transition dates relating to implementation of the bill, with the latest dates generally occurring in calendar year 2023. As noted above, on January 1, 2023 the investment management responsibilities for the Fund transferred to the PSF Corporation and the merger of Fund assets previously managed by the SLB with those previously managed by the SBOE.

As allowed by SB 1232, the PSF Corporation has been created as a special-purpose governmental corporation and instrumentality of the State which is entitled to sovereign immunity. The PSF Corporation is governed by a nine-member board of directors (the "PSFC Board"), which consists of five members of the SBOE, the Land Commissioner, and three appointed members who have substantial background and expertise in investments and asset management; with one of the appointees being appointed by the Land Commissioner and the other two appointed by the Governor (one of which is currently vacant) with confirmation by the Senate.

At the inaugural meeting of the PSFC Board in January 2022, the PSFC Board appointed the Executive Administrator of the Fund as the interim chief executive officer of the PSF Corporation and in April 2022 the Executive Administrator of the Fund was confirmed as the chief executive officer of the PSF Corporation. In July 2023, the PSFC Board appointed an Acting chief executive officer to perform those duties while the PSFC Board conducts a search to hire a permanent replacement for the chief executive officer who retired at the end of March. The PSFC Board adopted bylaws governing how it will manage its affairs and conduct business. The chief executive officer reports to the PSFC Board. Any amendments to the PSF Corporation's articles of formation and bylaws will be adopted by the PSFC Board but are subject to approval by the SBOE. At its March 2023 meeting, the PSFC Board approved its securities lending policy.

Notwithstanding the management transition for the Fund from the SBOE to the PSF Corporation, the provisions of the Texas Constitution that formerly applied to the SBOE's management will continue to provide a framework for the management of the Fund. In particular, the Prudent Person Standard is applicable to the PSF Corporation, and the Total Return Constitutional Amendment will govern distributions from the PSF to the ASF by the SBOE. A separate constitutional provision allowing distributions from the PSF to the ASF that is currently used by the SLB was also granted to the PSF Corporation. When determining any amount to distribute, the PSF Corporation may consider distributions made by the SBOE. In addition, the Fund will continue to be managed as a perpetual endowment for the benefit of citizens of the State.

The SLB's investments in real estate investment funds and real asset investment funds will transfer to the PSF Corporation. Beginning December 31, 2022, the SLB is no longer authorized to make investments into funds; however, the SLB will still be able to invest in land, mineral and royalty interests, and individual real estate holdings; the SLB will also be required to send PSF mineral revenue to the PSF Corporation for investment, subject to designation via the appropriations process to cover GLO expenses of managing the minerals.

Not less than once each year, the PSFC Board must submit an audit report to the Legislative Budget Board ("LBB") regarding the operations of the PSF Corporation. The PSF Corporation may contract with a certified public accountant or the State Auditor to conduct an independent audit of the operations of the PSF Corporation, but such authorization does not affect the State Auditor's authority to conduct an audit of the PSF Corporation in accordance with other State laws. The first audit of the PSF Corporation will be conducted following the close of the 2022-2023 fiscal year on August 31, 2023.

As required by State law, during the 87th Regular Session the LBB issued a fiscal note on SB 1232. The fiscal note stated that uncertainty exists regarding the nature of future returns and the effect of the bill on distributions from all components of the PSF to the ASF, such that the financial impact of the bill could not be determined during the legislative session. However, the fiscal note stated that TEA and the GLO projected that the changes effected by the bill will have a positive fiscal impact in terms of growth of the Fund and future Fund distributions. No assurances can be given as to future investment results for the Fund.

With respect to the 2024-2025 State biennium, and for subsequent biennia, the PSF Corporation is required to submit a legislative appropriations request ("LAR") to the LBB and the Office of the Governor that details a request for appropriation of funds to enable the PSF Corporation to carry out its responsibilities for the investment management of the Fund. The requested funding, budget structure, and riders are sufficient to fully support all operations of the PSF Corporation in state fiscal years 2024 and 2025. As described therein, the LAR is designed to provide the PSF Corporation with the ability to operate as a stand-alone state entity in the State budget while retaining the flexibility to fulfill its fiduciary duty and provide oversight and transparency to the Legislature and Governor.

**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. Prior to the adoption of the Total Return Constitutional Amendment, all interest and dividend income produced by Fund investments flowed into the ASF, where they were distributed to local school districts and open-enrollment charter schools based on average daily attendance, any net gains from investments of the Fund were reflected in the value of the PSF, and costs of administering the PSF were allocated to the ASF. 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, in accordance with the rate adopted by: (a) a vote of two-thirds of the total membership of the 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"), 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." The definition of intergenerational equity that the SBOE has generally followed 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 the PSF Corporation and TEA staff and external investment consultants, 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 student enrollment State-wide, the projected contributions and expenses of the Fund, projected returns in the capital markets and a projected inflation rate.

On November 8, 2011, a referendum was held in the State at which voters of the State 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 November 8, 2011 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 was 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 constitutional amendments approved on November 8, 2011, also provided authority to the GLO or another entity (described in statute as the SLB) that has responsibility for the management of revenues derived from land or other properties of the PSF to determine whether to transfer an amount each year to the ASF from the revenue derived during the current year from such land or properties. Prior to November 2019, the amount authorized to be transferred to the ASF from the GLO or SLB was limited to $300 million per year. On November 5, 2019, a constitutional amendment was approved by State voters that increased the maximum transfer to the ASF to $600 million each year from the revenue derived during that year from the PSF from the GLO, the SBOE or another entity to the extent such entity has the responsibility for the management of revenues derived from such land or other properties. Any amount transferred to the ASF pursuant to this constitutional provision is excluded from the 6% Distribution Rate limitation applicable to SBOE transfers.

The following table shows amounts distributed to the ASF from the portions of the Fund administered by the SBOE (the "PSF(SBOE)") and the SLB (the "PSF(SLB)").

**Annual Distributions to the Available School Fund**[(1)]

| Fiscal Year Ending | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|---|---|---|
| PSF(SBOE) Distribution | $1,021 | $839 | $839 | $1,056 | $1,056 | $1,236 | $1,236 | $1,102 | $1,102 | $1,731 |
| PSF(SLB) Distribution | $300 | $0 | $0 | $0 | $0 | $0 | $300 | $600 | $600[(2)] | $415 |
| Per Student Distribution | $281 | $175 | $173 | $215 | $212 | $247 | $306 | $347 | $341 | $432 |

(1) In millions of dollars. Source: PSF Annual Report for year ended August 31, 2022.
(2) In September 2020, the SBOE approved a special, one-time transfer of $300 million from the portion of the PSF managed by the SBOE to the portion of the PSF managed by the SLB, which amount is to be transferred to the ASF by the SLB in fiscal year 2021. In approving the special transfer, the SBOE determined that the transfer was in the best interest of the PSF due to the historic nature of the public health and economic circumstances resulting from the COVID-19 pandemic and its impact on the school children of Texas.

In November 2022, the SBOE approved a $3.1 billion distribution to the ASF for State fiscal biennium 2024-2025. In making its determination of the 2024-2025 Distribution Rate, the SBOE took into account the announced planned distribution to the ASF by the SLB of $1.2 billion for the biennium.

Efforts to achieve the intergenerational equity objective, as described above, result in changes in the Distribution Rate for each biennial period. The following table sets forth the Distribution Rates announced by the SBOE in the fall of each even numbered year to be applicable for the following biennium.

| State Fiscal Biennium | 2008-09 | 2010-11 | 2012-13 | 2014-15 | 2016-17 | 2018-19 | 2020-21 | 2022-23 | 2024-25 |
|---|---|---|---|---|---|---|---|---|---|
| SBOE Distribution Rate(1) | 3.5% | 2.5% | 4.2% | 3.3% | 3.5% | 3.7% | 2.974% | 4.18% | 3.32%(2) |

(1) Includes only distributions made to the ASF by the SBOE; see the immediately preceding table for amounts of direct SLB distributions to the ASF. In addition, the SLB approved transfers of $600 million per year directly to the ASF for fiscal biennium 2024-25.
(2) The distribution rate approved by the SBOE for fiscal biennium 2024-25 was based on a number of assumptions, including a mid- to long-term expected return rate for the Fund of 6.35% and a rate of inflation measured by the consumer price index of 2.70% according to the policy adopted by the SBOE in June 2022.

**Asset Allocation of Fund Portfolios**

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 historically reviewed the asset allocations during its summer meeting in even-numbered years. The first asset allocation policy adopted by the SBOE following the Total Return Constitutional Amendment was in February 2004, and the policy was reviewed and modified or reaffirmed in the summers of each even-numbered year, most recently in June 2022. The IPS (effective January 1, 2023) provides for minimum and maximum ranges among the components of each of the asset classifications: equities, fixed income, and alternatives. The alternatives category includes absolute return, private equity, real estate, emerging manager program, real return, natural resources, and infrastructure components. Alternative asset classes diversify the managed assets of the PSF 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. Given the greater weighting in the overall portfolio of traditional investments, it is expected that the Fund will reflect the general performance returns of the markets in which the Fund is invested.

Prior to the effective date of the IPS, the most recent asset allocation of the PSF(SBOE), was approved by the SBOE in June 2022, and is set forth below, along with the asset allocations of the PSF(SLB) and Liquid Account that were effective June 2022.

**PSF 2022 Strategic Asset Allocations**

| | PSF(SBOE) | PSF(SLB) | Liquid Account |
|---|---|---|---|
| **Equity Total** | 55% | 0% | 77% |
| | | | |
| **Public Equity Total** | 37% | 0% | 77% |
| Large Cap US Equity | 14% | 0% | 38% |
| Small/Mid Cap US Equity | 6% | 0% | 10% |
| International Equities | 14% | 0% | 29% |
| Emerging Markets Equity | 3% | 0% | 0% |
| **Private Equity** | 18% | 0% | 0% |
| | | | |
| **Fixed Income Total** | 22% | 0% | 21% |
| | | | |
| Core Bonds | 12% | 0% | 16% |
| Non-Core Bonds (High Yield & Bank Loans) | 4% | 0% | 0% |
| Emerging Markets Debt | 3% | 0% | 0% |
| Treasuries | 3% | 0% | 0% |
| TIPS | 0% | 0% | 5% |
| Short Duration | 0% | 0% | 0% |
| | | | |
| **Alternative Investments Total** | 22% | 100% | 0% |
| | | | |
| Absolute Return | 7% | 0% | 0% |
| Real Estate | 11% | 33% | 0% |
| Real Return | 4% | 0% | 0% |
| Energy | 0% | 31% | 0% |
| Infrastructure | 0% | 36% | 0% |
| | | | |
| **Emerging Manager Program** | 1% | 0% | 0% |
| | | | |
| **Cash** | 0% | 0% | 2% |

**PSF Corporation 2023 Strategic Asset Allocation**

Effective January 1, 2023, the IPS includes a combined asset allocation for all Fund assets (consisting of assets transferred for management to the PSF Corporation from the SBOE, the SLB and the Liquid Account). The IPS provides that the Fund's investment objectives are as follows:

- Generate distributions for the benefit of public schools in Texas;
- Maintain the purchasing power of the Fund, after spending and inflation, in order to maintain intergenerational equity with respect to distributions from the Fund;
- Provide a maximum level of return consistent with prudent risk levels, while maintaining sufficient liquidity needed to support Fund obligations; and
- Maintain a AAA credit rating, as assigned by a nationally recognized securities rating organization.

The table below sets forth the asset allocation of the Fund beginning January 1, 2023.

| Asset Class | Strategic Asset Allocation | Range |
|---|---|---|
| **Equities** | | |
| Large Cap US Equity | 15% | +/- 3.0% |
| Small/Mid-Cap US Equity | 6% | +/- 1.0% |
| Non-US Developed Equity | 10% | +/- 3.0% |
| Emerging Market Equity | 6% | +/- 1.0% |
| *Total Equity* | 37% | |
| | | |
| **Fixed Income** | | |
| Core Bonds | 11% | +/- 2.0% |
| Non-Core Bonds (High Yield & Bank Loans) | 3% | +/- 3.0% |
| Emerging Market Debt (Local Currency) | 2% | +/- 2.0% |
| U.S. Treasuries | 2% | +/- 2.0% |
| *Total Fixed Income* | 18% | |
| | | |
| **Cash Equivalents** | 0% | |
| | | |
| **Alternatives** | | |
| Absolute Return | 6% | +/- 1.0% |
| Private Equity | 15% | +/- 4.0% |
| Real Estate | 12% | +/- 4.0% |
| Emerging Manager Program (Private Equity / Real Estate) | 1% | +/- 1.0% |
| Real Return (Commodities & U.S. Treasury Inflation Protected Securities (TIPS)) | 4% | +/- 1.5% |
| Private Real Assets – Natural Resources | 3% | +/- 2.0% |
| Private Real Assets – Infrastructure | 4% | +/- 2.0% |
| *Total Alternatives* | 45% | |

For a variety of reasons, each change in asset allocation for the Fund has been implemented in phases, and that approach is likely to be carried forward when and if the asset allocation policy is again modified.

The table below sets forth the comparative investments of the PSF(SBOE) for the years ending August 31, 2021 and 2022, as set forth in the PSF Annual Reports for those years. As of January 1, 2023, the assets of the PSF(SBOE) and the PSF (SLB) were generally combined for investment management and accounting purposes.

**Comparative Investment Schedule – PSF(SBOE)**(1)

| | Fair Value (in millions) August 31, 2022 and 2021 | | | |
|---|---|---|---|---|
| Asset Class | August 31, 2022 | August 31, 2021 | Amount of Increase (Decrease) | Percent Change |
| Equity | | | | |
| Domestic Small Cap | $ 2,358.4 | $ 2,597.3 | $ (238.9) | -9.2% |
| Domestic Large Cap | 4,730.4 | 6,218.7 | (1,488.3) | -23.9% |
| Total Domestic Equity | 7,088.8 | 8,816.0 | (1,727.2) | -19.6% |
| | | | | |
| International Equity | 5,972.5 | 8,062.1 | (2,089.6) | -25.9% |
| Total Equity | 13,061.3 | 16,878.1 | (3,816.8) | -22.6% |
| | | | | |
| Fixed Income | | | | |
| Domestic Fixed Income | 4,563.3 | 4,853.1 | (289.8) | -6.0% |
| U.S. Treasuries | 1,140.2 | 1,243.3 | (103.1) | -8.3% |
| High Yield Bonds | 1,142.5 | - | 1,142.5 | N/A |
| Emerging Market Debt | 1,190.9 | 2,683.7 | (1,492.8) | -55.6% |
| Total Fixed Income | 8,036.9 | 8,780.1 | (743.2) | -8.5% |
| | | | | |
| Alternative Investments | | | | |
| Absolute Return | 2,932.3 | 3,546.0 | (613.7) | -17.3% |
| Real Estate | 4,365.7 | 3,706.0 | 659.7 | 17.8% |
| Private Equity | 7,933.1 | 7,724.6 | 208.5 | 2.7% |
| Emerging Manager Program | 29.9 | - | 29.9 | N/A |
| Real Return | 1,412.0 | 1,675.5 | (263.5) | -15.7% |
| Total Alternative Investments | 16,673.0 | 16,652.1 | 20.9 | 0.1% |
| | | | | |
| Unallocated Cash | 196.5 | 262.9 | (66.4) | -25.3% |
| | | | | |
| Total PSF(SBOE) Investments | $37,967.7 | $42,573.2 | $ (4,605.5) | -10.8% |

(1) The investments shown in the table above at August 31, 2022 do not fully reflect the changes made to the PSF Strategic Asset Allocation in June 2022, as those changes were still being phased in at the end of the fiscal year.
Source: PSF Annual Report for year ended August 31, 2022.

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The table below sets forth the investments of the Liquid Account for the year ended August 31, 2022.

**Liquid Account Fair Value at August 31, 2022**[1]

| | Fair Value (in millions) August 31, 2022 and 2021 | | | |
|---|---|---|---|---|
| Asset Class | August 31, 2022 | August 31, 2021 | Amount of Increase (Decrease) | Percent Change |
| Equity | | | | |
| Domestic Small/Mid Cap | $ 500.0 | $ 228.3 | $ 271.7 | 119.0% |
| Domestic Large Cap | 1,671.7 | 578.6 | 1,093.1 | 188.9% |
| Total Domestic Equity | 2,171.7 | 806.9 | 1,364.8 | 169.1% |
| International Equity | 1,225.5 | 392.6 | 832.9 | 212.1% |
| Total Equity | 3,397.2 | 1,199.5 | 2,197.7 | 183.2% |
| Fixed Income | | | | |
| Short-Term Fixed Income | 797.4 | 1,074.8 | (277.4) | -25.8% |
| Core Bonds | 506.8 | 413.1 | 93.7 | 22.7% |
| TIPS | 208.2 | 213.9 | (5.7) | -2.7% |
| Total Fixed Income | 1,512.4 | 1,701.8 | (189.4) | -11.1% |
| Unallocated Cash | 35.2 | 1,420.5 | (1,385.3) | -97.5% |
| Total Liquid Account Investments | $4,944.8 | $4,321.8 | $ 623.0 | 14.4% |

[1] In millions of dollars.
Source: PSF Annual Report for year ended August 31, 2022.

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The table below sets forth the comparative investments of the PSF(SLB) for the years ending August 31, 2022 and 2021.

**Comparative Investment Schedule – PSF(SLB)**

| | Fair Value (in millions) August 31, 2022 and 2021 | | | |
|---|---|---|---|---|
| Asset Class | August 31, 2022 | August 31, 2021 | Amount of Increase (Decrease) | Percent Change |
| Discretionary Real Assets Investments | | | | |
| Externally Managed | | | | |
| Real Assets Investment Funds[1] | | | | |
| Energy/Minerals | $2,718.6 | $1,707.5 | $1,011.1 | 59.2% |
| Infrastructure | 1,622.7 | 1,652.3 | (29.6) | -1.8% |
| Real Estate | 1,921.2 | 1,276.8 | 644.4 | 50.5% |
| Internally Managed Direct Real Estate Investments | 271.5 | 223.9 | 47.6 | 21.3% |
| Total Discretionary Real Assets Investments | 6,534.0 | 4,860.5 | 1,673.5 | 34.4% |
| Dom. Equity Rec'd as In-Kind Distribution | - | 1.7 | (1.7) | -100.0% |
| Sovereign and Other Lands | 428.3 | 405.4 | 22.9 | 5.6% |
| Mineral Interests | 5,622.2 | 2,720.4 | 2,901.8 | 106.7% |
| Cash at State Treasury[2] | 1,257.5 | 699.2 | 558.3 | 79.8% |
| Total PSF(SLB) Investments | $13,842.0 | $8,687.2 | $5,154.8 | 59.3% |

(1) The fair values of externally managed real assets investment funds, separate accounts, and co-investment vehicles are estimated using the most recent valuations available, adjusted for subsequent contributions and withdrawals.
(2) Cash at State Treasury represents amounts that have been deposited in the State Treasury and temporarily invested in short-term investments until called for investment by the external real assets investment funds, separate accounts, and co-investment vehicles to which PSF(SLB) has made capital commitments. Prior to September 1, 2019, PSF(SLB) was required by statute to deposit cash designated by the SLB for investment in real assets in the State Treasury until it is drawn for investment. After September 1, 2019, that cash was moved to the Liquid Account to be invested by the SBOE.

The asset allocation of the Fund's financial assets portfolio is subject to change by the PSF Corporation from time to time based upon a number of factors, including recommendations to the PSF Corporation made by internal investment staff and external consultants. Fund performance may also be affected by factors other than asset allocation, including, without limitation, the general performance of the securities markets and other capital markets in the United States and abroad, which may be affected by different levels of economic activity; decisions of political officeholders; significant adverse weather events; development of hostilities in and among nations; cybersecurity threats and events; changes in international trade policies or practices; application of the Prudent Person 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, PSF operational limitations impacted by Texas law or legislative appropriation. The Guarantee Program could also be impacted by changes in State or federal law or regulations or the implementation of new accounting standards.

**The School District Bond Guarantee Program**

The School District Bond Guarantee Program requires an application be made by a school district to the Education 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 Education 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 Education 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 Education 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 Education 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 Education 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 Education Commissioner shall request the Attorney General to institute legal action to compel the district and its officers, agents and employees to comply with the duties required of them by law in respect to the payment of guaranteed bonds.

Generally, the regulations that govern the School District Bond Guarantee Program (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. As noted, above, in connection with the Regulatory Recodification, the SDBGP Rules are now codified in the Texas Administrative Code at 19 TAC section 33.6 and are available at https://tea.texas.gov/sites/default/files/ch033a.pdf.

**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"). As noted, above, in connection with the Regulatory Recodification, the CDBGP Rules are now codified at 19 TAC section 33.7 and are available at https://tea.texas.gov/sites/default/files/ch033a.pdf.

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 Education Commissioner for designation as a "charter district" and for a guarantee by the PSF under the Act of bonds issued on behalf of a charter district by a non-profit corporation. If the conditions for the Charter District Bond Guarantee Program are satisfied, the guarantee becomes effective upon approval of the bonds by the Attorney General and remains in effect until the guaranteed bonds are paid or defeased, by a refunding or otherwise.

As of July 2023 (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 7.36%. At July 31, 2023, there were 184 active open-enrollment charter schools in the State and there were 1,103 charter school campuses authorized under such charters, though as of such date, 208 of such campuses are not currently serving students for various reasons; therefore, there are 895 charter school campuses actively serving students in Texas. Section 12.101, Texas Education Code, limits the number of charters that the Education Commissioner may grant to a total number of 305 charters. While legislation limits the number of charters that may be granted, it does not limit the number of campuses that may operate under a particular charter. For information regarding the capacity of the Guarantee Program, see "Capacity Limits for the Guarantee Program." The Act provides that the Education Commissioner may not approve the guarantee of refunding or refinanced bonds under the Charter District Bond Guarantee Program in a total amount that exceeds one-half of the total amount available for the guarantee of charter district bonds under the Charter District Bond Guarantee Program.

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

The Charter District Bond Guarantee Program does not apply to the payment of principal and interest upon redemption of bonds, except upon mandatory sinking fund redemption, and does not apply to the obligation, if any, of a charter district to pay a redemption premium on its guaranteed bonds. The guarantee applies to all matured interest on guaranteed charter district bonds, whether the bonds were issued with a fixed or variable interest rate and whether the interest rate changes as a result of an interest reset provision or other bond resolution provision requiring an interest rate change. The guarantee does not extend to any obligation of a charter district under any agreement with a third party relating to guaranteed bonds that is defined or described in State law as a "bond enhancement agreement" or a "credit agreement," unless the right to payment of such third party is directly as a result of such third party being a bondholder.

In the event of default, holders of guaranteed charter district bonds will receive all payments due from the corpus of the PSF. Following a determination that a charter district will be or is unable to pay maturing or matured principal or interest on any guaranteed bond, the Act requires a charter district to notify the Education Commissioner not later than the fifth day before the stated maturity date of such bond or interest payment and 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 Education 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 Education 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 Education Commissioner determines that the charter district is acting in bad faith under the program, the Education 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 Education Commissioner to instruct the Comptroller to withhold the amount paid with respect to the Charter District Bond Guarantee Program, plus interest, from the first State money payable to a charter district that fails to make a guaranteed payment on its bonds. The amount withheld will be deposited, first, to the credit of the PSF, and then to restore any amount drawn from the Charter District Reserve Fund as a result of the non-payment.

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

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

From time to time, TEA has limited new guarantees under the Charter District Bond Guarantee Program to conform to capacity limits specified by the Act. Legislation enacted during the Legislature's 2017 regular session modified the manner of calculating the capacity of the Charter District Bond Guarantee Program (the "CDBGP Capacity"), which further increased the amount of the CDBGP Capacity. The CDBGP Capacity is made available from the capacity of the Guarantee Program but is not reserved exclusively for the Charter District Bond Guarantee Program. See "Capacity Limits for the Guarantee Program" and "2017 Legislative Changes to the Charter District Bond Guarantee Program." Other factors that could increase the CDBGP Capacity include Fund investment performance, future increases in the

Guarantee Program multiplier, changes in State law that govern the calculation of the CDBGP Capacity, as described below, changes in State or federal law or regulations related to the Guarantee Program limit, growth in the relative percentage of students enrolled in open-enrollment charter schools to the total State scholastic census, legislative and administrative changes in funding for charter districts, changes in level of school district or charter district participation in the Guarantee Program, or a combination of such circumstances.

**Capacity Limits for the Guarantee Program**

The capacity of the Fund to guarantee bonds under the Guarantee Program is limited to the lesser of that imposed by State law (the "State Capacity Limit") and that imposed by regulations and a notice issued by the IRS (the "IRS Limit", with the limit in effect at any given time being the "Capacity Limit"). From 2005 through 2009, the Guarantee Program twice reached capacity under the IRS Limit, and in each instance the Guarantee Program was closed to new bond guarantee applications until relief was obtained from the IRS. The most recent closure of the Guarantee Program commenced in March 2009 and the Guarantee Program reopened in February 2010 after the IRS updated regulations relating to the PSF and similar funds.

Prior to 2007, various legislation was enacted modifying the calculation of the State Capacity Limit; however, in 2007, Senate Bill 389 ("SB 389") was enacted, providing for 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 provided that the SBOE shall at least annually consider whether to change the capacity of the Guarantee Program. Additionally, on May 21, 2010, the SBOE modified the SDBGP Rules, and increased the State Capacity Limit 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 Education Commissioner will estimate the available capacity of the PSF each month and may increase or reduce the State Capacity Limit multiplier to prudently manage fund capacity and maintain the AAA credit rating of the Guarantee Program but also provide that any changes to the multiplier made by the Education 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.

Since September 2015, the SBOE has periodically voted to change the capacity multiplier as shown in the following table.

**Changes in SBOE-determined multiplier for State Capacity Limit**

| Date | Multiplier |
|---|---|
| Prior to May 2010 | 2.50 |
| May 2010 | 3.00 |
| September 2015 | 3.25 |
| February 2017 | 3.50 |
| September 2017 | 3.75 |
| February 2018 (current) | 3.50 |

Since December 16, 2009, the IRS Limit was a static limit set at 500% of the total cost value of the assets held by the PSF as of December 16, 2009; however, on May 10, 2023, the IRS released Notice 2023-39 (the "IRS Notice"), stating that the IRS would issue regulations amending the existing regulations to amend the calculation of the IRS limit to 500% of the total cost value of assets held by the PSF as of the date of sale of new bonds. 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 provided that the IRS Notice may be relied upon for bonds sold on or after May 10, 2023, and before the effective date of future regulations or other public administrative guidance affecting funds like the PSF.

The IRS Notice changes the IRS Limit from a static limit to a dynamic limit for the Guarantee Program based upon the cost value of Fund assets, multiplied by five. As of June 30, 2023 the cost value of the Guarantee Program was $43,704,948,910 (unaudited), thereby producing an IRS Limit of $218,344,585,245 in principal amount of guaranteed bonds outstanding.

As of June 30, 2023, the estimated State Capacity Limit is $152,967,321,185, which is lower than the IRS Limit, making the State Capacity Limit the current Capacity Limit for the Fund.

Since July 1991, when the SBOE amended the Guarantee Program Rules to broaden the range of bonds that are eligible for guarantee under the Guarantee Program to encompass most Texas school district bonds, the principal amount of bonds guaranteed under the Guarantee Program has increased sharply. In addition, in recent years a number of factors have caused an increase in the amount of bonds issued by school districts in the State. See the table "Permanent School Fund Guaranteed Bonds" below. Effective March 1, 2023, the Act, as amended through the Regulatory Recodification, provides that the SBOE may establish a percentage of the Capacity Limit to be reserved from use in guaranteeing bonds (the "Capacity Reserve"). The SDBGP Rules provide for a maximum Capacity Reserve for the overall Guarantee Program of 5% and provide that the amount of the Capacity Reserve may be increased or decreased by a majority vote of the SBOE based on changes in the cost value, asset allocation, and risk in the portfolio, or may be increased or decreased by the Education Commissioner as necessary to prudently manage fund capacity and preserve the AAA credit rating of the Guarantee Program (subject to ratification or rejection by the SBOE at the next meeting for which an item can be posted). The CDBGP Rules provide for an additional reserve of CDBGP Capacity determined by calculating an equal percentage as established by the SBOE for the Capacity Reserve, applied to the CDBGP Capacity. Effective March 1, 2023, the Capacity Reserve is 0.25%. The Capacity Reserve is noted in the monthly updates with respect to the capacity of the Guarantee Program on the TEA web site at http://tea.texas.gov/Finance_and_Grants/Permanent_School_Fund/, which are also filed with the MSRB.

Based upon historical performance of the Fund, the legal restrictions relating to the amount of bonds that may be guaranteed has generally resulted in a lower ratio of guaranteed bonds to available assets as compared to many other types of credit enhancements that may be available for Texas school district bonds and charter district bonds. However, the ratio of Fund assets to guaranteed bonds and the growth of the Fund in general could be adversely affected by a number of factors, including Fund investment performance, investment objectives of the Fund, an increase in bond issues by school districts in the State or legal restrictions on the Fund, changes in State laws that implement funding decisions for school districts and charter districts, which could adversely affect the credit quality of those districts, the implementation of the Charter District Bond Guarantee Program, or significant changes in distributions to the ASF. The issuance of the IRS Notice and the Final IRS Regulations resulted in a substantial increase in the amount of bonds guaranteed under the Guarantee Program.

With the change in the Capacity Reserve from 5% to 0.25%, effective March 1, 2023, as discussed above, and the change in the IRS Limit making the State Capacity Limit the current Capacity Limit, the net Guarantee Program capacity as of June 30, 2023 is $152,556,827,260. No representation is made as to how the capacity will remain available, and the capacity of the Guarantee Program is subject to change due to a number of factors, including changes in bond issuance volume throughout the State and some bonds receiving guarantee approvals may not close. If the amount of guaranteed bonds approaches the State Capacity Limit, the SBOE or Education Commissioner may increase the State Capacity Limit multiplier as discussed above.

**2017 Legislative Changes to the Charter District Bond Guarantee Program**

The CDBGP Capacity is established by the Act. During the 85th Texas Legislature, which concluded on May 29, 2017, Senate Bill 1480 (“SB 1480”) was enacted. SB 1480 amended the Act to modify how the CDBGP Capacity is established effective as of September 1, 2017, and made other substantive changes to the Charter District Bond Guarantee Program. Prior to the enactment of SB 1480, the CDBGP Capacity was calculated as the Capacity Limit less the amount of outstanding bond guarantees under the Guarantee Program multiplied by the percentage of charter district scholastic population relative to the total public school scholastic population. SB 1480 amended the CDBGP Capacity calculation so that the Capacity Limit is multiplied by the percentage of charter district scholastic population relative to the total public school scholastic population prior to the subtraction of the outstanding bond guarantees, thereby increasing the CDBGP Capacity.

The percentage of the charter district scholastic population to the overall public school scholastic population has grown from 3.53% in September 2012 to 7.36% in March 2023. TEA is unable to predict how the ratio of charter district students to the total State scholastic population will change over time.

In addition to modifying the manner of determining the CDBGP Capacity, SB 1480 provided that the Education Commissioner’s investigation of a charter district application for guarantee may include an evaluation of whether the charter district bond security documents provide a security interest in real property pledged as collateral for the bond and the repayment obligation under the proposed guarantee. The Education Commissioner may decline to approve the application if the Education Commissioner determines that sufficient security is not provided. The Act and the CDBGP Rules also require the Education Commissioner to make an investigation of the accreditation status and financial status for a charter district applying for a bond guarantee.

Since the initial authorization of the Charter District Bond Guarantee Program, the Act has established a bond guarantee reserve fund in the State treasury (the “Charter District Reserve Fund”). Formerly, the Act provided that each charter district that has a bond guaranteed must annually remit to the Education Commissioner, for deposit in the Charter District Reserve Fund, an amount equal to 10% of the savings to the charter district that is a result of the lower interest rate on its bonds due to the guarantee by the PSF. SB 1480 modified the Act insofar as it pertains to the Charter District Reserve Fund. Effective September 1, 2017, the Act provides that a charter district that has a bond guaranteed must remit to the Education Commissioner, for deposit in the Charter District Reserve Fund, an amount equal to 20% of the savings to the charter district that is a result of the lower interest rate on the bond due to the guarantee by the PSF. The amount due shall be paid on receipt by the charter district of the bond proceeds. However, the deposit requirement will not apply if the balance of the Charter District Reserve Fund is at least equal to 3.00% of the total amount of outstanding guaranteed bonds issued by charter districts. At June 30, 2023, the Charter District Reserve Fund contained $90,293,027, which represented approximately 2.23% of the guaranteed charter district bonds. The Reserve Fund is held and invested as a non-commingled fund under the administration of the PSF Corporation staff.

**Charter District Risk Factors**

Open-enrollment charter schools in the State may not charge tuition and, unlike school districts, charter districts have no taxing power. Funding for charter district operations is largely from amounts appropriated by the Legislature. Additionally, the amount of State payments a charter district receives is based on a variety of factors, including the enrollment at the schools operated by a charter district, and may be affected by the State's economic performance and other budgetary considerations and various political considerations.

Other than credit support for charter district bonds that is provided to qualifying charter districts by the Charter District Bond Guarantee Program, State funding for charter district facilities construction is limited to a program established by the Legislature in 2017, which provides $60 million per year for eligible charter districts with an acceptable performance rating for a variety of funding purposes, including for lease or purchase payments for instructional facilities. Since State funding for charter facilities is limited, charter schools generally issue revenue bonds to fund facility construction and acquisition, or fund facilities from cash flows of the school. Some charter districts have issued non-guaranteed debt in addition to debt guaranteed under the Charter District Bond Guarantee Program, and such non-guaranteed debt is likely to be secured by a deed of trust covering all or part of the charter district's facilities. In March 2017, the TEA began requiring charter districts to provide the TEA with a lien against charter district property as a condition to receiving a guarantee under the Charter District Bond Guarantee Program. However, charter district bonds issued and guaranteed under the Charter District Bond Guarantee Program prior to the implementation of the new requirement did not have the benefit of a security interest in real property, although other existing debts of such charter districts that are not guaranteed under the Charter District Bond Guarantee Program may be secured by real property that could be foreclosed on in the event of a bond default.

As a general rule, the operation of a charter school involves fewer State requirements and regulations for charter holders as compared to other public schools, but the maintenance of a State-granted charter is dependent upon on-going compliance with State law and regulations, which are monitored by TEA. 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. Charter holders are governed by a private board of directors, as compared to the elected boards of trustees that govern school districts.

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 established the Charter District Reserve Fund, to serve as a reimbursement resource for the PSF.

**Infectious Disease Outbreak**

Since the onset of the COVID-19 pandemic in March 2020, TEA and TEA investment management for the PSF have continued to operate and function pursuant to the TEA continuity of operations plan developed as mandated in accordance with Texas Labor Code Section 412.054. That plan was designed to ensure performance of the Agency's essential missions and functions under such threats and conditions in the event of, among other emergencies, a pandemic event.

Circumstances regarding the COVID-19 pandemic continue to evolve; for additional information on these events in the State, reference is made to the website of the Governor, https://gov.texas.gov/, and, with respect to public school events, the website of TEA, https://tea.texas.gov/texas-schools/safe-and-healthy-schools/coronavirus-covid-19-support-and-guidance.

TEA cannot predict whether any school or charter district may experience short- or longer-term cash flow emergencies as a direct or indirect effect of COVID-19 that would require a payment from the PSF to be made to a paying agent for a guaranteed bond. However, through the end of February 2023, no school district or charter district had failed to perform with respect to making required payments on their guaranteed bonds. Information regarding the respective financial operations of the issuer of bonds guaranteed, or to be guaranteed, by the PSF is provided by such issuers in their respective bond offering documents and the TEA takes no responsibility for the respective information, as it is provided by the respective issuers.

**Ratings of Bonds Guaranteed Under the Guarantee Program**

Moody's Investors Service, Inc., S&P Global Ratings, a division of Standard & Poor's Financial Services LLC, and Fitch Ratings, Inc. rate bonds guaranteed by the PSF "Aaa," "AAA" and "AAA," respectively. Not all districts apply for multiple ratings on their bonds, however. See the applicable rating section within the Official Statement to which this is attached for information regarding a district's underlying rating and the enhanced rating applied to a given series of bonds.

**Valuation of the PSF and Guaranteed Bonds**

**Permanent School Fund Valuations**

| Fiscal Year Ended 8/31 | Book Value[1] | Market Value[1] |
|---|---|---|
| 2018 | $ 33,860,358,647 | $ 44,074,197,940 |
| 2019 | 35,288,344,219 | 46,464,447,981 |
| 2020 | 36,642,000,738 | 46,764,059,745 |
| 2021 | 38,699,895,545 | 55,582,252,097 |
| 2022[2] | 42,511,350,050 | 56,754,515,757 |

[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 current, unaudited values for PSF investment portfolios and cash held by the SLB are used. 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 Corporation by the SLB. The SLB reports that information to the PSF Corporation on a quarterly basis. The valuation of such assets at any point in time is dependent upon a variety of factors, including economic conditions in the State and nation in general, and the values of these assets, and, in particular, the valuation of mineral holdings administered by the SLB, can be volatile and subject to material changes from period to period.
[2] At August 31, 2022, mineral assets, sovereign and other lands and discretionary internal investments, investments with external managers, and cash managed by the SLB had book values of approximately $13.4 million, $180.6 million, $5,433.0 million, and $1,257.5 million, respectively, and market values of approximately $5,622.2 million, $699.8 million, $6,262.5 million, and $1,257.52 million, respectively.

**Permanent School Fund Guaranteed Bonds**

| At 8/31 | Principal Amount[1] |
|---|---|
| 2018 | $ 79,080,901,069 |
| 2019 | 84,397,900,203 |
| 2020 | 90,336,680,245 |
| 2021 | 95,259,161,922 |
| 2022 | 103,239,495,929[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] At August 31, 2022 (the most recent date for which such data is available), the TEA expected that the principal and interest to be paid by school districts and charter districts over the remaining life of the bonds guaranteed by the Guarantee Program was $156,825,227,335, of which $53,585,731,406 represents interest to be paid. As shown in the table above, at August 31, 2022, there were $103,239,495,929 in principal amount of bonds guaranteed under the Guarantee Program. Using the State Capacity Limit of $152,556,827,260 (the State Capacity Limit is currently the Capacity Limit), net of the Capacity Reserve, as of June 30, 2023, 7.36% of the Guarantee Program's capacity was available to the Charter District Bond Guarantee Program. As of June 30, 2023, the amount of outstanding bond guarantees represented 70.06% of the Capacity Limit (which is currently the State Capacity Limit). June 30, 2023 values are based on unaudited data, which is subject to adjustment.

**Permanent School Fund Guaranteed Bonds by Category**[1]

| | School District Bonds | | Charter District Bonds | | Totals | |
|---|---|---|---|---|---|---|
| Fiscal Year Ended 8/31 | Number of Issues | Principal Amount | Number of Issues | Principal Amount | Number of Issues | Principal Amount |
| 2018 | 3,249 | $ 77,647,966,069 | 44 | $ 1,432,935,000 | 3,293 | $ 79,080,901,069 |
| 2019 | 3,297 | 82,537,755,203 | 49 | 1,860,145,000 | 3,346 | 84,397,900,203 |
| 2020 | 3,296 | 87,800,478,245 | 64 | 2,536,202,000 | 3,360 | 90,336,680,245 |
| 2021 | 3,346 | 91,951,175,922 | 83 | 3,307,986,000 | 3,429 | 95,259,161,922 |
| 2022[2] | 3,348 | 99,528,099,929 | 94 | 3,711,396,000 | 3,442 | 103,239,495,929 |

[1] Represents original principal amount; does not reflect any subsequent accretions in value for compound interest bonds (zero coupon securities). The amount shown excludes bonds that have been refunded and released from the Guarantee Program.
[2] At June 30, 2023 (based on unaudited data, which is subject to adjustment), there were $107,163,538,633 in principal amount of bonds guaranteed under the Guarantee Program, representing 3,424 school district issues, aggregating $103,112,917,633 in principal amount and 107 charter district issues, aggregating $4,050,621,000 in principal amount. At June 30, 2023 the projected guarantee capacity available was $30,224,526,888 (based on unaudited data, which is subject to adjustment).

**Discussion and Analysis Pertaining to Fiscal Year Ended August 31, 2022**

The following discussion is derived from the Annual Report for the year ended August 31, 2022, including the Message of the Executive Administrator of the Fund and the Management's Discussion and Analysis contained therein. Reference is made to the Annual Report, as filed with the MSRB, for the complete Message and MD&A. Investment assets managed by the fifteen member SBOE are referred to throughout this MD&A as the PSF(SBOE) and, with respect to the Liquid Account, Liquid(SBOE) assets. As of August 31, 2022, the Fund's land, mineral rights and certain real assets are managed by the five-member SLB and these assets are referred to throughout as the PSF(SLB) assets. The current PSF(SBOE) asset allocation policy includes an allocation for real estate investments, and as such investments are made, and become a part of the PSF(SBOE) investment portfolio, those investments will be managed by the SBOE and not the SLB.

At the end of fiscal 2022, the Fund balance was $56.8 billion, an increase of $1.2 billion from the prior year. This increase is primarily due to overall net increases in value of the various asset classes in which the Fund is invested. During the year, the SBOE continued implementing the long-term strategic asset allocation, diversifying the PSF(SBOE) to strengthen the Fund. The asset allocation is projected to increase returns over the long run while reducing risk and portfolio return volatility. The PSF(SBOE) annual rates of return for the one-year, five-year, and ten-year periods ending August 31, 2022, net of fees, were -6.80%, 6.54% and 7.33%, respectively, and the Liquid(SBOE) annual rate of return for the one-year and three-year periods ending August 31, 2022, net of fees, was -10.24% and -1.23% (total return takes into consideration the change in the market value of the Fund during the year as well as the interest and dividend income generated by the Fund's investments). In addition, the SLB continued its shift into externally managed real asset investment funds, and the one-year, five-year, and ten-year annualized total returns for the PSF(SLB) externally managed real assets, net of fees and including cash, were 32.29%, 8.42%, and 7.40%, respectively.

The Fund is invested in global markets and experiences volatility commensurate with the related indices. The Fund is broadly diversified and benefits from the cost structure of its investment program. Changes continue to be researched, crafted and implemented to make the cost structure more effective and efficient. See "Comparative Investment Schedule - PSF(SBOE)" for the PSF(SBOE) holdings as of August 31, 2022.

As of August 31, 2022, the SBOE has approved, and the Fund made capital commitments to, externally managed real estate investment funds in a total amount of $7.3 billion and capital commitments to private equity limited partnerships for a total of $10.1 billion. Unfunded commitments at August 31, 2022, totaled $2.4 billion in real estate investments and $2.9 billion in private equity investments.

**PSF Returns Fiscal Year Ended 8-31-2022**[1]

| Portfolio | Return | Benchmark Return[2] |
|---|---|---|
| Total PSF(SBOE) Portfolio | -6.80% | -6.37% |
| Domestic Large Cap Equities(SBOE) | -11.08 | -11.23 |
| Domestic Small/Mid Cap Equities(SBOE) | -10.96 | -10.90 |
| International Equities(SBOE) | -19.72 | -19.52 |
| Emerging Market Equity(SBOE) | -22.85 | -21.80 |
| Fixed Income(SBOE) | -12.16 | -11.52 |
| Treasuries | -22.82 | -22.64 |
| Absolute Return(SBOE) | -0.55 | -5.66 |
| Real Estate(SBOE) | 23.31 | 20.56 |
| Private Equity(SBOE) | 3.17 | 8.43 |
| Real Return(SBOE) | 2.98 | 3.09 |
| Emerging Market Debt(SBOE) | -17.95 | -19.43 |
| Liquid Large Cap Equity(SBOE) | -10.39 | -11.23 |
| Liquid Small Cap Equity(SBOE) | -10.63 | -10.90 |
| Liquid International Equity(SBOE) | -19.34 | -19.52 |
| Liquid Short-Term Fixed Income(SBOE) | -4.27 | -4.01 |
| Liquid Core Bonds(SBOE) | -11.30 | -11.52 |
| Liquid TIPS(SBOE) | -5.78 | -5.98 |
| Liquid Transition Cash Reserves(SBOE) | 1.65 | 0.38 |
| Liquid Combined(SBOE) | -10.24 | -10.88 |
| PSF(SLB) | -32.29 | N/A |

[1] Time weighted rates of return adjusted for cash flows for the PSF(SBOE) investment assets. Does not include GLO managed real estate or real assets. Returns are net of fees. Source: PSF Annual Report for year ended August 31, 2022.
[2] Benchmarks are as set forth in the PSF Annual Report for year ended August 31, 2022.

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, 2022, the remaining commitments totaled approximately $1.94 billion.

For fiscal year 2022, total revenues, inclusive of unrealized gains and losses and net of security lending rebates and fees, totaled $3.5 billion, a decrease of $7.3 billion from fiscal year 2021 earnings of $10.8 billion. The total change in the fair value of the Fund investments is consistent with the change in value of the markets in which those investments were made. In fiscal year 2022, revenues earned by the Fund included gains realized on the sale of land and real estate owned by the Fund; 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 externally managed real assets investment funds; 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 3.0% for the fiscal year ending August 31, 2022. This increase is primarily attributable to an increase in PSF(SLB) quantities of purchased gas for resale in the State Energy Management Program, which is administered by the SLB as part of the Fund, as well as increases in operational costs.

The Fund directly supports the public school system in the State by distributing a predetermined percentage of its asset value to the ASF. For fiscal years 2021 and 2022, the distribution from the SBOE to the ASF totaled $1.1 billion and $1.7 billion, respectively. Distributions from the SLB to the ASF for fiscal years 2021 and 2022 totaled $600 and $415 million, respectively.

At the end of the 2022 fiscal year, PSF assets guaranteed $103.2 billion in bonds issued by 898 local school districts and charter districts, the latter of which entered into the Guarantee Program during the 2014 fiscal year. Since its inception in 1983, the Fund has guaranteed 8,554 school district and charter district bond issues totaling $239.7 billion in principal amount. During the 2022 fiscal year, the number of outstanding issues guaranteed under the Guarantee Program totaled 3,442. The dollar amount of guaranteed school and charter bond issues outstanding increased by $7.98 billion or 8.4%. The State Capacity Limit increased by $13.3 billion, or 9.8%, during fiscal year 2022 due to continued growth in the cost basis of the Fund used to calculate that Program capacity limit. The effective capacity of the Guarantee Program did not increase during fiscal year 2022 as the IRS Limit was reached in a prior fiscal year, and it is the lower of the two capacity limits for the Guarantee Program.

**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. The SBOE code of ethics provides ethical standards for SBOE members, the Education Commissioner, TEA staff, and persons who provide services to the SBOE relating to the Fund. As part of the Regulatory Recodification, the PSF Corporation developed its own ethics policy as required by SB 1232, which provides basic ethical principles, guidelines, and standards of conduct relating to the management and investment of the Fund in accordance with the requirements of §43.058 of the Texas Education Code, as amended. The SBOE code of ethics is codified in the Texas Administrative Code at 19 TAC sections 33.4 et seq. and is available on the TEA web site at https://tea.texas.gov/sites/default/files/ch033a.pdf. The PSF Corporation's ethics policy is posted to the PSF Corporation's website at texaspsf.org.

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

As of August 31, 2022, 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 Regulatory Recodification included the codification of the TEA's undertaking pursuant to Rule 15c2-12 (the "TEA Undertaking") pertaining to the PSF and the Guarantee Program. As of March 1, 2023, the TEA Undertaking is codified at 19 TAC 33.8, which relates to the Guarantee Program and is available at available at https://tea.texas.gov/sites/default/files/ch033a.pdf.

Through the codification of the TEA Undertaking and its commitment to guarantee bonds, the TEA 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 Undertaking obligates the TEA to make any filings or disclosures with respect to guaranteed bonds, as the obligations of the TEA under the TEA Undertaking 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 Undertaking, the TEA will be obligated to provide annually certain updated financial information and operating data, and timely notice of specified material events, to the MSRB.

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

**Annual Reports**

The TEA will annually provide certain updated financial information and operating data to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the Guarantee Program and the PSF of the general type included in the Official Statement under "Appendix E – 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 are required to be prepared to conform to U.S. Generally Accepted Accounting Principles as established by the Governmental Accounting Standards Board.

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

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

**Event Notices**

The TEA will also provide timely notices of certain events to the MSRB. Such notices will be provided not more than ten business days after the occurrence of the event. The TEA will provide notice of any of the following events with respect to the Guarantee Program: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if such event is material within the meaning of the federal securities laws; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax 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 of the Guarantee Program; (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 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 such event is material within the meaning of the federal securities laws; (14) the appointment of a successor or additional trustee with respect to the Guarantee Program or the change of name of a trustee, if such event is material within the meaning of the federal securities laws; (15) the incurrence of a financial obligation of the Guarantee Program, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Guarantee Program, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Guarantee Program, any of which reflect financial difficulties. (Neither the Act nor any other law, regulation or instrument pertaining to the Guarantee Program make any provision with respect to the Guarantee Program for bond calls, debt service reserves, credit enhancement, liquidity enhancement, early redemption or the appointment of a trustee with respect to the Guarantee Program.) In addition, the TEA will provide timely notice of any failure by the TEA to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

**Availability of Information**

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

**Limitations and Amendments**

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

The continuing disclosure agreement of the TEA is made only with respect to the PSF and the Guarantee Program. The issuer of guaranteed bonds or an obligated person with respect to guaranteed bonds may make a continuing disclosure undertaking in accordance with Rule 15c2-12 with respect to its obligations arising under Rule 15c2-12 pertaining to financial information and operating data concerning such entity and events notices 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 Rule 15c2-12 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**

Except as stated below, 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. On April 28, 2022, TEA became aware that it had not timely filed its 2021 Annual Report with EMMA due to an administrative oversight. TEA took corrective action and filed the 2021 Annual Report with EMMA on April 28, 2022, followed by a notice of late filing made with EMMA on April 29, 2022. TEA notes that the 2021 Annual Report was timely filed on the TEA website by the required filing date and that website posting has been incorporated by reference into TEA's Bond Guarantee Program disclosures that are included in school district and charter district offering documents.

**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.