OFFICIAL STATEMENT

Dated January 18, 2023

NEW ISSUE - Book-Entry-Only

Ratings:
Fitch: "AAA"
Moody's: "Aaa"
S&P: "AAA"
PSF Guaranteed
(See "OTHER INFORMATION – Ratings" and "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein)

In the opinion of Co-Bond Counsel, under existing law, interest on the Bonds is (i) excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals. See "TAX MATTERS" herein, including information regarding potential alternative minimum tax consequences for corporations.

DALLAS
INDEPENDENT SCHOOL DISTRICT

$551,460,000
DALLAS INDEPENDENT SCHOOL DISTRICT
(a political subdivision of the State of Texas located in Dallas County, Texas)
UNLIMITED TAX SCHOOL BUILDING AND REFUNDING BONDS, SERIES 2023

Dated Date: February 1, 2023 **Stated Maturity: February 15, as shown on page ii**
Interest to accrue from Delivery Date (defined below)

PAYMENT TERMS . . . The $551,460,000 Dallas Independent School District Unlimited Tax School Building and Refunding Bonds, Series 2023 (the "Bonds") are being issued by the Dallas Independent School District (the "District") in principal denominations of $5,000 or any integral multiple thereof. Interest on the Bonds will accrue from the date of their delivery (the "Delivery Date") to the underwriters named below (the "Underwriters") and will be payable August 15 and February 15 of each year commencing on February 15, 2024 until maturity or prior redemption and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may only be acquired in authorized denominations thereof. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** The principal of and interest on the Bonds will be payable by the Paying Agent/Registrar (identified below) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS - BOOK-ENTRY-ONLY SYSTEM". The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (see "THE BONDS - PAYING AGENT/REGISTRAR").

AUTHORITY FOR ISSUANCE . . . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including Chapter 45 of the Texas Education Code, as amended, Chapter 1207, Texas Government Code, as amended ("Chapter 1207"), Chapter 1371, Texas Government Code, as amended, an election held in the District on November 3, 2020, and an order (the "Bond Order") adopted by the Board of Trustees (the "Board") of the District on November 17, 2022, in which the Board delegated to certain officers of the District authority to complete the sale of the Bonds through the execution of a "Pricing Certificate" (the Bond Order and the Pricing Certificate together are referred to herein as the "Order"). The Bonds are direct obligations of the District, payable from a direct and continuing ad valorem tax levied, without legal limitation as to rate or amount, on all taxable property located within the District, as provided in the Order (see "THE BONDS – AUTHORITY FOR ISSUANCE"). **The District has received conditional approval from the Texas Education Agency for the Bonds to be guaranteed under the State of Texas Permanent School Fund Guarantee Program (hereinafter defined) which guarantee will automatically become effective when the Attorney General of Texas approves the Bonds (see "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").**

PURPOSE . . . Proceeds from the sale of the Bonds will be used (1) to construct, improve, renovate and equip school buildings in the District and to acquire real property therefor, (2) to refund certain outstanding commercial paper notes of the District (the "Refunded Notes") (see Schedule I herein for a detailed description of the Refunded Notes), and (3) to pay the costs associated with the issuance of the Bonds.

OPTIONAL REDEMPTION ... The District reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2033, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2032, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS - OPTIONAL REDEMPTION"). The Term Bonds (as defined herein) are also subject to mandatory sinking fund redemption as described herein (see "THE BONDS – MANDATORY REDEMPTION OF THE BONDS").

See page ii for Maturity Schedule, Interest Rates, Yields Redemption Provisions and CUSIP Numbers

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the Underwriters and subject to the approving opinion of the Attorney General of Texas and the opinions of Bracewell LLP, Dallas, Texas and West & Associates, L.L.P., Dallas, Texas, as Co-Bond Counsel (see Appendix C - "FORM OF CO-BOND COUNSELS' OPINION"). Certain legal matters will be passed upon for the Underwriters by their Co-Counsel, McCall, Parkhurst & Horton L.L.P., Dallas, Texas, and Cantu Harden LLP, Dallas, Texas.

DELIVERY . . . It is expected that the Bonds will be available for delivery through the facilities of DTC on or about February 9, 2023.

MORGAN STANLEY **JEFFERIES**
LOOP CAPITAL MARKETS **MESIROW FINANCIAL, INC.**
RAMIREZ & CO., INC. **SAMCO CAPITAL MARKETS** **STEPHENS INC.**

MATURITY SCHEDULE, INTEREST RATES, YIELDS, AND CUSIP NUMBERS

$551,460,000
DALLAS INDEPENDENT SCHOOL DISTRICT
(a political subdivision of the State of Texas located in Dallas County, Texas)
UNLIMITED TAX SCHOOL BUILDING AND REFUNDING BONDS, SERIES 2023

CUSIP[(1)] Prefix: 235308

$301,620,000 Serial Bonds

Maturity	Amount	Interest Rate	Yield [(2)]	CUSIP Suffix [(1)]	Maturity	Amount	Interest Rate	Yield [(2)]	CUSIP Suffix [(1)]
2/15/2024	$ 62,000,000	5.00%	2.43%	J79	2/15/2034	$ 12,150,000	5.00%	2.44% [(3)]	K93
2/15/2025	7,745,000	5.00%	2.29%	J87	2/15/2035	12,775,000	5.00%	2.60% [(3)]	L27
2/15/2026	8,145,000	5.00%	2.19%	J95	2/15/2036	13,430,000	5.00%	2.80% [(3)]	L35
2/15/2027	8,560,000	5.00%	2.16%	K28	2/15/2037	14,120,000	5.00%	2.88% [(3)]	L43
2/15/2028	9,000,000	5.00%	2.16%	K36	2/15/2038	14,840,000	5.00%	2.95% [(3)]	L50
2/15/2029	9,460,000	5.00%	2.19%	K44	2/15/2039	15,600,000	5.00%	3.05% [(3)]	L68
2/15/2030	9,950,000	5.00%	2.21%	K51	2/15/2040	16,400,000	5.00%	3.13% [(3)]	L76
2/15/2031	10,460,000	5.00%	2.21%	K69	2/15/2041	17,245,000	5.00%	3.17% [(3)]	L84
2/15/2032	10,995,000	5.00%	2.24%	K77	2/15/2042	18,130,000	5.00%	3.20% [(3)]	L92
2/15/2033	11,560,000	5.00%	2.29% [(3)]	K85	2/15/2043	19,055,000	5.00%	3.23% [(3)]	M26

$249,840,000 Term Bonds

$110,985,000 Term Bond Due February 15, 2048 Interest Rate: 5.000% Yield: 3.420% [(2)(3)] CUSIP Suffix: M34[(1)]

$138,855,000 Term Bond Due February 15, 2053 Interest Rate: 4.000% Yield: 3.970% [(2)(3)] CUSIP Suffix: M42[(1)]

(Interest to accrue from the Delivery Date)

Optional and Mandatory Redemption ... The District reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2033, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2032, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS – Optional Redemption").

Mandatory Redemption ... The Bonds maturing in 2048 and 2053 are also subject to mandatory sinking fund redemption prior to maturity on the dates and in the amounts described herein (see "THE BONDS – Mandatory Redemption of the Bonds").

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(2) The initial offering yield represents the initial offering yield to the public, which will be determined by the Underwriters and may subsequently be changed by the Underwriters without notice to the District and is the sole responsibility of the Underwriters.
(3) Yield shown is yield to first call date, February 15, 2032.

[The remainder of this page is intentionally left blank.]

USE OF INFORMATION IN OFFICIAL STATEMENT

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

No dealer, broker, salesman or other person has been authorized by the District or the Underwriters to give any information, or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the District. This Official Statement does not constitute an offer to sell Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction.

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

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THE BONDS HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF. THE BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

NONE OF THE DISTRICT, ITS CO-FINANCIAL ADVISORS NOR 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, AS SUCH INFORMATION HAS BEEN PROVIDED BY THE DTC.

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

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 Underwriters of the Bonds. INVESTORS SHOULD READ THIS ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES AND SCHEDULE 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 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 "OTHER INFORMATION – FORWARD-LOOKING STATEMENTS DISCLAIMER" HEREIN.

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

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

OFFICIAL STATEMENT SUMMARY

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

THE DISTRICT .... Dallas Independent School District (the "District"), a political subdivision of the State of Texas located within Dallas County, is the nation's sixteenth largest public school system according to the National Center for Education Statistics. The District encompasses approximately 384 square miles within Dallas County, has an enrollment of approximately 141,804 and serves a population of approximately 1,343,266 (see "APPENDIX A – GENERAL INFORMATION REGARDING THE DISTRICT").

THE BONDS .... The Bonds are issued as $551,460,000 Unlimited Tax School Building and Refunding Bonds, Series 2023 (the "Bonds"). The Bonds shall mature on the date and in the amounts set forth on page ii of this Official Statement. See "THE BONDS – DESCRIPTION OF THE BONDS."

PAYING AGENT/REGISTRAR .... The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas.

PAYMENT OF INTEREST .... Interest on the Bonds accrues from the date of their delivery, and is payable August 15 and February 15 of each year commencing on February 15, 2024 until maturity or prior redemption and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. See "THE BONDS – DESCRIPTION OF THE BONDS."

AUTHORITY FOR ISSUANCE .... The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including Chapter 45 of the Texas Education Code, as amended, Chapter 1207, Texas Government Code, as amended, Chapter 1371, Texas Government Code, as amended, an election held on November 3, 2020, and an order (the "Bond Order") adopted by the Board of Trustees (the "Board") on November 17, 2022, in which the Board delegated to certain officers of the District authority to complete the sale of the Bonds through the execution of a "Pricing Certificate" (the Bond Order and the Pricing Certificate together are referred to herein as the "Order"). See "THE BONDS – AUTHORITY FOR ISSUANCE."

SECURITY FOR THE BONDS .... The Bonds are direct obligations of the District, payable from a direct and continuing ad valorem tax levied, without legal limitation as to rate or amount, on all taxable property located within the District, as provided in the Order (see "THE BONDS – SECURITY AND SOURCE OF PAYMENT"). Also see "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" for a discussion of recent developments in State law affecting the financing of school districts in the State.

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

OPTIONAL AND MANDATORY REDEMPTION .... The District reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2033, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2032, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS – OPTIONAL REDEMPTION PROVISIONS OF THE BONDS"). Additionally, the Term Bonds maturing 2048 and 2053 are subject to mandatory sinking fund redemption prior to maturity as described herein (see "THE BONDS – MANDATORY REDEMPTION OF THE BONDS").

TAX EXEMPTION .... In the opinion of Co-Bond Counsel, under existing law, the interest on the Bonds is (i) excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and (ii) not an item of tax preference for purposes of the alternative minimum tax on individuals. See "TAX MATTERS" herein, including information regarding potential alternative minimum tax consequences for corporations.

USE OF PROCEEDS............................ Proceeds from the sale of the Bonds will be used (1) to construct, improve, renovate and equip school buildings in the District and to acquire real property therefor, (2) to refund certain outstanding commercial paper notes of the District (the "Refunded Notes") (see "PLAN OF FINANCE – PURPOSE" herein and Schedule I attached hereto for a detailed description of the Refunded Notes), and (3) to pay the costs associated with the issuance of the Bonds.

RATINGS .... The Bonds are rated "AAA" by Fitch Ratings ("Fitch"), "Aaa" by Moody's Investors Service, Inc. ("Moody's"), and "AAA by S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P") by virtue of the guarantee of the Permanent School Fund of the State of Texas. The presently outstanding unenhanced tax-supported debt of the District is rated "AA+" by Fitch, "Aa1" by Moody's and "AA+" by S&P. The District also has issues outstanding which are rated "AAA" by Fitch, "Aaa" by Moody's, and "AAA" by S&P by virtue of the guarantee of the Permanent School Fund of the State of Texas. See "OTHER INFORMATION – RATINGS." The ratings reflect only the respective views of such organizations and the District makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or all of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, by either of them, may have an adverse effect on the market price of the Bonds. See "OTHER INFORMATION – RATINGS."

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

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

DELIVERY DATE .... Anticipated to occur on or about February 9, 2023.

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 approval of certain legal matters by Bracewell, LLP, Dallas, Texas and West & Associates, L.L.P., Dallas, Texas, Co-Bond Counsel (whose legal opinions will be issued in connection with the issuance of the Bonds).

SELECTED FINANCIAL INFORMATION

Fiscal Year Ending 6/30 (1)	District Population (2)	Taxable Assessed Valuation (3)	Taxable Assessed Valuation Per Capita	Tax Debt Outstanding at Fiscal Year End (4)	Ratio of Tax Debt to Taxable Assessed Valuation (4)	Tax Debt Per Capita (4)	% of Total Tax Collections
2019	1,356,896	$ 120,444,236,293	$ 88,765	$ 2,691,075,000	2.23%	$ 1,983	99.67%
2020	1,377,641	130,804,377,008	94,948	2,877,455,000	2.20%	2,089	98.96%
2021	1,400,337	140,058,275,603	100,018	3,240,015,000	2.31%	2,314	99.00%
2022	1,343,266	147,086,638,003	109,499	3,550,300,000	2.41%	2,643	99.08% (6)
2023	1,343,266	162,911,964,185	121,280	4,019,190,000 (5)	2.47% (5)	2,992 (5)	(In process of collection)

(1) The District's fiscal year end is June 30th. Due to the timing of tax collection receipts, the District budgets for debt payments on a calendar year basis.

(2) Population figures provided by the District.
As of January 18, 2023, a population estimate for fiscal year 2023 is not available. Subject to change during the ensuing year.

(3) Source: Dallas Central Appraisal District.

(4) Includes unlimited and limited tax debt.

(5) As of 2/9/2023. Includes the Bonds and excludes the Refunded Notes.

(6) Collections as of 6/30/2022.

DISTRICT OFFICIALS, STAFF AND CONSULTANTS

Elected Officials

Board of Trustees	Length of Service	Term Expires	Occupation
Justin Henry President - District 9	4 Years, 6 Months	2024	Attorney-McKesson
Dan Micciche 1st Vice President - District 3	10 Years, 7 Months	2024	Attorney-Akin Gump Strauss Hauer & Feld, LLP
Maxie Johnson 2nd Vice President – District 5	3 Years, 7 Months	2025	Minister
Joe Carreon Board Secretary – District 8	2 Years, 1 Month	2023	Attorney-Allstate
Edwin Flores Trustee – District 1	7 Years, 7 Months	2024	Attorney-Chalker Flores, LLP
Dustin Marshall Trustee – District 2	6 Years, 6 Months	2023	CEO-Hazel's Hot Shot
Camile D. White Trustee – District 4	7 Months	2025	Realtor Former Educator
Joyce Foreman Trustee – District 6	8 Years, 6 Months	2023	Retired Business Owner
Ben Mackey Board President – District 7	3 Years, 7 Months	2025	Chief of Research, Evaluation & Design – DeSoto ISD

Selected Administrative Staff

Name	Position	Length of Service With District
Dr. Stephanie S. Elizalde	Superintendent of Schools	6 Months
Dwayne Thompson, SFO	Deputy Superintendent for Business Services	4 Years, 6 Months
Dr. Tamika Alford-Stephens	Chief Financial Officer	8 months
Darlene Williams, CTP, RTSBA	Treasurer	23 Years, 6 Months
Sarbani Majumdar, CPA	Director of Accounting Services	7 Years, 6 Months

Consultants and Advisors

Co-Bond Counsel.. Bracewell LLP
Dallas, Texas

Co-Bond Counsel.. West & Associates, L.L.P.
Dallas, Texas

Co-Financial Advisor.. RBC Capital Markets, LLC
San Antonio and Dallas, Texas

Co-Financial Advisor.. Estrada Hinojosa & Company, Inc.
Dallas, Texas

For additional information regarding the District, please contact:

Mr. Dwayne Thompson
Deputy Superintendent for Business Services

Dr. Tamika Alford-Stephens
Chief Financial Officer

Ms. Darlene Williams
Treasurer
Dallas Independent School District
9400 Central Expressway
Dallas, Texas 75231
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OFFICIAL STATEMENT

RELATING TO

$551,460,000
DALLAS INDEPENDENT SCHOOL DISTRICT
(a political subdivision of the State of Texas located in Dallas County, Texas)
UNLIMITED TAX SCHOOL BUILDING AND REFUNDING BONDS, SERIES 2023

INTRODUCTION

This Official Statement (the "Official Statement"), which includes the cover page, Maturity Schedule, Schedule, and Appendices hereto, provides certain information regarding the issuance of $551,460,000 Dallas Independent School District (the "District") Unlimited Tax School Building and Refunding Bonds, Series 2023 (the "Bonds"). Except as otherwise indicated herein, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Order (defined herein) adopted by the Board (defined herein) on November 17, 2022, in which the Board authorized the issuance of the Bonds and delegated to certain officers of the District (each an "Authorized Officer") authority to complete the sale of the Bonds through the execution of a "Pricing Certificate" (the Bond Order and the Pricing Certificate together are referred to herein as the "Order").

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 financial position or other affairs of the District. No representation is made that past experience, as is shown by financial and other information, will necessarily continue or be repeated in the future. (See "OTHER INFORMATION – FORWARD LOOKING STATEMENTS DISCLAIMER" herein).

There follows in this Official Statement descriptions of the Bonds and certain information regarding the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District's Co-Financial Advisors, RBC Capital Markets, LLC, San Antonio, Texas or Estrada Hinojosa & Company, Inc., Dallas, Texas by electronic mail or upon payment of reasonable copying, handling, and delivery charges.

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 pertaining to the Bonds will be submitted to the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access ("EMMA") System. For a description of the District's undertaking to provide certain information on a continuing basis see "CONTINUING DISCLOSURE OF INFORMATION".

DESCRIPTION OF THE DISTRICT . . . The District is a political subdivision of the State of Texas (the "State") located in Dallas County, Texas, comprising approximately 384 square miles. The District is governed by a nine-member Board of Trustees (the "Board") who serve three-year staggered terms. Board members are elected by the qualified voters within each of the nine districts comprising the District. Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates the day-to-day administrative responsibilities of the District to the Superintendent of Schools who is the chief administrative officer of the District. Certain support services are supplied by consultants and advisors. For more information regarding the District, see "APPENDIX A – GENERAL INFORMATION REGARDING THE DISTRICT." For a discussion of the District's accounting and budgetary policies and current financial status, see "FINANCIAL POLICIES" and "APPENDIX B – EXCERPTS FROM THE DISTRICT'S ANNUAL COMPREHENSIVE FINANCIAL REPORT".

PLAN OF FINANCE

PURPOSE . . . Proceeds from the sale of the Bonds will be used (1) to construct, improve, renovate and equip school buildings in the District and to acquire real property therefor, (2) to refund certain outstanding commercial paper notes of the District (the "Refunded Notes") (see Schedule I herein for a detailed description of the Refunded Notes), and (3) to pay the costs associated with the issuance of the Bonds.

REFUNDED NOTES . . . A description and identification of the Refunded Notes appears in SCHEDULE I attached hereto. The Refunded Notes and the interest due thereon are to be paid on their maturity date from funds to be deposited with U.S. Bank National Association, the paying agent for the Refunded Notes (the "Refunded Notes Paying Agent"). The District will deposit with the Refunded Notes Paying Agent a portion of the proceeds of the Series 2023 Bonds, which will be sufficient to pay the principal of and interest on the Refunded Notes, on the Delivery Date.

By making such deposits with the Refunded Notes Paying Agent, the District will have effected the defeasance of the Refunded Notes pursuant to the terms of Chapter 1207 and Chapter 1371, and the proceedings authorizing the issuance of the Refunded Notes. In the opinion of Bond Counsel, as a result of such defeasance, the Refunded Notes will not be deemed as being outstanding obligations of the District payable from the sources and secured in the manner provided in the proceedings authorizing their issuance or for any other purpose.

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds will be dated February 1, 2023 (the "Dated Date") and mature on February 15 in each of the years and in the amounts shown on page ii of this Official Statement. The Bonds will accrue interest from the date of their delivery (the "Delivery Date"), will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable semiannually on each August 15 and February 15, commencing on February 15, 2024, until maturity or prior redemption. The definitive Bonds will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS – BOOK-ENTRY-ONLY SYSTEM" 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 designated payment/transfer 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.

AUTHORITY FOR ISSUANCE . . . The Bonds are issued and the tax levied for their payment pursuant to authority conferred by the Constitution and the laws of the State of Texas, Chapter 45 of the Texas Education Code, as amended, Chapter 1207, Texas Government Code, as amended ("Chapter 1207"), Chapter 1371, Texas Government Code, as amended ("Chapter 1371") and by the Bond Order adopted by the Board on November 17, 2022. In the Bond Order, the Board delegated to certain officers of the District authority to complete the sale of the Bonds. The final terms of the sale will be included in a "Pricing Certificate," which will complete the sale of the Bonds.

SECURITY AND SOURCE OF PAYMENT . . . All taxable property within the District is subject to a direct and continuing annual ad valorem tax levied by the District, without legal limit as to rate or amount, sufficient to provide for the payment of principal of and interest on the Bonds. **Additionally, the District has received conditional approval from the Texas Education Agency for the payment of the principal of and interest on the Bonds to be guaranteed by the Permanent School Fund of Texas which guarantee will automatically become effective when the Attorney General of the State of Texas approves the issuance of the Bonds. (See "THE BONDS – PERMANENT SCHOOL FUND GUARANTEE" below).** See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM," "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM").

EFFECTS OF SEQUESTRATION ON CERTAIN OBLIGATIONS … The District's $950,300,000 Unlimited Tax School Building Bonds, Taxable Series 2010C (of which $845,140,000 remains outstanding) were designated as "build America bonds" (the "Build America Bonds") pursuant to the provisions of the American Recovery and Reinvestment Act of 2009 (the "Recovery Act") and as a result the District is eligible under the Recovery Act to receive from the United States Treasury interest subsidy payments equal to approximately 35% of the interest payable on the Build America Bonds. In addition, the District's $143,340,000 Limited Maintenance Tax Qualified School Construction Notes, Taxable Series 2013 (of which $143,340,000 remains outstanding) were issued as "qualified school construction bonds" ("QSCBs") issued pursuant to sections 54A and 54F of the Internal Revenue Code of 1986, as amended (the "Code"), for which the District elected to receive a direct credit subsidy pursuant to section 6431 of the Code equal to 100% of the interest on such QSCBs.

Due to Congressionally-mandated reductions to the federal budget for Fiscal Year 2013, approximately $1.2 trillion across-the-board budget cuts were made to the federal budget for Fiscal Year 2013 and such cuts currently remain in effect. The U.S. Office of Management and Budget ("OMB") has set a 5.7% reduction in subsidy payments for the federal fiscal year ending September 30, 2021. Sequestration is assumed to continue through the federal fiscal year ending September 30, 2030 and the sequestration percentage may increase or decrease in any fiscal year. The District is required to make interest and principal payments regardless of whether any federal funding is received. The reductions in the payments to be received by the District have not materially adversely affected the financial condition or operations of the District. However, the District can make no prediction as to the length or long-term effects of the sequestration.

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

In the event the District defeases any of the Bonds, the payment of such defeased Bonds will cease to be guaranteed by the Permanent School Fund. See "THE BONDS-DEFEASANCE."

Sources and Uses of Funds… The proceeds from the sale of the Bonds will be applied approximately as follows:

Sources of Funds	
Par Amount of the Bonds	$ 551,460,000.00
Aggregate Premium	53,484,840.95
Total Sources of Funds	$ 604,944,840.95
Uses of Funds	
Project Fund	$ 500,000,000.00
Commercial Paper Defeasance	101,121,095.89
Costs of Issuance (1)	1,476,867.00
Underwriters' Discount	2,343,147.63
Additional Proceeds	3,730.43
Total Uses of Funds	$ 604,944,840.95

(1) Includes legal fees, the District financial advisory fees, rating agency fees, fees of the Paying Agent/Registrar, and other costs of issuance.

Payment Record … The District has never defaulted in payment of its tax-supported debt.

Optional Redemption . . . The District reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2033, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2032, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the District shall determine the principal amount and maturities (or mandatory sinking fund redemption amounts within a maturity with respect to Term Bonds) 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 (or mandatory sinking fund redemption amounts within a maturity with respect to Term Bonds) , to be redeemed.

Mandatory Redemption of the Bonds . . . The Bonds maturing on February 15 in the years 2048 and 2053 (the "Term Bonds") are subject to scheduled mandatory redemption prior to maturity in the following amounts (subject to reduction as hereinafter provided) on the following dates, in each case at a redemption price equal to 100% of their principal amount plus accrued interest to the date fixed for redemption, if any:

$110,985,000 TERM BONDS MATURING FEBRUARY 15, 2048

Mandatory Redemption Dates (February 15)	Principal Requirements
2044	$20,035,000
2045	21,060,000
2046	22,140,000
2047	23,280,000
2048 (maturity)	24,470,000

$138,855,000 TERM BONDS MATURING FEBRUARY 15, 2053

Mandatory Redemption Dates (February 15)	Principal Requirements
2049	$25,595,000
2050	26,640,000
2051	27,725,000
2052	28,860,000
2053 (maturity)	30,035,000

At least forty five days prior to each scheduled mandatory redemption date, the particular Term Bonds to be mandatorily redeemed shall be selected by lot or other customary random selection method. The principal amount of any Term Bonds to be mandatorily redeemed on such Mandatory Redemption Date shall be reduced, at the option of the District, by the principal amount of such Term Bond having the same maturity which, at least forty five days prior to such Mandatory Redemption Date, either shall have been acquired by the District at a price not exceeding the principal amount thereof plus accrued interest to the date of purchase or optionally redeemed and which, in either case, has not previously been made the basis for a reduction under this sentence.

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

With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Order have been met and moneys sufficient to pay the redemption price of 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 satisfaction of such prerequisites and receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not satisfied and/or sufficient moneys are not received, 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.

LEGALITY … The Bonds are offered when, as and if issued, and subject to the approval of legality by the Attorney General of the State and the opinion of Bracewell LLP, Dallas, Texas, and West & Associates, L.L.P., Dallas, Texas, Co-Bond Counsel (see "OTHER INFORMATION – LEGAL MATTERS" and "APPENDIX C – FORM OF CO-BOND COUNSELS' OPINION").

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

DEFEASANCE . . . The Order provides that the District may discharge its obligations to the registered owners of any or all of the Bonds to pay principal, interest, and redemption price thereon. Such discharge may be accomplished either by (i) depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium if any, and all interest to accrue on the Bonds to maturity or prior redemption or (ii) by depositing with a paying agent, or other authorized escrow agent, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, or (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 are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent. The foregoing obligations may be in book-entry form, and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds, as the case may be. If any of the Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for the payment to the registered owners of such Bonds at the date of maturity or prior redemption of the full amount to which such owner would be entitled and for giving notice of redemption as provided in the Order.

There is no assurance that the ratings for U.S. Treasury securities used to defease Bonds or that for any other authorized defeasance security will be maintained at any particular rating category.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid and will cease to be outstanding obligations secured by the Order or be treated as debt of the District for purposes of taxation or applying any limitation on the District's ability to issue debt or for any other purpose. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the District to take any action amending the terms of the Bonds are extinguished. In addition, upon defeasance of the Bonds as described above, the payment of such defeased Bonds will no longer be guaranteed by the Permanent School Fund Guarantee.

AMENDMENTS . . . The District may amend the Order without the consent of or notice to any registered owner if necessary or desirable to carry out the purposes thereof or in connection with the approval of the Bonds by the Attorney General of Texas.

BOOK-ENTRY-ONLY SYSTEM . . . *This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, 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 Underwriters and the Co-Financial Advisors believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.*

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

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered Bonds 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 Bond certificate will be issued for each stated maturity of the Bonds, 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 of AA+ from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds 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. All 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-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District, the Underwriters and the Co-Financial Advisors believe to be reliable, but neither the District nor the Underwriters and the Co-Financial Advisors take any responsibility for the accuracy thereof.

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

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 Direct or Indirect 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.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. In the Order, the District retains the right to replace the Paying Agent/Registrar. The District covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid, and any successor Paying Agent/Registrar shall be a commercial bank, trust company, financial institution or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

In the event the Book-Entry-Only System should be discontinued, interest on the Bonds will be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest will be paid (i) by check sent United States mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Bonds will be paid to the registered owner at the stated maturity upon presentation and surrender of the Bonds 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 on the Bonds will be made as described in "THE BONDS - BOOK-ENTRY-ONLY SYSTEM," above.

SUCCESSOR PAYING AGENT/REGISTRAR . . . The District reserves the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new Paying Agent/Registrar must accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor paying Agent/Registrar selected by the District shall be a commercial bank, a trust company, financial institution, or other entity duly qualified and legally authorized to serve and perform the duties of Paying Agent/Registrar for the Bonds.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, printed Bond certificates will be delivered to registered owners and thereafter the Bonds may be transferred, assigned and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender of such printed certificates to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity of like series and for a like aggregate principal amount, as the Bonds surrendered for exchange or transfer. See "THE BONDS - BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

RECORD DATE FOR INTEREST PAYMENT . . . The record date ("Record Date") for the interest payable on the Bonds on any interest payment date means the close of business on the last business day of the preceding month.

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

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

INFECTIOUS DISEASE OUTBREAK – COVID-19

The outbreak of COVID-19, a respiratory disease caused by a novel strain of coronavirus, has been declared a pandemic (the "Pandemic") by the World Health Organization and is currently affecting many parts of the world, including the United States and the State. On January 31, 2020, and last renewed on October 23, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President's Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State in response to the Pandemic. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting State business or any order or rule of a State agency (including TEA) that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has since issued a number of executive orders relating to COVID-19 preparedness, mitigation and reopening. Under executive orders in effect as of the date of this Official Statement, there are no COVID-19 related operating limits for any business or other establishments. The Governor retains the right to impose additional restrictions on activities. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at https://gov.texas.gov/. Neither the information on (nor accessed through) such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

For the 2019-2020 school year, the TEA informed Texas school districts that COVID-19 related school closings and/or absenteeism would not impact "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") calculations and school funding so long as a school district committed to support students instructionally while they were at home. In addition to providing educational resources online when classes were suspended, the District delivered online instruction through the end of the school year. As such, after taking into account the allocation by the State of certain CARES Act funding, the District did not experience a reduction in State funding for the 2019- 2020 school year as a result of the school closures. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM."

For the 2020-2021 school year, the TEA advised districts that district funding was to return to being based on ADA calculations requiring attendance to be taken. However, the TEA crafted an approach for determining ADA that provided districts with several options for determining daily attendance. These included remote synchronous instruction, remote asynchronous instruction, on campus instruction, and the Texas Virtual Schools Network. To stabilize funding expectations, districts that met certain criteria established by the TEA were provided with various hold harmless protections throughout the 2020-2021 school year that applied if a district's ADA was less than certain ADA projections made by the TEA. The TEA provided the highest level of funding that resulted from either the hold harmless attendance counts (as a group, inclusive of all settings) or the district's actual attendance counts (as a group, inclusive of all settings) for the entire 2020-2021 school year, encompassing all portions of the school year for which a district would have been eligible for a hold harmless adjustment.

During the 87th legislative session, the Texas Legislature failed to pass legislation that would include virtual learning in ADA calculations. The Texas Education Agency announced on August 5, 2021 that a school district has the authority to provide remote instruction to a student if the school district meets certain state and federal requirements. Students receiving remote instruction were considered enrolled, but did not meet the requirements for ADA funding. As a result, the 2021-2022 school year began with funding based on in-person attendance. During the second called special session, the Texas Legislature adopted Senate Bill 15, which allowed virtual instruction attendance to be used for ADA funding purposes under certain circumstances.

The District commenced instruction for the 2021-2022 school year with approximately 112 students enrolled in temporary virtual instruction for the first nine-week grading period. The District does not currently expect that all virtual instruction attendance will qualify for ADA funding and discontinued temporary virtual instruction on May 27, 2022. A return to funding based on actual attendance during the Pandemic may have a negative impact on revenues available to the District for operations and maintenance if students do not take part in the instruction options made available by the District.

Pursuant to Texas Education Code, §25.081(b), the State Commissioner of Education approved a reduction in the minimum number of required 75,600 minutes of operation for all school districts during the first through fourth six-week attendance reporting periods of the 2021–2022 school year. This adjustment will ensure stabilized percentage attendance rates comparable to a more typical school year, rather than the low percentage attendance rates caused by the ongoing COVID-19 pandemic. This is a one-time adjustment for 2021-2022 school year offered solely for funding purposes. The funding adjustment does not relieve districts from the statutory operational minutes requirement to operate schools and make schools available for students to attend in person. This adjustment does not hold a district harmless for losses of ADA due to enrollment declines. The District benefited by approximately $31.8 million in ADA funding from the reduction in the required minutes of operation.

In 2020 and 2021, Congress passed three stimulus bills, the Elementary and Secondary Emergency Education Relief Fund ("ESSER I"), the Elementary and Secondary School Emergency Relief Fund ("ESSER II") and the American Rescue Plan Elementary and Secondary School Emergency Relief Fund ("ESSER III"), that provided funding focused on school districts reopening and operating safely, as well as, addressing the impact of the coronavirus pandemic on students. The District was allocated ESSER I funding in the amount of $62.0 million, ESSER II funding in the amount of $241.7 million, and ESSER III funding in the amount of $543.1 million.

The District continues to monitor the spread of COVID-19 and is working with local, State and national agencies to address the potential impact of the Pandemic upon the District. While the potential impact of the Pandemic on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District's operations and financial condition.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. While the District has experienced growth in its taxable assessed valuation during the Pandemic, a continuation of the Pandemic and the economic impact of the Pandemic could in the future reduce or negatively affect property values within the District. With the changes made to the Finance System in HB3, school funding is increasingly tied to ADA. As a result, student enrollment will be an important factor for M&O funding for the District going forward. A continuation of the Pandemic could negatively affect enrollment and attendance (see "AD VALOREM PROPERTY TAXATION", "TABLE 1 – VALUATION, EXEMPTIONS AND TAX SUPPORTED DEBT" and "TABLE 4 – TAX RATE, LEVY AND COLLECTION HISTORY"). The Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes.

Additionally, State funding of District operations and maintenance in future fiscal years could be adversely impacted by the negative effects on economic growth and financial markets resulting from the Pandemic as well as ongoing disruptions in the global oil markets (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM").

For a discussion of the impact of the Pandemic on the PSF, see "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM – Infectious Disease Outbreak."

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, but other authorized changes are expected to be implemented in phases, generally from the first quarter of calendar year 2022 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.

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 with a $2,000,000 appropriation by the Texas Legislature (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 SBOE financial portfolios of 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 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, 2021, when filed with the MSRB in accordance with the PSF undertaking and agreement made in accordance with Rule 15c2-12 ("Rule 15c2-12") of the federal Securities and Exchange Commission (the "SEC"), as described below, is hereby incorporated by reference into this disclosure. Information included herein for the year ended August 31, 2021 is derived from the audited financial statements of the PSF, which are included in the Annual Report when and 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, 2021 and for a description of the financial results of the PSF for the year ended August 31, 2021, the most recent year for which audited financial information regarding the Fund is available. The 2021 Annual Report speaks only as of its date and the TEA has not obligated itself to update the 2021 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 Statement of Investment Objectives, Policies and Guidelines of the Texas Permanent School Fund, which is codified at 19 Texas Administrative Code, Chapter 33 (the "Investment Policy"), 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.shtml. A list of the Fund's equity and fixed income holdings as of August 31 of each year is posted to the TEA web site and filed with the MSRB. Such list excludes holdings in the Fund's securities lending program. Such list, as filed, is incorporated herein and made a part hereof for all purposes. See "Management Transition to the PSF Corporation" for ongoing changes in the management structure of the Fund that may result in changes to the annual audit prepared with respect to the Fund.

Management and Administration of the Fund Prior to the Implementation of SB 1232

The following discussion describes the legal and management structure of the Fund prior to full implementation of SB 1232, which has begun and is expected to continue in phases over an approximately two year period. See "Management Transition to the PSF Corporation" for summaries of certain laws applicable to the Fund pursuant to the Texas Constitution and SB 1232 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. 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"). The SBOE has adopted a "Statement of Investment Objectives, Policies, and Guidelines of the Texas Permanent School Fund," which is codified in the Texas Administrative Code beginning at 19 TAC section 33.1.

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 Investment Policy provides that the PSF shall be managed consistently with respect to the following: generating income for the benefit of the public free schools of Texas, the real growth of the corpus of the PSF, protecting capital, and balancing the needs of present and future generations of Texas school children. As described 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 Executive Administrator of the Fund is hired by and reports to the Education Commissioner. Moreover, although the Fund's Executive Administrator and the PSF staff at TEA implement the decisions of and provide information to the School Finance/PSF Committee of the SBOE (the "PSF Committee of the SBOE") and the full SBOE, the SBOE can neither select nor dismiss the Executive Administrator. TEA's General Counsel provides legal advice to the Executive Administrator and to the SBOE. The SBOE has also engaged outside counsel to advise it as to its duties over the Fund, including specific actions regarding the investment of the PSF to ensure compliance with fiduciary standards, and to provide transactional advice in connection with the investment of Fund assets in non-traditional investments.

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 SBOE/PSF investment staff and the SBOE's investment consultant for the Fund are tasked with advising the SBOE with respect to the implementation of the Fund's asset allocation policy, including the timing and manner of the selection of any external managers and other consultants.

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

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.

Texas law assigns to the SLB the ability to control of the Fund's land and mineral rights and make investments in real assets. Administrative duties related to the land and mineral rights reside with the GLO, which is under the guidance of the elected commissioner of the GLO (the "Land Commissioner. The SLB manages the proceeds of the land and mineral rights that are administrated by the GLO on behalf of the Fund. The SLB is governed by a five member board, the membership of which consists of the Land Commissioner, who sits as the chairman of the board, and four citizen members appointed by the Governor. The SLB and is generally authorized to invest in the following asset classes:

- Discretionary real assets investments consisting of externally managed real estate, infrastructure, and energy/minerals investment funds, separate accounts, and co-investment vehicles; internally managed direct real estate investments, and associated cash;

- Sovereign and other lands, being the lands set aside for the Fund when it was created, and other various lands not considered discretionary real asset investments; and,

- Mineral interests associated with Fund lands.

At August 31, 2021, the SLB managed approximately 15% of the PSF, as reflected in the fund balance of the PSF at that date. 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.

In 2019, the Texas Legislature enacted legislation that required an annual joint meeting of the SLB and the SBOE for the purpose of discussing the allocation of the assets of the PSF and the investment of money in the PSF. Other legislation enacted in 2019 included a bill that created a "permanent school fund liquid account" (the "Liquid Account") in the PSF for the purpose of receiving funds transferred from the SLB on a quarterly basis that are not then invested by the SLB or needed within the forthcoming quarter for investment by the SBOE. That legislation also provided for the SBOE to administer and invest the Liquid Account and required the TEA, in consultation with the GLO, to conduct a study regarding distributions to the ASF from the PSF. That study (the "PSF Distribution Study"), dated August 31, 2020, is available at https://tea.texas.gov/sites/default/files/TEA-Distribution-Study.pdf.

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 a result, the full implementation of SB 1232 will necessarily evolve over time with the timing of certain aspects of its implementation yet to be determined.

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 to be governed by nine-member board of directors (the "Board"), consisting 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 with confirmation by the Senate.

At the inaugural meeting of the Board in January 2022, the 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. The chief executive officer will report to the Board. Any amendments to the PSF Corporation's articles of formation and bylaws will be adopted by the Board but are subject to approval by the SBOE.

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 will no longer be authorized to make investments into funds; however, the SLB will still be able to invest in land, mineral and royalty interests, and direct 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. Tentatively, the transfer of SLB assets to the management of the PSF Corporation is expected to occur in late 2022 or early 2023, but exceptions could be made for specific investments.

In connection with the transfer of SLB's investment funds to the PSF Corporation, the PSF Corporation will also determine when the Liquid Account can be abolished, and any remaining balance transferred to the PSF managed by the PSF Corporation.

Not less than once each year, the 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.

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.

The State general appropriations act for fiscal years 2022-23 required TEA (and GLO) to submit a plan to the LBB describing the steps required to implement SB 1232, and the plan was submitted on September 1, 2021. The plan included a description of appropriated funds and full time equivalent employees ("FTEs") to be transferred to PSF Corporation and identified costs to accrue to TEA as a result of such transfers. The plan identified a cost range of approximately $8,000,000 to $11,000,000 required in connection with the establishment of the PSF Corporation. During the Summer or Fall of 2022, an appropriation request is expected to be made by the chief executive officer of the PSF Corporation acting in cooperation with the Board to LBB in preparation for the 2024-2025 State biennium.

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 its 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	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
PSF(SBOE) Distribution	$1,021	$1,021	$839	$839	$1,056	$1,056	$1,236	$1,236	$1,102	$1,102
PSF(SLB) Distribution	$0	$300	$0	$0	$0	$0	$0	$300	$600	$600[2]
Per Student Distribution	$221	$281	$175	$173	$215	$212	$247	$306	$347	$341

[1] In millions of dollars. Source: PSF Annual Report for year ended August 31, 2021.
[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 2020, the SBOE approved a projected $3.4 billion distribution to the ASF for State fiscal biennium 2022-2023. In making its determination of the 2022-2023 Distribution Rate, the SBOE took into account the announced planned distribution to the ASF by the SLB of $875 million 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
SBOE Distribution Rate[1]	3.5%	2.5%	4.2%	3.3%	3.5%	3.7%	2.974%	4.18%

[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.

See "Management Transition to the PSF Corporation" for a discussion of planned changes in the management of the Fund that may impact distributions to the ASF.

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 generally reviews the asset allocations during its summer meeting in even-numbered years. The first asset allocation policy adopted by the SBOE following the Total Return Constitutional Amendment was in February 2004, and the policy was reviewed and modified or reaffirmed in the summers of each even-numbered year, most recently in June 2022. The Fund's Investment Policy provides for minimum and maximum ranges among the components of each of the asset classifications: equities, fixed income and alternative asset investments. The alternative asset allocation category includes real estate, real return, absolute return and private equity components. Alternative asset classes diversify the SBOE-managed assets and are not as correlated to traditional asset classes, which is intended to increase investment returns over the long run while reducing risk and return volatility of the portfolio. Given the greater weighting in the overall portfolio of passively managed investments, it is expected that the Fund will reflect the general performance returns of the markets in which the Fund is invested.

The most recent asset allocation of the PSF(SBOE), approved by the SBOE in June 2022, is set forth below, along with the current asset allocations of the PSF(SLB) and the asset allocation of the Liquid Account (the Liquid Account asset allocation was most recently revised in June 2022). The next scheduled review of the PSF(SBOE) asset allocation is June 2024. See "Management Transition to the PSF Corporation" for a discussion of planned changes in the management of the Fund that could affect the responsibility for review of the asset allocation and the timing of asset allocation review, as well as elimination of the Liquid Account.

PSF 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%

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, 2020 and 2021.

Comparative Investment Schedule - PSF(SBOE)[1]

Fair Value (in millions) August 31, 2021 and 2020				
ASSET CLASS	August 31, 2021	August 31, 2020	Amount of Increase (Decrease)	Percent Change
EQUITY				
Domestic Small Cap	$ 2,597.3	$ 2,005.8	$ 591.5	29.5%
Domestic Large Cap	6,218.7	5,106.3	1,112.4	21.8%
Total Domestic Equity	8,816.0	7,112.1	1,703.9	24.0%
International Equity	8,062.1	6,380.9	1,681.2	26.3%
TOTAL EQUITY	16,878.1	13,493.0	3,385.1	25.1%
FIXED INCOME				
Domestic Fixed Income	4,853.1	4,232.6	620.5	14.7%
U.S. Treasuries	1,243.3	918.7	324.6	35.3%
Emerging Market Debt	2,683.7	2,450.7	233.0	9.5%
TOTAL FIXED INCOME	8,780.1	7,602.0	1,178.1	15.5%
ALTERNATIVE INVESTMENTS				
Absolute Return	3,546.0	3,517.2	28.8	0.8%
Real Estate	3,706.0	3,102.1	603.9	19.5%
Private Equity	7,724.6	4,761.5	2,963.1	62.2%
Risk Parity	-	1,164.9	(1,164.9)	-100.0%
Real Return	1,675.5	2,047.4	(371.9)	-18.2%
TOT ALT INVESTMENTS	16,652.1	14,593.1	2,059.0	14.1%
UNALLOCATED CASH	262.9	122.9	140.0	113.9%
TOTAL PSF(SBOE) INVESTMENTS	$ 42,573.2	$ 35,811.0	$ 6,762.2	18.9%

Source: PSF Annual Report for year ended August 31, 2021.

[1] The investments shown in the table above at August 31, 2021 do not fully reflect the changes made to the PSF Strategic Asset Allocation in 2020, as those changes were still being phased in at the end of the fiscal year.

In accordance with legislation enacted during 2019, the PSF has established the Liquid Account for purposes of investing cash received from the SLB to be invested in liquid assets and managed by the SBOE in the same manner it manages the PSF. That cash was previously included in the PSF valuation but was held and invested by the State Comptroller. See “Management Transition to the PSF Corporation” for a discussion of planned changes in the management of the Fund that could result in the dissolution of the Liquid Account and a blending of assets held in the Liquidity Account into the general investment portfolio of the Fund.

The table below sets forth the investments of the Liquid Account for the year ended August 31, 2021.

Liquid Account Fair Value at August 31, 2021[1]

Fair Value (in millions) August 31, 2021 and 2020

ASSET CLASS	August 31, 2021	August 31, 2020	Amount of Increase (Decrease)	Percent Change
Equity				
Domestic Small/Mid Cap	$228.3	-	$228.3	N/A
Domestic Large Cap	578.6	-	578.6	N/A
Total Domestic Equity	806.9	-	806.9	N/A
International Equity	392.6	-	392.6	N/A
TOTAL EQUITY	1,199.5	-	1,199.5	N/A
Fixed Income				
Short-Term Fixed Income	1,074.8	$1,597.3	(522.5)	-32.7%
Core Bonds	413.1	-	413.1	N/A
TIPS	213.9	-	213.9	N/A
TOTAL FIXED INCOME	1,701.8	1,597.3	104.5	6.5%
Unallocated Cash	1,420.5	2,453.3	(1,032.8)	-42.1%
Total Liquid Account Investments	$4,321.8	$4,050.6	$271.2	6.7%

[1] In millions of dollars.
Source: PSF Annual Report for year ended August 31, 2021.

The table below sets forth the comparative investments of the PSF(SLB) for the years ending August 31, 2020 and 2021.

Comparative Investment Schedule - PSF(SLB)

	Fair Value (in millions) August 31, 2021 and 2020			
Asset Class	As of 8-31-21	As of 8-31-20	Increase (Decrease)	Percent Change
Discretionary Real Assets Investments				
Externally Managed				
Real Assets Investment Funds[1]				
Energy/Minerals	$1,707.5	$1,164.0	$543.5	46.7%
Infrastructure	1,652.3	1,485.4	166.9	11.2%
Real Estate	1,276.8	1,174.8	102.0	8.7%
Internally Managed Direct Real Estate Investments	223.9	219.5	4.4	2.0%
Total Discretionary Real Assets Investments	4,860.5	4,043.7	816.8	20.2%
Dom. Equity Rec'd as In-Kind Distribution	1.7	0.9	0.8	88.9%
Sovereign and Other Lands	405.4	408.6	(3.2)	-0.8%
Mineral Interests	2,720.4	2,115.4	605	28.6%
Cash at State Treasury[2]	699.2	333.8	365.4	109.5%
Total PSF(SLB) Investments	$8,687.2	$6,902.4	$1,784.8	25.9%

[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 SBOE from time to time based upon a number of factors, including recommendations to the SBOE 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 and the market impact of domestic and international climate change; 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. See "Management Transition to the PSF Corporation" for a discussion of planned changes in the management of the Fund that may affect these factors. 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. The SDBGP Rules are codified in the Texas Administrative Code at 19 TAC section 33.65 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"). The CDBGP Rules are codified at 19 TAC section 33.67 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 March 2022 (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 6.98%. At August 2, 2022, there were 192 active open-enrollment charter schools in the State and there were 910 charter school campuses active under such charters (though as of such date, 28 of such campuses are not currently serving students for various reasons). Section 12.101, Texas Education Code, as amended by the Legislature in 2013, limits the number of charters that the Education Commissioner may grant to 215 charters as of the end of fiscal year 2014, with the number increasing in each fiscal year thereafter through 2019 to a total number of 305 charters. While legislation limits the number of charters that may be granted, it does not limit the number of campuses that may operate under a particular charter. For information regarding the capacity of the Guarantee Program, see "Capacity Limits for the Guarantee Program." The Act provides that the 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.

The Act provides that immediately following receipt of notice that a charter district will be or is unable to pay maturing or matured principal or interest on a guaranteed bond, the 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, beginning with State fiscal year 2018, but that provision of the law does not increase overall Program capacity, it merely makes available to the Charter District Bond Guarantee Program a greater share of capacity in the Guarantee Program. 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 lessor 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 on the basis of receipt of the IRS Notice.

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 may reduce the multiplier to 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

Prior to the issuance of the IRS Notice (defined below), the capacity of the program under the IRS Limit was limited to two and one-half times the lower of cost or fair market value of the Fund's assets adjusted by a factor that excluded additions to the Fund made since May 14, 1989. On December 16, 2009, the IRS published Notice 2010-5 (the "IRS Notice") stating that the IRS would issue proposed regulations amending the existing regulations to raise the IRS limit to 500% of the total cost of the assets held by the PSF as of December 16, 2009. In accordance with the IRS Notice, the amount of any new bonds to be guaranteed by the PSF, together with the then outstanding amount of bonds previously guaranteed by the PSF, must not exceed the IRS limit on the sale date of the new bonds to be guaranteed. The IRS Notice further provided that the IRS Notice may be relied upon for bonds sold on or after December 16, 2009, and before the effective date of future regulations or other public administrative guidance affecting funds like the PSF.

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

On July 18, 2016, the IRS issued final regulations enacting the IRS Notice (the "Final IRS Regulations"). The Final IRS Regulations are effective for bonds sold on or after October 17, 2016. The IRS Notice, the Proposed IRS Regulations and the Final IRS Regulations establish a static capacity for the Guarantee Program based upon the cost value of Fund assets on December 16, 2009, multiplied by five. On December 16, 2009, the cost value of the Guarantee Program was $23,463,730,608 (estimated and unaudited), thereby producing an IRS Limit of approximately $117.3 billion.

In September 2015, the SBOE also approved a new 5% capacity reserve for the Charter District Bond Guarantee Program. The State Capacity Limit increased from $128,247,002,583 on August 31, 2020 to $135,449,634,408 on August 31, 2021 (but at such date the IRS Limit ($117,318,653,038) remained the lower of the two, so it is 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 September 1, 2009, the Act provides that the SBOE may annually establish a percentage of the cost value of the Fund to be reserved from use in guaranteeing bonds (the "Capacity Reserve"). The SDBGP Rules provide for a minimum Capacity Reserve for the overall Guarantee Program of no less than 5% and provide that the amount of the Capacity Reserve may be increased by a majority vote of the SBOE. The CDBGP Rules provide for an additional 5% reserve of CDBGP Capacity. The Education Commissioner is authorized to change the Capacity Reserve, which decision must be ratified or rejected by the SBOE at its next meeting following any change made by the Education Commissioner. The current Capacity Reserve is noted in the monthly updates with respect to the capacity of the Guarantee Program on the TEA web site at http://tea.texas.gov/Finance_and_Grants/Permanent_School_Fund/, which are also filed with the MSRB.

Based upon historical performance of the Fund, the legal restrictions relating to the amount of bonds that may be guaranteed has generally resulted in a lower ratio of guaranteed bonds to available assets as compared to many other types of credit enhancements that may be available for Texas school district bonds and charter district bonds. However, the ratio of Fund assets to guaranteed bonds and the growth of the Fund in general could be adversely affected by a number of factors, including 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. As the amount of guaranteed bonds approaches the IRS Limit, the SBOE is seeking changes to the existing federal tax law requirements regarding the Guarantee Program with the objective of obtaining an increase in the IRS Limit, but no assurances can be given that the SBOE will be successful in that undertaking. The implementation of the Charter School Bond Guarantee Program has also increased the total amount of guaranteed bonds.

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 <u>less</u> 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 <u>prior to</u> the subtraction of the outstanding bond guarantees, thereby increasing the CDBGP Capacity. SB 1480 provided for the implementation of the new method of calculating the CDBGP Capacity to begin with the State fiscal year that commences September 1, 2021 (the State's fiscal year 2022) but authorized the SBOE discretion to increase the CDBGP Capacity incrementally in the intervening four fiscal years, beginning with fiscal year 2018 by up to a cumulative 20% in each fiscal year (for a total maximum increase of 80% in fiscal year 2021) as compared to the capacity figure calculated under the Act as of January 1, 2017, which it has done.

The percentage of the charter district scholastic population to the overall public school scholastic population has grown from 3.53% in September 2012 to 6.83% in March 2021. 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 previously required the Education Commissioner to make an investigation of the accreditation status and certain financial criteria for a charter district applying for a bond guarantee, which remain in place.

Since the initial authorization of the Charter District Bond Guarantee Program, the Act has established a bond guarantee reserve fund in the State treasury (the "Charter District Reserve Fund"). Formerly, the Act provided that each charter district that has a bond guaranteed must annually remit to the 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, 2022, the Charter District Reserve Fund contained $80,001,668, which represented approximately 2.13% of the guaranteed charter district bonds. The Reserve Fund is held and invested as a non-commingled fund under the administration of the PSF staff.

Charter District Risk Factors

Open-enrollment charter schools in the State may not charge tuition and, unlike school districts, charter districts have no taxing power. Funding for charter district operations is largely from amounts appropriated by the Legislature. 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, which could in the future be a significant 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.

Results of the PSF operations through the fiscal year ended August 31, 2021 and at other periodic points in time are set forth herein or incorporated herein by reference. Fund management is of the view that since the onset of the pandemic the Fund has performed generally in accordance with its portfolio benchmarks and with returns generally seen in the national and international investment markets in which the Fund is invested (see "Discussion and Analysis Pertaining to Fiscal Year Ended August 31, 2021").

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 December 2021, 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.

For information on the September 2020 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, that was made in light of the public health and economic circumstances resulting from the COVID-19 pandemic and its impact on the school children of Texas, see "The Total Return Constitutional Amendment."

Ratings of Bonds Guaranteed Under the Guarantee Program

Moody's Investors Service, S&P Global Ratings and Fitch Ratings rate bonds guaranteed by the PSF "Aaa," "AAA" and "AAA," respectively. Not all districts apply for multiple ratings on their bonds, however. See "Ratings" herein.

Valuation of the PSF and Guaranteed Bonds

Permanent School Fund Valuations

Fiscal Year Ended 8/31	Book Value[(1)]	Market Value[(1)]
2017	$31,870,581,428	$41,438,672,573
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[(2)]	38,699,045,012	55,581,401,632

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(1) SLB managed assets are included in the market value and book value of the Fund. In determining the market value of the PSF from time to time during a fiscal year, the TEA uses current, unaudited values for TEA managed investment portfolios and cash held by the SLB. With respect to SLB managed assets shown in the table above, market values of land and mineral interests, internally managed real estate, investments in externally managed real estate funds and cash are based upon information reported to the PSF by the SLB. The SLB reports that information to the PSF on a quarterly basis. The valuation of such assets at any point in time is dependent upon a variety of factors, including economic conditions in the State and nation

in general, and the values of these assets, and, in particular, the valuation of mineral holdings administered by the SLB, can be volatile and subject to material changes from period to period.

(2) At August 31, 2021, mineral assets, sovereign and other lands and internally managed discretionary real estate, external discretionary real estate investments, domestic equities, and cash managed by the SLB had book values of approximately $13.4 million, $183.7 million, $4,655.9 million, $4.7 million, and $699.2 million, respectively, and market values of approximately $2,720.4 million, $629.3 million, $4,636.6 million, $1.8 million, and $699.2 million, respectively. At June 30, 2022, the PSF had a book value of $42,172,303,083 and a market value of $52,315,129,702. June 30, 2022 values are based on unaudited data, which is subject to adjustment.

Permanent School Fund Guaranteed Bonds

At 8/31	Principal Amount[1]
2017	$74,266,090,023
2018	79,080,901,069
2019	84,397,900,203
2020	90,336,680,245
2021	95,259,161,922[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, 2021 (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 $144,196,223,433, of which $48,937,061,511 represents interest to be paid. As shown in the table above, at August 31, 2021, there were $95,259,161,922 in principal amount of bonds guaranteed under the Guarantee Program. Using the IRS Limit of $117,318,653,038 (the IRS Limit is currently the Capacity Limit), net of the Capacity Reserve, as of June 30, 2022, 6.98% of the Guarantee Program's capacity was available to the Charter District Bond Guarantee Program. As of June 30, 2022, the amount of outstanding bond guarantees represented 85.37% of the Capacity Limit (which is currently the IRS Limit). June 30, 2022 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	No. of Issues	Principal Amount	No. of Issues	Principal Amount	No. of Issues	Principal Amount
2017	3,253	$72,884,480,023	40	$1,381,610,000	3,293	$74,266,090,023
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[2]	3,346	91,951,175,922	83	3,307,986,000	3,429	95,259,161,922

(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, 2022 (based on unaudited data, which is subject to adjustment), there were $100,155,117,640 of bonds guaranteed under the Guarantee Program, representing 3,366 school district issues, aggregating $96,400,426,640 in principal amount and 96 charter district issues, aggregating $3,754,691,000 in principal amount. At June 30, 2022, the CDBGP Capacity was $7,779,399,883 (based on unaudited data, which is subject to adjustment).

Discussion and Analysis Pertaining to Fiscal Year Ended August 31, 2021

The following discussion is derived from the Annual Report for the year ended August 31, 2021, 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, 2021, 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 2021, the Fund balance was $55.6 billion, an increase of $8.9 billion from the prior year. This increase is primarily due to overall net increases in value of the 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, 2021, net of fees, were 22.97%, 10.49% and 9.05%, respectively, and the Liquid(SBOE) annual rate of return for the one-year period ending August 31, 2021, net of fees, was 4.90% (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 12.81%, 1.56%, and 4.18%, respectively.

The market value of the Fund's assets is directly impacted by the performance of the various financial markets in which the assets are invested. The most important factors affecting investment performance are the asset allocation decisions made by the SBOE and SLB. The current SBOE long term asset allocation policy allows for diversification of the PSF(SBOE) portfolio into alternative asset classes whose returns are not as positively correlated as traditional asset classes. The implementation of the long term asset allocation will occur over several fiscal years and is expected to provide incremental total return at reduced risk. See "Comparative Investment Schedule - PSF(SBOE)" for the PSF(SBOE) holdings as of August 31, 2021.

As of August 31, 2021, the SBOE has approved, and the Fund made capital commitments to, externally managed real estate investment funds in a total amount of $5.7 billion and capital commitments to private equity limited partnerships for a total of $7.5 billion. Unfunded commitments at August 31, 2021, totaled $2.0 billion in real estate investments and $2.4 billion in private equity investments.

PSF Returns Fiscal Year Ended 8-31-2021[1]

Portfolio	Return	Benchmark Return[2]
Total PSF(SBOE) Portfolio	22.97%	20.73%
Domestic Large Cap Equities(SBOE)	31.26	31.17
Domestic Small/Mid Cap Equities(SBOE)	47.88	47.40
International Equities(SBOE)	25.27	24.87
Emerging Market Equity(SBOE)	19.33	21.12
Fixed Income(SBOE)	1.64	-0.08
Treasuries	-7.02	-7.27
Absolute Return(SBOE)	13.84	13.05
Real Estate(SBOE)	12.06	9.34
Private Equity(SBOE)	53.88	43.38
Real Return(SBOE)	16.06	18.08
Emerging Market Debt(SBOE)	5.92	4.14
Liquid Large Cap Equity(SBOE)	43.24	38.19
Liquid Small Cap Equity(SBOE)	61.97	52.07
Liquid International Equity(SBOE)	12.20	12.18
Liquid Short-Term Fixed Income(SBOE)	0.91	0.37
Liquid Core Bonds(SBOE)	-0.07	-0.18
Liquid TIPS(SBOE)	6.09	6.20
Liquid Transition Cash Reserves(SBOE)	0.44	0.08
Liquid Combined(SBOE)	4.90	4.27
PSF(SLB)	12.81	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, 2021.
[2] Benchmarks are as set forth in the PSF Annual Report for year ended August 31, 2021.

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, 2021, the remaining commitments totaled approximately $2.24 billion.

For fiscal year 2021, total revenues, inclusive of unrealized gains and losses and net of security lending rebates and fees, totaled $10.8 billion, an increase of $8.8 billion from fiscal year 2020 earnings of $2.0 billion. This increase reflects the performance of the securities markets in which the Fund was invested in fiscal year 2021. In fiscal year 2021, revenues earned by the Fund included lease payments, bonuses and royalty income received from oil, gas and mineral leases; lease payments from commercial real estate; surface lease and easement revenues; revenues from the resale of natural and liquid gas supplies; dividends, interest, and securities lending revenues; the net change in the fair value of the investment portfolio; and, other miscellaneous fees and income.

Expenditures are paid from the Fund before distributions are made under the total return formula. Such expenditures include the costs incurred by the SLB to manage the land endowment, as well as operational costs of the Fund, including external management fees paid from appropriated funds. Total operating expenditures, net of security lending rebates and fees, increased 42.5% for the fiscal year ending August 31, 2021. 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.

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 2020 and 2021, the distribution from the SBOE to the ASF totaled $1.1 billion and $1.1 billion, respectively. Distributions from the SLB to the ASF for fiscal years 2020 and 2021 totaled $600 and $600 million, respectively.

At the end of the 2021 fiscal year, PSF assets guaranteed $95.3 billion in bonds issued by 880 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 8,203 school district and charter district bond issues totaling $220.2 billion in principal amount. During the 2021 fiscal year, the number of outstanding issues guaranteed under the Guarantee Program totaled 3,429. The dollar amount of guaranteed school and charter bond issues outstanding increased by $4.9 billion or 5.4%. The State Capacity Limit increased by $7.2 billion, or 5.6%, during fiscal year 2021 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 2021 as the IRS Limit was reached in a prior fiscal year, and it is the lower of the two State and federal 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. In accordance with the provisions of the State Investment Ethics Code, the SBOE periodically modifies its code of ethics, which occurred most recently in April 2018. The SBOE code of ethics includes prohibitions on sharing confidential information, avoiding conflict of interests and requiring disclosure filings with respect to contributions made or received in connection with the operation or management of the Fund. The code of ethics applies to members of the SBOE as well as to persons who are responsible by contract or by virtue of being a TEA PSF staff member for managing, investing, executing brokerage transactions, providing consultant services, or acting as a custodian of the PSF, and persons who provide investment and management advice to a member of the SBOE, with or without compensation under certain circumstances. The code of ethics is codified in the Texas Administrative Code at 19 TAC sections 33.5 et seq. and is available on the TEA web site at https://tea.texas.gov/sites/default/files/ch033a.pdf.

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

The TEA received an appropriation of $30.4 million for each of the fiscal years 2020, and 2021.

As of August 31, 2021, certain lawsuits were pending against the State and/or the GLO, which challenge the Fund's title to certain real property and/or past or future mineral income from that property, and other litigation arising in the normal course of the investment activities of the PSF. Reference is made to the Annual Report, when filed, for a description of such lawsuits that are pending, which may represent contingent liabilities of the Fund.

PSF Continuing Disclosure Undertaking

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

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

Annual Reports

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

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

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

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

Event Notices

The TEA will also provide timely notices of certain events to the MSRB. Such notices will be provided not more than ten business days after the occurrence of the event. The TEA will provide notice of any of the following events with respect to the Guarantee Program: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if such event is material within the meaning of the federal securities laws; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax 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.

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

On May 13, 2016, the Court issued its opinion in the most recent school finance litigation, *Morath v. The Texas Taxpayer & Student Fairness Coal.*, 490 S.W.3d 826 (Tex. 2016) ("*Morath*"). The plaintiffs and intervenors in the case had alleged that the Finance System, as modified by the Legislature in part in response to prior decisions of the Court, violated article VII, section 1 and article VIII, section 1-e of the Texas Constitution. In its opinion, the Court held that "[d]espite the imperfections of the current school funding regime, it meets minimum constitutional requirements." The Court also noted that:

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

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

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

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

During the 2019 Legislative Session, the State Legislature made numerous changes to the Finance System, the levy and collection of ad valorem taxes, and the calculation of defined tax rates, including particularly those contained in House Bill 3 ("HB 3") and Senate Bill 2 ("SB 2"). During the 2021 Legislative Session, the 87th Texas Legislature enacted House Bill 1525 ("HB 1525"), which was originally intended as a "HB 3 cleanup" bill, but covered many school finance and education-related matters. The District is still in the process of (a) analyzing the provisions of HB 3 and SB 2 in light of the changes made in HB 1525, and (b) monitoring the on-going guidance provided by TEA. The information contained herein under the captions "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" and "TAX RATE LIMITATIONS" is subject to change, and only reflects the District's *understanding based on information available to the District as of the date of this Official Statement. Prospective investors are encouraged to review HB 3, SB 2, HB 1525 and the Property Tax Code (as defined herein) for definitive requirements for the levy and collection of ad valorem taxes, the calculation of the defined tax rates, and the administration of the current Finance System.*

OVERVIEW . . . The following language constitutes only a summary of the Finance System as it is currently structured. For a more complete description of school finance and fiscal management in the State, reference is made to 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 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 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.

2021 Regular and Special Legislative Session. . .The State Legislature meets in regular session in odd-numbered years, for 140 days. The 87th Texas Legislature convened on January 12, 2021 and concluded on May 31, 2021 ("87th Regular Session"). When the Legislature is not in regular session, the Governor may call one or more special sessions, at the Governor's direction, each lasting no more than thirty (30) days, and for which the Governor sets the agenda. The Governor called three special session following the 87th Regular Session. During the 87th Regular Session, the State Legislature approved a general appropriations act and legislation affecting the Finance System and ad valorem taxation procedures, among other legislation affecting school districts and the administrative agencies that oversee school districts. Of note, House Bill 1525 contained a number of technical modifications to the Finance System as established under HB 3 during the 86th Legislative Session. During the second called special session, the Legislature approved bills addressing virtual learning, taxation of the elderly and disabled and residence homesteads and related hold harmless provisions for school districts, and other matters that may impact the District. During the third called special session, the Legislature passed Senate Joint Resolution No. 2 ("SJR 2"), which proposed a constitutional amendment to increase the residential homestead exemption from ad valorem taxation for public schools from $25,000 to $40,000, and its enabling legislation Senate Bill 1. The constitutional amendment proposed by SJR 2 was approved by the voters on May 7, 2022 and is effective for the 2022 tax year. The District is in the process of evaluating the legislation that passed during the 87th Regular Session and the called special sessions and how such laws may impact the District. The District can make no representations or predictions regarding the impact of the legislation passed at this time.

2023 Legislative Session. . .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 school finance system, the Guarantee Program, and the TEA. No representation is made regarding any actions the Legislature may take, but the District intends to monitor proposed legislation for any developments applicable thereto.

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 ("SCP") 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 SCP is the lesser of three alternative calculations: (1) 93% per $100 of taxable value 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 Legislature by the State Comptroller) has increased by at least 2.5% over the prior year; and (3) the prior year SCP. For any year, the maximum SCP 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 two alternative calculations: (1) the "State Compression Percentage" (as discussed above) multiplied by 100; or (2) a percentage determined by formula if the school district experienced a year-over year increase in property value of at least 2.5% (if the increase in property value is less than 2.5%, then MCR is equal to the prior year MCR). 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 set to 90% of the maximum 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 maximum 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 for such year. 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 calculated 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 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 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 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 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 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 school districts with a Tier One Tax Rate equal to $0.93, is $6,160 (or greater amount as may be provided by appropriation) for each student in ADA and is revised downward for school districts with a Tier One Tax Rate lower than $0.93. For the State fiscal year ending in 2021 and subsequent State fiscal years, 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, and (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 2021-2022 school year, the fast growth allotment weight was .45 for districts in the top 40% of school districts for growth, .30 for districts in the middle 30% of school districts for growth and .15 for districts in the bottom 30% of school districts for growth. After the 2021-2022 school year, the fast growth allotment weights change to .48 for districts in the top 40% of school districts for growth, .33 for districts in the middle 30% of school districts for growth and .18 for districts in the bottom 30% of school districts for growth. The fast growth allotment is limited to $270 million for the 2021-2022 school year, $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 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 Legislature did not appropriate any funds for new IFA awards; however, awards previously granted in years the 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 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 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 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 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. Notwithstanding the foregoing, 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 to generate local revenues in excess of the school district's respective funding entitlements Tier One State and local entitlement and whose Copper Pennies generate local funds in excess of the school district's Tier Two guarantee as previously discussed (a "Chapter 49 school district"), is subject to the local revenue reduction provisions contained in Chapter 49 of 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 and they may continue to receive State funds for certain competitive grants and certain programs that remain outside the Foundation School Program.

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.

THE SCHOOL FINANCE SYSTEM AS APPLIED TO THE DALLAS INDEPENDENT SCHOOL DISTRICT

For the 2022-2023 fiscal year, the District was designated as an "excess local revenue" district by the TEA, accordingly, the District is subject to recapture and, therefore, 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 IN EXCESS OF ENTITLEMENT" herein). In the 2020-2021 school year, the District paid $85.4 million to purchase attendance credits, and the District paid $98.0 million in the 2021-22 school year for the purchase of attendance credits. The District estimates it will pay approximately $88.6 million to purchase attendance credits in the 2022-23 school year.

A district's status as to any excess local revenue in Tier One and its wealth per student for Copper Penny purposes in Tier Two must be tested for each future school year and, if it exceeds the maximum permitted levels, the excess must be reduced by exercising one of the permitted wealth equalization 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 Dallas Central Appraisal District (the "Appraisal District"). Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District as of January 1 of each year and 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. See "AD VALOREM PROPERTY TAXATION – DISTRICT AND TAXPAYER REMEDIES."

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").

STATE MANDATED HOMESTEAD EXEMPTIONS . . . State law grants, with respect to each school district in the State, (1) a $40,000 exemption of the market 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.

On May 7, 2022, a constitutional amendment was approved by voters of the State, increasing the exemption of the appraised value of all homesteads from $25,000 to $40,000 effective immediately, applying retroactively to the tax year beginning January 1, 2022. Senate Bill 1, passed during the Third Special Session of the 87th Texas Legislature, makes provisions for additional state aid to hold school districts harmless for tax revenue losses resulting from the increased homestead exemption.

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.

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.

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 without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without 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.

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. 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 Property Tax Code.

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

TAX INCREMENT 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), allows 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 may 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 will not be 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 vote to extend this program, which is now scheduled to expire by its terms effective December 31, 2022.

For a discussion of how the various exemptions described above are applied by the District, see "AD VALOREM PROPERTY TAXATION – DISTRICT APPLICATION OF TAX CODE" and "TABLE 1 – VALUATION, EXEMPTIONS AND TAX SUPPORTED DEBT" herein.

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

Owners of certain property with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at $52,978,200 million for the 2022 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.

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.

DISTRICT APPLICATION OF PROPERTY TAX CODE . . . The District grants an exemption to the market value of the residence homestead of persons 65 years of age or older of $10,000 and the disabled are also granted an exemption of $10,000.

Other principal categories of exempt property include tangible personal property not held or used for production of income; solar and wind-powered energy devices; most individually owned automobiles; up to $12,000 exemption for real or personal property of disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; $40,000 in market value for all residential homesteads; and certain classes of intangible property.

The District grants a state mandated $10,000, plus a $35,000 optional, residence homestead exemption for persons 65 years of age or older or the disabled.

The District grants an additional exemption of 10% (not less than $5,000) 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 grants a Freeport (defined above) exemption.

The District taxes goods-in-transit (defined above).

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 May 5, 1956 in accordance with the provisions of Article 2784e-1, Texas Revised Civil Statutes Annotated, 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 AND SOURCE OF PAYMENT").

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 threshold tax rate 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 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. The District has not used projected property values or State assistance (other than EDA or IFA allotment funding) 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. However, for only the 2020 tax year, if the governing body of the school district does not adopt by unanimous vote an M&O tax rate at least equal to the sum of the school district's MCR plus \$0.05, then \$0.04 is substituted for \$0.05 in the calculation for such school district's Voter-Approval Tax Rate for the 2020 tax year. For the 2020 tax year, and subsequent years, 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.

TABLE 1 - VALUATION, EXEMPTIONS AND TAX SUPPORTED DEBT

Calendar Year Ending 2022/Fiscal Year Ending 2023 Market Valuation Established by the Dallas Central Appraisal District as of July 19, 2022		$	212,311,830,000
Capped Value Loss	$ 8,751,185,394		
Totally Exempt Property	23,917,294,460		
Prorated Totally Exempt	16,647,264		
$25,000 General Homestead Exemption Loss	11,234,298,819		
$45,000 Over-65 Homestead Exemption Loss	2,118,232,693		
Disabled Person Exemptions	233,951,162		
Veteran Exemptions	187,423,046		
Pollution Control Loss	37,327,004		
Freeport Exemption Loss	2,603,592,156		
AG Loss	299,913,817	$	49,399,865,815
2022/23 Certified Taxable Assessed Valuation		$	162,911,964,185
Total Debt payable from Ad Valorem Taxes as of 2/9/2023		$	4,019,190,000 [1]
Ratio General Obligation Tax Debt to Taxable Assessed Valuation			2.47%

Current Estimated Population - 1,343,266 [2]

Per Capita Taxable Assessed Valuation - $121,280

Per Capita Debt Payable from all Ad Valorem Taxes - $2,992

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[1] Includes unlimited tax & limited tax debt. Includes the Bonds. Excludes the Refunded Notes. See Schedule I.

[2] Source: Population figures provided by the District.

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TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY[1]

	Taxable Appraised Value for Fiscal year Ended June 30,					
	2023		2022		2021	
Category	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 88,565,155,280	41.71%	$ 76,129,260,680	40.59%	$ 72,593,938,663	40.46%
Real, Residential, Multi-Family	32,415,591,170	15.27%	27,925,850,610	14.89%	25,990,456,920	14.48%
Real, Vacant Lots/Tracts	6,549,689,350	3.08%	5,887,610,070	3.14%	5,637,216,370	3.14%
Real, Acreage (Land Only)	309,421,200	0.15%	298,590,700	0.16%	296,353,880	0.17%
Real, Farm and Ranch Improvements	124,852,030	0.06%	121,298,920	0.06%	134,415,830	0.07%
Real, Commercial	62,602,624,580	29.49%	57,473,372,410	30.64%	56,110,176,530	31.27%
Real, Industrial	829,047,460	0.39%	735,683,660	0.39%	634,053,210	0.35%
Real, Non-Producing Minerals	5,440	0.00%	5,320	0.00%	5,320	0.00%
Real & Tangible Personal, Utilities	2,163,710,820	1.02%	2,040,463,320	1.09%	1,889,289,480	1.05%
Tangible Personal, Commercial	15,533,775,830	7.32%	14,248,599,880	7.60%	13,444,864,080	7.49%
Tangible Personal, Industrial	2,654,492,280	1.25%	2,318,205,670	1.24%	2,290,189,350	1.28%
Real, Mobile Homes	35,639,980	0.02%	34,185,570	0.02%	34,206,230	0.02%
Residential, Inventory	43,425,820	0.02%	622,470	0.00%	619,670	0.00%
Special Inventory	484,398,760	0.23%	349,949,840	0.19%	380,449,330	0.21%
Total Appraised Value Before Exemptions	$ 212,311,830,000	100.00%	$ 187,563,699,120	100.00%	$ 179,436,234,863	100.00%
Less: Total Exemptions/Reductions	(49,399,865,815)		(40,477,061,117)		(39,377,959,260)	
Taxable Assessed Value	$ 162,911,964,185		$ 147,086,638,003		$ 140,058,275,603	

	Taxable Appraised Value for Fiscal year Ended June 30,			
	2020		2019	
Category	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 69,392,736,500	41.16%	$ 62,217,800,090	40.58%
Real, Residential, Multi-Family	23,209,783,400	13.77%	21,212,060,890	13.84%
Real, Vacant Lots/Tracts	4,935,275,680	2.93%	4,645,639,130	3.03%
Real, Acreage (Land Only)	274,301,160	0.16%	253,643,180	0.17%
Real, Farm and Ranch Improvements	58,064,300	0.03%	14,107,910	0.01%
Real, Commercial	52,042,839,730	30.87%	47,417,312,950	30.93%
Real, Industrial	559,560,560	0.33%	507,625,520	0.33%
Real, Non-Producing Minerals	5,290	0.00%	5,290	0.00%
Real & Tangible Personal, Utilities	1,924,526,470	1.14%	1,728,003,040	1.13%
Tangible Personal, Commercial	13,369,234,880	7.93%	12,764,267,390	8.33%
Tangible Personal, Industrial	2,433,849,650	1.44%	2,161,010,220	1.41%
Real, Mobile Homes	34,773,860	0.02%	32,372,270	0.02%
Residential, Inventory	2,682,170	0.00%	6,301,880	0.00%
Special Inventory	369,227,780	0.22%	353,353,290	0.23%
Total Appraised Value Before Exemptions	$ 168,606,861,430	100.00%	$ 153,313,503,050	100.00%
Less: Total Exemptions/Reductions	(37,802,484,422)		(32,869,266,757)	
Taxable Assessed Value	$ 130,804,377,008		$ 120,444,236,293	

(1) Valuations shown are certified taxable assessed values reported by the Dallas Central Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

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TABLE 3 - VALUATION AND TAX SUPPORTED DEBT HISTORY

Fiscal Year Ending 6/30 [(1)]	District Population [(2)]	Taxable Assessed Valuation [(3)]	Taxable Assessed Valuation Per Capita	Tax Debt Outstanding at Fiscal Year End [(4)]	Ratio of Tax Debt to Taxable Assessed Valuation [(4)]	Tax Debt Per Capita [(4)]
2019	1,356,896	$ 120,444,236,293	$ 88,765	$ 2,691,075,000	2.23%	1,983
2020	1,377,641	130,804,377,008	94,948	2,877,455,000	2.20%	2,089
2021	1,400,337	140,058,275,603	100,018	3,240,015,000	2.31%	2,314
2022	1,343,266	147,086,638,003	109,499	3,550,300,000	2.41%	2,643
2023	1,343,266	162,911,964,185	121,280	4,019,190,000 [(5)]	2.47% [(5)]	2,992 [(5)]

(1) The District's fiscal year end is June 30th. Due to the timing of tax collection receipts, the District budgets for debt payments on a calendar year basis.

(2) Estimates provided by the District.

(3) Source: Dallas Central Appraisal District.

(4) Includes unlimited and limited tax debt.

(5) As of 2/9/2023. Includes the Bonds. Excludes the Refunded Notes. See Schedule I.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ending 6/30	Total Tax Rate	Local Maintenance	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2019	$ 1.412035 [(1)]	$ 1.170000 [(1)]	$ 0.242035	$ 1,629,922,730	98.31%	99.67%
2020	1.310385	1.068350	0.242035	1,629,618,768	98.30%	98.96%
2021	1.296735	1.054700	0.242035	1,741,770,747	98.26%	99.00%
2022	1.248235	1.006200	0.242035	1,717,724,797	98.40% [(2)]	99.08% [(2)]
2023	1.184935	0.942900	0.242035	1,882,651,230	(in process of collection)	(in process of collection)

(1) The Levy of $1.17 tax rate for maintenance and operations was approved by the voters in the District at a tax ratification election held on November 6, 2018.

(2) Collections as of 6/30/2022.

TABLE 5 - TEN LARGEST TAXPAYERS[(1)]

Name of Taxpayer	Nature of Property	2022 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation[(2)]
Oncor Electric Delivery	Electric Utility	$ 990,844,130	0.67%
Northpark Land Partners	Developer	678,663,570	0.46%
Southwest Airlines	Airline	614,164,930	0.42%
FM Village Fixed Rate LLC	Financial Services	597,964,150	0.41%
AT&T Mobility LLC	Telecommunication	553,239,900	0.38%
Post Apartment Homes LP	Apartment Buildings	548,068,800	0.37%
Equinix LLC	Technology	459,255,680	0.31%
Atmos Energy	Utility	392,305,410	0.27%
Teachers Insurance	Office Buildings	370,217,650	0.25%
Galleria Mall	Mall	366,051,790	0.25%
		$ 5,570,776,010	3.79%

(1) Source: Dallas Central Appraisal District and District records.

(2) Based on fiscal year 2022 taxable assessed valuation.

TABLE 6 - ESTIMATED OVERLAPPING DEBT[1]

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

			Net Debt			Amount
Taxing Body	Taxable AV	Tax Rate	Amount	As of	% Overlapping	Overlapping
Dallas ISD	$ 162,911,964,185	$ 1.18494	$ 4,019,190,000 [1]	2/9/2023	100.00%	$ 4,019,190,000 [1]
Addison, Town of	4,970,875,427	0.61500	95,328,365	10/31/2022	89.68%	85,490,478
Balch Springs, City of	1,329,879,488	0.79500	7,137,949	10/31/2022	28.99%	2,069,291
Carrollton, City of	19,330,575,675	0.58300	194,823,910	10/31/2022	8.57%	16,696,409
Cockrell Hill, City of	152,176,392	0.82300	3,530,000	10/31/2022	97.39%	3,437,867
Combine, City of	153,918,180	0.35000	1,187,000	10/31/2022	11.36%	134,843
Dallas Co	291,250,432,162	0.22800	236,605,000	10/31/2022	45.18%	106,898,139
Dallas Co CCD	299,480,856,454	0.12400	141,283,922	10/31/2022	45.18%	63,832,076
Dallas Co Hosp Dist	292,697,934,340	0.25500	556,450,741	10/31/2022	45.18%	251,404,445
Dallas Co Schools	261,927,801,917	0.01000		10/31/2022	45.18%	-
Dallas, City of	155,938,191,755	0.77300	2,104,014,416	10/31/2022	70.14%	1,475,755,711
DeSoto, City of	5,438,189,247	0.70200	61,435,928	10/31/2022	23.42%	14,388,294
Duncanville, City of	2,805,877,345	0.70000	17,920,906	10/31/2022	0.18%	32,258
Farmers Branch, City of	6,951,338,755	0.58900	44,408,028	10/31/2022	33.26%	14,770,110
Garland, City of	20,805,425,256	0.71700	221,878,725	10/31/2022	1.23%	2,729,108
Hutchins, City of	820,894,258	0.68300	10,070,607	10/31/2022	87.45%	8,806,746
Lancaster, City of	3,572,339,009	0.76900	50,966,980	10/31/2022	4.35%	2,217,064
Mesquite, City of	11,754,303,662	0.70900	203,173,601	10/31/2022	2.11%	4,286,963
Seagoville, City of	920,157,331	0.78900	12,111,140	10/31/2022	79.71%	9,653,790
Wilmer, City of	806,257,751	0.56200	19,570,836	10/31/2022	100.00%	19,570,836

Total Direct and Overlapping Tax Supported Debt	$ 6,101,364,428 [1]
Ratio of Direct and Overlapping Tax Supported Debt to Taxable Assessed Valuation	3.75%
Per Capita Direct and Overlapping Tax Supported Debt	$ 4,542

(1) Includes unlimited tax debt and limited tax debt. Includes the Bonds.
Excludes the Refunded Notes. See Schedule I.
See "DEBT INFORMATION – ANTICIPATED ISSUANCE OF ADDITIONAL DEBT"

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DEBT INFORMATION

TABLE 7 – TAX SUPPORTED DEBT SERVICE REQUIREMENTS

Calendar Year Ending [1]	Existing Outstanding Unlimited Tax Debt Service [2]	Plus: The Bonds Principal	The Bonds Interest	The Bonds Total	Total Outstanding Unlimited Tax Debt Service [2]	Percent of Principal
2023	$ 363,781,700	$ -	$ -	$ -	$ 363,781,700	
2024	280,874,105	62,000,000	38,163,083	100,163,083	381,037,188	
2025	279,819,269	7,745,000	22,890,825	30,635,825	310,455,094	
2026	280,495,953	8,145,000	22,493,575	30,638,575	311,134,528	
2027	286,724,950	8,560,000	22,075,950	30,635,950	317,360,900	24.94%
2028	283,520,548	9,000,000	21,636,950	30,636,950	314,157,498	
2029	281,567,625	9,460,000	21,175,450	30,635,450	312,203,075	
2030	284,879,653	9,950,000	20,690,200	30,640,200	315,519,853	
2031	284,989,911	10,460,000	20,179,950	30,639,950	315,629,861	
2032	288,708,105	10,995,000	19,643,575	30,638,575	319,346,680	52.68%
2033	293,893,073	11,560,000	19,079,700	30,639,700	324,532,773	
2034	282,191,636	12,150,000	18,486,950	30,636,950	312,828,586	
2035	292,793,449	12,775,000	17,863,825	30,638,825	323,432,274	
2036	93,401,146	13,430,000	17,208,700	30,638,700	124,039,846	
2037	66,632,809	14,120,000	16,519,950	30,639,950	97,272,759	77.33%
2038	66,638,278	14,840,000	15,795,950	30,635,950	97,274,228	
2039	66,626,865	15,600,000	15,034,950	30,634,950	97,261,815	
2040	66,625,299	16,400,000	14,234,950	30,634,950	97,260,249	
2041	44,761,465	17,245,000	13,393,825	30,638,825	75,400,290	
2042	44,761,196	18,130,000	12,509,450	30,639,450	75,400,646	85.70%
2043	44,762,168	19,055,000	11,579,825	30,634,825	75,396,993	
2044	44,756,590	20,035,000	10,602,575	30,637,575	75,394,165	
2045	44,756,573	21,060,000	9,575,200	30,635,200	75,391,773	
2046	29,727,829	22,140,000	8,495,200	30,635,200	60,363,029	
2047	29,724,951	23,280,000	7,359,700	30,639,700	60,364,651	92.81%
2048	29,730,025	24,470,000	6,165,950	30,635,950	60,365,975	
2049	29,729,913	25,595,000	5,042,300	30,637,300	60,367,213	
2050	29,724,438	26,640,000	3,997,600	30,637,600	60,362,038	
2051	16,364,794	27,725,000	2,910,300	30,635,300	47,000,094	
2052	16,361,925	28,860,000	1,778,600	30,638,600	47,000,525	
2053	-	30,035,000	600,700	30,635,700	30,635,700	100.00%
Total	$4,549,326,240	$ 551,460,000	$ 437,185,758	$ 988,645,758	$ 5,537,971,998	

[1] The District's fiscal year end is June 30. However, due to the timing of tax collection receipts, the District calculates tax rates for debt service on a calendar year basis.

[2] Includes unlimited tax debt only. Excludes the Refunded Notes. See Schedule I.

For outstanding limited tax debt, please refer to Table 7-A - Limited Tax Debt Service Requirements.

TABLE 7-A – LIMITED TAX DEBT SERVICE REQUIREMENTS

Calendar Year Ending [(1)]	Outstanding Limited Tax Debt [(2)] Principal	Interest	Total	Percent of Principal
2023	$ -	$ 7,237,237	$ 7,237,237	
2024	-	7,237,237	7,237,237	
2025	-	7,237,237	7,237,237	0.00%
2026	-	7,237,237	7,237,237	
2027	-	7,237,237	7,237,237	
2028	-	7,237,237	7,237,237	
2029	-	7,237,237	7,237,237	
2030	-	7,237,237	7,237,237	0.00%
2031	-	7,237,237	7,237,237	
2032	-	7,237,237	7,237,237	
2033	143,340,000	7,237,237	150,577,237	100.00%
Total	$ 143,340,000	$ 79,609,603	$ 222,949,603	

(1) The District's fiscal year end is June 30. However, due to the timing of tax collections receipts, the District budgets for debt payments on a calendar year basis.
(2) Includes limited tax debt only. See Table 10 – OTHER OBLIGATIONS – MAINTENANCE TAX NOTES. For unlimited tax debt, please refer to Table 7 –Tax Supported Debt Service Requirements.

TABLE 8 - INTEREST AND SINKING FUND PROJECTIONS[(1)(2)]

Unlimited Tax Supported Debt Service Requirements, Calendar Year 2023		$ 363,781,700 [(3)]
Interest and Sinking Fund Balance as of 6/30/2022	$ 252,883,776	
Budgeted Interest and Sinking Fund Tax Levy Collections	369,277,972	
Budgeted Interest and Sinking Interest Income	800,001	$ 622,961,749
Projected Interest and Sinking Fund Balance as of 6/30/2023		$ 259,180,049

(1) This table reflects the full year's unlimited tax supported debt service requirements for calendar year 2023.
(2) Previously, the table was calculated on a budget basis and is now calculated on an actual basis reflecting a more accurate statement of the District's position.
(3) Includes the Bonds. Excludes the Refunded Notes.

TABLE 9 - AUTHORIZED BUT UNISSUED UNLIMITED TAX BONDS

Purpose	Date Authorized	Amount Authorized	Amount Previously Issued	Amount Being Issued	Commercial Paper Previously Issued	Unissued Balance
Buses	11/6/2018	$ 75,000,000	$ 30,000,000 [(1)]	$ -	$ -	$ 45,000,000
School Building	11/3/2020	3,271,600,000	470,000,000 [(1)]	500,000,000 [(1)(4)]	1,225,000 [(2)]	2,300,375,000
Technology	11/3/2020	270,000,000	-	-	100,000,000 [(3)]	170,000,000
Total		$ 3,616,600,000	$ 500,000,000	$ 500,000,000	$ 101,225,000	$ 2,515,375,000

(1) Includes premium allocated against voted authorization.
(2) Issued through the Commercial Paper Series IB on July 28, 2021 and paid off on February 17, 2022.
(3) Issued through the Commercial Paper Series IA on March 3, 2022 ($50 million) and October 6, 2022 ($50 million).
(4) Excludes amount being issued to refund Commercial Paper.

ANTICIPATED ISSUANCE OF ADDITIONAL TAX DEBT ... The District has a $500 million Commercial Paper program. The District expects to draw commercial paper from time to time to fund its capital improvement program needs.

TABLE 10 - OTHER OBLIGATIONS

Operating Leases

Dallas ISD has entered into multiple lease agreements as a lessee. The leases allow Dallas ISD the right to use copy machines, buildings, and other equipment over the term of the lease. Dallas ISD is required to make monthly, quarterly, or annual payments. The future principal and interest lease payments as of fiscal year-end are as follows:

FYE 30-Jun	Minimum Future Lease Commitments
2023	$ 2,848,883
2024	2,749,550
2025	1,750,701
2026	1,772,472
2027	615,837
2028-2032	1,511,135
2033-after	8,573,666
TOTAL	$ 19,822,244

Maintenance Tax Notes

On December 1, 2013 the District issued $143,340,000 in Limited Maintenance Tax Qualified School Construction Notes. The Maintenance Tax Notes are paid from the General Fund. The amount outstanding for Maintenance Tax Notes as of June 30, 2022 was as follows:

Series	Maintenance Tax Notes Maturity or Mandatory Redemption Date	Yield Rates	Total Outstanding Principal Amount (in thousands)
2013	Principal due at maturity – interest due each February 15 and August 15 from August 15, 2014 to August 15, 2033	5.049%	$143,340
		Total	$143,340

Commercial Paper Program

The District established a $500 million commercial paper program in July 2021 consisting of Series IA, Series IB, and Series II. The District entered into a revolving credit agreement dated as of July 28, 2021 with Bank of America, N.A. under which Bank of America, N.A. has agreed to provide a revolving credit agreement to the District as liquidity support for the Series IA Notes. The Credit Agreement shall expire on July 28, 2026. Pursuant to the order establishing the commercial paper program, multiple series of commercial paper notes may be issued in an aggregate principal amount at any one time outstanding not to exceed $300,000,000. Concurrently with the Series IA Notes, the District authorized its "Unlimited Tax Commercial Paper Notes, Series IB" (the "Series IB Notes") under the program. The Series IB Notes are to be directly placed with Bank of America N.A. pursuant to the terms of a separate purchase agreement and are not currently eligible to be publicly marketed and sold. The District has initially issued $1,225,000 in Series IB Notes, which Series IB Notes Bank of America N.A. has purchased pursuant to the aforementioned purchase agreement.

Also, concurrently with the Series IA Notes and Series IB Notes, and in a separate order, the District authorized its $200,000,000 "Unlimited Tax Extendible Commercial Paper Notes, Series II" (the "Series II Notes"). The Series II Notes do not have liquidity support from a bank.

After the issuance of the Bonds and the refunding of the Refunded Notes, the District will have no outstanding Series IA Notes, no outstanding Series IB Notes, and no outstanding Series II Notes.

PENSION FUND AND OTHER BENEFITS . . . Pension funds for employees of Texas school districts, and any employee in public education in Texas, are administered by the Teacher Retirement System of Texas (the "System"). By statute, plan members must contribute 6.4% of their annual covered salary into the System, and the State of Texas contributes an amount equal to 6.000% of the District's covered payroll. The District, on behalf of the State, contributes a portion of the State's contribution on the portion member's salary that exceeds the statutory minimum (For more detailed information concerning the retirement plan, see APPENDIX B, "EXCERPTS FROM THE DISTRICT'S ANNUAL FINANCIAL REPORT" - Note L).

In addition to participation in the System, the District provides health care coverage for its employees. For a discussion of the District's medical benefit plan (see APPENDIX B, "EXCERPTS FROM THE DISTRICT'S ANNUAL FINANCIAL REPORT" - Note M).

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

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

TABLE 11 - SCHEDULE OF CHANGES IN NET POSITION

	Fiscal Years Ended June 30,					
Program Revenues:	2022	2021	2020	2019	2018	
Charges for Services	$ 4,152,364	$ 3,110,467	$ 5,147,745	$ 5,716,033	$ 6,899,249	
Operating Grants & Contributions	443,338,242	348,776,116	460,333,166	345,125,422	49,994,516	
Property Taxes	1,741,150,454	1,716,972,446	1,618,809,530	1,605,944,847	1,340,265,264	
State Aid - Formula Grants	42,919,472	41,246,541	47,717,109	82,073,509	150,206,649	
Grants and Contributions (Not Restricted)	91,164,628	6,291,780	130,924,356	151,059,331	109,392,657	
Investment Earnings	(5,377,815)	30,332,983	29,195,172	33,470,753	20,599,310	
Miscellaneous	28,659,058	188,987,283	21,773,101	9,079,224	49,183,203	(1)
Total Revenues	$ 2,346,006,403	$ 2,335,717,616	$ 2,313,900,179	$ 2,232,469,119	$ 1,726,540,848	
Expenses:						
Instruction	$ 1,004,236,979	$ 1,078,164,284	$ 1,095,737,419	$ 972,334,416	$ 650,662,754	
Instructional Resource and Media Services	14,585,509	18,401,935	21,402,181	21,169,253	14,203,567	
Curriculum & Staff Development	59,799,697	64,995,553	70,424,170	63,888,041	35,993,922	
Instructional Leadership	57,458,311	55,389,836	52,236,843	42,121,680	26,067,193	
School Leadership	114,857,081	123,102,392	123,359,013	110,067,219	64,548,864	
Guidance, Counseling & Evaluation Services	79,002,173	84,734,280	81,244,094	74,521,153	45,798,249	
Social Work Services	1,704,888	1,925,327	3,349,661	2,931,749	1,609,764	
Health Services	26,203,296	24,595,412	26,438,683	21,876,353	12,806,971	
Student Transportation	62,721,267	58,353,284	70,395,894	66,868,011	49,670,287	
Food Services	100,553,734	97,710,527	127,056,390	124,943,934	103,681,948	
Co-curricular/Extracurricular Activities	43,306,251	42,795,172	37,457,609	37,551,758	29,291,340	
General Administration	54,554,227	53,824,592	53,816,493	48,798,452	34,962,724	
Plant Maintenance and Operations	171,641,924	205,824,400	174,138,069	141,865,719	119,466,649	
Security & Monitoring Services	25,695,932	23,674,507	24,592,052	21,494,308	13,495,855	
Data Processing Services	51,927,176	45,694,626	44,976,107	48,959,455	38,018,316	
Community Services	12,526,284	12,011,566	12,978,647	12,029,540	8,209,966	
Interest and Fiscal Charges	128,022,484	134,496,183	122,721,448	123,912,729	124,189,558	
Facilities Acquisition and Construction	14,455,158	8,339,925	18,944,454	1,613,647	2,831,109	
Chapter 49 Payments	97,987,095	85,377,533	18,509,704	67,373,116	-	
Payments to Juvenile Justice Alternative Education	9,726 -	14,628	10,296	3,000	7,332	
Payments to Tax Increment Fund	-	-	-	64,955	65,673	
Other Intergovernmental Charges	5,930,560	5,928,126	5,893,777	5,445,908	5,069,208	(2)
Total Expenses	$ 2,127,179,752	$ 2,225,354,088	$ 2,185,683,004	$ 2,009,834,396	$ 1,380,651,249	
Excess (Deficiency) before Extraordinary Items	$ 218,826,651	$ 110,363,528	$ 128,217,175	$ 222,634,723	$ 345,889,599	
Extraordinary Item - Resource	$ 41,310,834	$ 19,897,264	$ 21,195,720	$ -	$ 41,512,474	
Extraordinary Item - (Use)	(9,287,259)	(12,544,156)	(11,977,604)	-	-	
Increase (decrease) in net position before transfer and special items	$ 250,850,226	$ 117,716,636	$ 137,435,291	$ 222,634,723	$ 387,402,073	
Beginning Net Position	274,035,098	156,296,299	18,861,008	(203,773,715)	513,671,528	
Prior Period Adjustments	-	22,163	-	-	(1,104,847,316)	(3)
Ending Net Position	$ 524,885,324	$ 274,035,098	$ 156,296,299	$ 18,861,008	$ (203,773,715)	

(1) Loss on sale of personal property and legal settlements.

(2) Cost of tax collecting and property valuation paid to Dallas County Tax Office and Dallas Central Appraisal District, respectively. New account code was created in 2009 by Texas Education Agency for this expense.

(3) During fiscal year 2018, the District adopted GASB Statement No. 75 for Accounting and Reporting for Post Employment Benefits Other than Pensions (OPEB). Adoption of GASB 75 required a prior period adjustment to report the effect of GASB 75 retroactively.

TABLE 11-A - SCHEDULE OF GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Years Ended June 30,				
Revenues:	2022	2021	2020	2019	2018
Local and Intermediate Sources	$ 1,416,979,977	$ 1,424,510,628	$ 1,353,825,622	$ 1,366,250,835	$ 1,131,975,313
State Sources	185,524,432	207,947,329	185,828,936	226,489,671	242,950,461
Federal Sources	106,678,451	81,486,628	61,405,743	105,061,609	74,272,495
Other Financing Sources					
Total Revenues	$ 1,709,182,860	$ 1,713,944,585	$ 1,601,060,301	$ 1,697,802,115	$ 1,449,198,269
Expenditures:					
Instruction	$ 844,192,613	$ 840,971,379	$ 781,441,167	$ 792,368,226	$ 805,690,756
Instructional Resource and Media Services	13,228,831	16,004,544	18,060,295	18,209,778	19,106,615
Curriculum & Staff Development	25,600,569	22,052,054	18,341,280	16,262,365	12,480,419
Instructional Leadership	49,030,186	45,597,599	40,614,012	32,347,553	31,689,179
School Leadership	115,324,848	112,218,358	106,572,663	95,814,190	91,637,442
Guidance, Counseling & Evaluation Services	62,848,168	61,742,596	57,717,853	53,691,707	53,140,909
Social Work Services	1,240,776	1,202,115	2,091,359	1,863,366	2,023,824
Health Services	24,934,237	21,620,237	22,843,395	19,193,588	18,446,377
Student Transportation	61,470,739	50,520,493	59,411,999	50,587,137	39,012,203
Food Services	78,299	1,151,408	239,282	23,219	-
Co-curricular/Extracurricular Activities	39,787,617	37,510,017	30,942,455	31,627,785	33,076,584
General Administration	50,093,226	50,390,094	47,184,803	42,048,320	43,596,790
Plant Maintenance and Operations	174,877,966	200,906,571	165,276,000	131,183,938	140,864,581
Securiy & Monitoring Services	23,963,213	24,267,137	22,989,332	19,894,343	20,002,401
Data Processing Services	50,755,161	39,292,414	35,164,199	32,252,840	29,573,843
Community Services	4,195,790	3,576,074	2,842,578	3,445,202	3,370,162
Debt Service	12,033,130	7,237,737	7,239,437	9,624,049	8,368,227
Facilities Acquisition and Construction	3,607,644	3,532,631	1,219,778	2,676,197	23,266,814
Chapter 49 Payments	97,987,095	85,377,533	18,509,704	67,373,116	-
Payments to Juvenile Justice Alt. Ed. Prg.	9,726	14,628	10,296	3,000	7,332
Payments to Tax Increment Fund	-	-	-	64,955	65,673
Other Intergovernmental Charges	5,930,354	5,928,126	5,891,556	5,445,908	5,069,208
Total Expenditures	$ 1,661,190,188	$ 1,631,113,745	$ 1,444,603,443	$ 1,426,000,782	$ 1,380,489,339
Excess (Deficiency) of Revenues Over Expenditures	$ 47,992,672	$ 82,830,840	$ 156,456,858	$ 271,801,333	$ 68,708,930
Other Resources and (Uses)	$ 7,227,285	$ (20,183,478)	$ 2,923,617	$ 68,659,001	$ 43,670,492
Extraordinary Item - Resource	7,563,221	5,000,000	-	-	-
Extraordinary Item - (Use)	(11,483,003)	(13,768,757)	-	-	-
Net Change in Fund Balance	51,300,175	53,878,605	159,380,475	340,460,334	112,379,422
Beginning Fund Balance on July 1	923,278,638	869,400,034	712,993,216	372,532,882	260,153,460
Prior Period Adjustment			(2,973,657)	-	-
Ending Fund Balance on June 30	$ 974,578,813	$ 923,278,638	$ 869,400,034	$ 712,993,216	$ 372,532,882

(1) Cost of tax collecting and property valuation paid to Dallas County Tax Office and Dallas Central Appraisal District, respectively. New account code was created in 2009 by Texas Education Agency for this expense.

RECENT LOSS OF TAXABLE VALUES AND DAMAGE TO SCHOOLS

On or about February 13 through February 24, 2021, the State experienced a severe winter storm (the "2021 Weather Event"). Multiple residential, commercial and industrial properties sustained damage, some of which was severe including several of the District's schools and other facilities. 140 schools sustained significant damage due to freezing temperatures, including flooding due to burst pipes.

As of March 30, 2021, the District estimates that it has incurred total losses of approximately $23 million related to the 2021 Weather Event. Property and flood insurance is expected to cover approximately $22 million. The District will utilize its general fund balance to cover the remaining 2021 Weather Event related expenses.

The District estimates that there was no material adverse effect on the District's financial condition or its ability to pay debt service on its bonds or other financial obligations as a result of the 2021 Weather Event.

If a future weather event significantly damaged all or part of the properties comprising the tax base within the District, the assessed value of property within the District could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase the District's tax rate. Texas law allows school districts to increase property tax rates without voter approval upon the occurrence of certain disasters such as floods and upon a gubernatorial or presidential declaration of disaster. See "TAX RATE LIMITATIONS – PUBLIC HEARING AND VOTER-APPROVAL TAX RATE." There can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood or other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District or be sufficient for such purposes. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District could be adversely affected.

FINANCIAL POLICIES

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES . . . The District is a public education agency operating under the applicable laws and regulations of the State of Texas. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board ("GASB") and other authoritative sources identified in Statement on Auditing Standards No. 69 of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of the Texas Education Agency's Financial Accountability System Resource Guide, issued by the Texas Education Agency, and the requirements of contracts and grants of agencies from which it receives funds.

BASIS OF PRESENTATION . . . *Government-wide financial statements* - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal Service fund activity is eliminated to avoid overstatement of revenues and expenses. The statements distinguish between governmental and business-type activities of the District.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore are clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. All taxes and revenues not classified as program revenues are presented as general revenues of the District.

Fund Financial Statements - Fund financial statements report detailed information about the District. Their focus is on major funds rather than reporting funds by type. Each major governmental aid fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

BASIS OF ACCOUNTING . . . Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting,* as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing related to 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 basis of accounting.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

Revenues from state and federal grants are recognized as earned when the related program expenditures are incurred. Revenues from local sources consist primarily of property taxes. Property tax revenues are recognized under the susceptible to accrual concept. Funds received but unearned are reflected as deferred revenues, and funds expended but not yet received are shown as receivables. For state entitlements, the District has adopted a budgetary basis of accounting for Foundation School Program revenues. Such entitlements are recorded as received.

Interest revenue and building rentals are recorded when earned since they are measurable and available. Other revenues such as fees, tuition, local food service revenue, and miscellaneous revenues are accounted for on the cash basis.

Expenditures are recognized in the accounting period in which the fund liability is incurred when measurable, except expenditures for debt service including unmatured interest on long-term debt. Expenditures for principal and interest on long- term debt are recognized when due.

BUDGETARY DATA . . . The District is required by state law to adopt annual budgets for the General Fund, Debt Service Fund and the Food Service Special Revenue Fund, which is included within the Special Revenue Funds. The remaining Special Revenue Funds and the Capital Projects Fund adopt project-length budgets that do not correspond to the District's fiscal year. Each budget is presented on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles ("GAAP"). The budget is prepared and controlled at the function level.

The official school budget is prepared for adoption for required governmental funds prior to June 20 of the preceding fiscal year for the subsequent fiscal year beginning July 1. The Board formally adopts the budget at a public meeting held at least ten days after public notice has been given. Once adopted, the budget can be amended by subsequent Board action.

INVESTMENTS

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

LEGAL INVESTMENTS . . . Under Texas law, the District is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund (the "NCUSIF") or their respective successors; (8) interest-bearing banking deposits, other than those described in clause (7), that (i) are invested through a broker or institution with a main office or branch office in this state and selected by the District in compliance with the PFIA, (ii) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the District's account, (iii) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States, and (iv) the District appoints as its custodian of the banking deposits, in compliance with the PFIA, the institution in clause (8)(i) above, a bank, or a broker-dealer; (9) certificates of deposit and share certificates meeting the requirements of the PFIA (i) that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8), above, or secured in accordance with Chapter 2257, Texas Government Code, or in any other manner and amount provided by law for District deposits, or (ii) where (a) the funds are invested by the District through a broker or institution that has a main office or branch office in the State and selected by the District in compliance with the PFIA, (b) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the account of the District, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (d) the District appoints, in compliance with the PFIA, the institution in clause (9)(ii)(a) above, a bank, or broker-dealer as custodian for the District with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described by clause (1) which are pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party selected and approved by the District, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with a stated maturity of 270 days or less, if the short-term obligations of the accepting bank, or of the holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least A-1 or P-1 or an equivalent by either (i) two nationally recognized credit rating agencies, or (ii) one nationally recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission and complies with Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are registered and regulated by the Securities and Exchange Commission that have a weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations approved in this paragraph, or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset backed securities; (15) guaranteed investment contracts that have a defined termination date and are secured by obligations described in clause (1), excluding obligations which the District is explicitly prohibited from investing in, and in an amount at least equal to the amount of bond proceeds invested under such contract; and (16) securities lending programs if (i) the securities loaned under the program are 100% collateralized, including accrued income, (ii) a loan made under the program allows for termination at any time, (iii) a loan made under the program is either secured by (a) obligations described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent, or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (12) through (14) above, or an authorized investment pool, (iv) the terms of a loan made under the program require that the securities being held as collateral be pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party designated by the District, (v) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State, and (vi) the agreement to lend securities has a term of one year or less.

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

As a school district that qualifies as an "issuer" under Chapter 1371, the District is also authorized to purchase, sell, and invest its funds in corporate bonds. Texas law defines "corporate bonds" as senior secured debt obligations issued by a domestic business entity and rated not lower than "AA-" or the equivalent by a nationally recognized investment rating firm. The term does not include a bond that is convertible into stocks or shares in the entity issuing the bond (or an affiliate or subsidy thereof) or any unsecured debt. Corporate bonds must finally mature not later than 3 years from their date of purchase by the school district. A school district may not (1) invest more than 15% of its monthly average fund balance (excluding bond proceeds, reserves, and other funds held for the payment of debt service) in corporate bonds; or (2) invest more than 25% of the funds invested in corporate bonds in any one domestic business entity (including subsidiaries and affiliates thereof). Corporate bonds held by a school district must be sold if they are at any time downgraded below "AA-" (or the equivalent thereof) or, with respect to a corporate bond rated "AA-" (or the equivalent thereof), such corporate bond is placed on negative credit watch. Corporate bonds are not an eligible investment for a public funds investment pool. To invest in corporate bonds, an eligible school district must first (i) amend its investment policy to authorize corporate bonds as an eligible investment, (ii) adopt procedures for monitoring rating changes in corporate bonds and liquidating an investment in corporate bonds, and (iii) identify funds eligible to be invested in corporate bonds. As of the date of this Official Statement, the District has taken no such steps with respect to investments in corporate bonds.

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

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

ADDITIONAL PROVISIONS . . . Under State law, the District is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the District to disclose the relationship and file a statement with the Texas Ethics Commission and the Board of Trustees; (4) require the qualified representative of firms offering to engage in an investment transaction with the District to: (a) receive and review the District's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the District and the business organization that are not authorized by the District's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the District's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the District and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the District's investment policy; (6) provide specific investment training for the Treasurer, chief financial officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the District's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, prohibit the investment in mutual funds of any portion of bond proceeds, reserves and funds held for debt service, and prohibit the investment of funds in either a money market or non-money market mutual fund in an amount that exceeds 10% of the total assets of such fund; (9) require local government investment pools to conform to advisory board requirements and the additional requirements set forth in Sections 2256.016(b) and (c) of the Texas Government Code, as amended; and (10) at least annually review, revise and adopt a list of qualified brokers that are authorized to engage in investment transactions with the District.

TABLE 12 - CURRENT INVESTMENTS

As of November 30, 2022, the District's investable funds were invested in the following categories:

Description	Book Value	Market Value
Cash	$ 16,454,219	$ 16,454,219
Investments	470,980,903	457,738,433
LOGIC Investment Pool	65,982,273	65,982,273
Lone Star Investment Pool	152,330,860	152,330,860
Money markets and FDIC insured investment accounts	41,913,471	41,913,471
Texas CLASS Investment Pool	81,577,488	81,577,488
Texas FIT/FIT Choice	20,802,743	20,802,743
Texas TERM Daily/Fixed TERM	419,900,829	419,900,829
TexPool	41,883,046	41,883,046
Total	$ 1,311,825,832	$ 1,298,583,363

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TAX MATTERS

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

TAX EXEMPTION

In the opinion of Bracewell LLP and West & Associates, L.L.P., Co-Bond Counsel, under existing law, interest on the Bonds is (i) excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended and (ii) not an item of tax preference for purposes of the alternative minimum tax on individuals.

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

Co-Bond Counsel's opinion will assume continuing compliance with the covenants of the Order pertaining to those sections of the Code that affect the excludability of interest on the Bonds from gross income for federal income tax purposes and, in addition, will rely on representations by the District, the Issuer's Co-Financial Advisors and the Underwriters with respect to matters solely within the knowledge of the District, the Issuer's Co-Financial Advisors and the Underwriters, which Co-Bond Counsel has not independently verified. If the District fails to comply with the covenants in the Order or if the foregoing representations are determined to be inaccurate or incomplete, interest on the Bonds could become includable in gross income from the date of delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

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

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

ADDITIONAL FEDERAL INCOME TAX CONSIDERATIONS

COLLATERAL TAX CONSEQUENCES . . . Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences, including but not limited those noted below. Therefore, prospective purchasers of the Bonds should consult their own tax advisors as to the tax consequences of the acquisition, ownership and disposition of the Bonds.

For tax years beginning after December 31, 2022, an "applicable corporation" (as defined in section 59(k) of the Code) may be subject to a 15% alternative minimum tax imposed under section 55 of the Code on its "adjusted financial statement income" (as defined in section 56A of the Code) for such taxable year. Because interest on tax-exempt obligations, such as the Bonds, is included in a corporation's "adjusted financial statement income," ownership of the Bonds could subject certain corporations to alternative minimum tax consequences.

Ownership of tax-exempt obligations also may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Bonds.

Because the first interest payment on the Bonds will be made more than one year after the issue date, the Bonds may be treated as issued at an "original issue discount" under current Regulations. Although the interest on the Bonds will be excludable from gross income as discussed above, the interest on the Bonds may be considered "original issue discount" for federal tax purposes. As a result, special tax accounting rules for "original issue discount" may require a portion of certain interest payments to be taken into account for the tax year or years prior to the tax year during which the interest payment is received for purposes of any alternative minimum tax consequences for corporations and any collateral federal income tax consequences for certain purchasers (referred to in the preceding paragraphs of this section). In addition, this treatment may also give rise to taxable "market discount" to secondary market purchasers of the Bonds. Prospective purchasers should consult their tax advisors regarding the application of the "market discount" rules to the Bonds. For a discussion of the tax accounting treatment of "original issue discount" on the Bonds in the hands of the initial purchasers that acquire Bonds at their issue price, see the discussion below under "ADDITIONAL FEDERAL INCOME TAX CONSIDERATIONS – Tax Accounting Treatment of Original Issue Discount."

Prospective purchasers of the Bonds should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year.

TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE PREMIUM BONDS . . . The issue price of all or a portion of the Bonds may exceed the stated redemption price payable at maturity of such Bonds. Such Bonds (the "Premium Bonds") will be considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis of a Premium Bond in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Bond by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined using the yield to maturity on the Premium Bond based on the initial offering price of such Premium Bond.

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

TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT … The issue price of all or a portion of the Bonds may be less than the stated redemption price payable at maturity of such Bonds (the "OID Bonds"). In such case, the difference between (i) the amount payable at the maturity of each OID Bond, and (ii) the initial offering price to the public of such OID Bond constitutes original issue discount with respect to such OID Bond in the hands of any owner who has purchased such OID Bond in the initial public offering of the Bonds. Generally, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such OID Bond equal to that portion of the amount of such original issue discount allocable to the period that such OID Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Bonds under the captions "TAX MATTERS – Tax Exemption" and "TAX MATTERS – COLLATERAL TAX CONSEQUENCES" and "—TAX LEGISLATIVE CHANGES" generally apply and should be considered in connection with the discussion in this portion of the Official Statement.

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

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

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

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

TAX LEGISLATIVE CHANGES . . . Current law may change so as to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Bonds from gross income for federal income tax purposes. Any proposed or pending legislation, whether or not enacted, could also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed, pending or future legislation.

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CONTINUING DISCLOSURE OF INFORMATION

In the Bond Orders, 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 an "obligated person" with respect to the Obligations, within the meaning of the United States Securities and Exchange Commission's (the "SEC") Rule 15c2-12 (the "Rule"). Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the MSRB.

ANNUAL REPORTS . . . The District will provide certain updated financial information and operating data to the MSRB on an annual basis. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under Tables numbered 1 through 5 and 7 through 12 and in Appendix B. The District will update and provide this information within six months after the end of each fiscal year ending in and after 2023. The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet website through the EMMA information system at www.emma.msrb.org or filed with the SEC, as permitted by the Rule. The updated information will include audited financial statements, if the District commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the District will provide unaudited financial statements by the required time and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation. The District's current fiscal year end is June 30. Accordingly, it must provide updated information by the last day of December in each year following the end of its fiscal year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

DISCLOSURE EVENT NOTICES . . . The District shall notify the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of the event of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional Paying Agent/Registrar or change in the name of the Paying Agent/Registrar, if material; (15) incurrence of a Financial Obligation (hereinafter defined) 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 the 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."

As used in clause (12) above, the phrase "bankruptcy, insolvency, receivership or similar event" means the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the 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. (Neither the Bonds nor the Order make any provision for debt service reserves, liquidity enhancement or credit enhancement other than the Permanent School Fund Guarantee). The term "Financial Obligation" shall mean, for purposes of the events in clauses (15) and (16), a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing, or planned debt obligation; or (iii) guarantee of (i) or (ii). The term "Financial Obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule. Further, the District intends the words used in clauses (15) and (16) above and the definition of Financial Obligation in this Section to have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

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 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. Nothing in this paragraph is intended or shall act to disclaim, waive or limit the District's duties under federal and state securities laws. 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 the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances, and (2) either (a) the registered owners of a majority in aggregate principal amount (or any greater amount required by any other 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) determined 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 the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the District amends its agreement, it must include with the next scheduled disclosure 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 (5) years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

CYBERSECURITY RISK

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.

OTHER INFORMATION

RATINGS . . . The Bonds are rated "AAA" by Fitch Ratings ("Fitch"), "Aaa" by Moody's Investors Service, Inc. ("Moody's"), and "AAA" by S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P") by virtue of the guarantee of the Permanent School Fund of the State of Texas. The presently outstanding unenhanced tax-supported debt of the District is rated "AA+" by Fitch, "Aa1" by Moody's and "AA+" by S&P. The District also has issues outstanding which are rated "AAA" by Fitch, "Aaa" by Moody's, and "AAA" by S&P by virtue of the guarantee of the Permanent School Fund of the State of Texas. The ratings reflect only the view of such organization and the District makes no representation as to the appropriateness of the ratings.

An explanation of the significance of such ratings may only be obtained from the rating agency furnishing the same. The District furnished to such rating agencies the information contained in this Official Statement and certain publicly available materials and information about the District. Generally, rating agencies base their ratings on such materials and information, as well as investigations, studies, and assumptions of the rating agencies. Such ratings may be changed at any time, and no assurance can be given that they will not be revised downward or withdrawn entirely by any or all of such rating agencies if, in the judgment of any or all, circumstances so warrant. Such circumstances may include, without limitation, changes in or unavailability of information relating to the District. Any such downward revision or withdrawal of either of such ratings may have an adverse effect on the market price of the Bonds.

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

Additionally, the District has received conditional approval for the payment of the principal of and interest on 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."

PENDING LITIGATION . . . The District is a defendant in various lawsuits arising principally in the normal course of its operations. Claims and lawsuits have not had a material effect on the District's financial position.

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

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

LEGAL MATTERS... The District will furnish the Underwriters a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of Texas as to the Bonds to the effect that the Bonds are valid and legally binding obligations of the District, and based upon examination of such transcript of proceedings, the approving legal opinion of Co-Bond Counsel to like effect, a form of which opinion is attached to this Official Statement as Appendix C. Though they represent the Co-Financial Advisors from time to time in matters unrelated to the issuance of the Bonds, Co-Bond Counsel have been engaged by and only represent the District in connection with the issuance of the Bonds. Co-Bond Counsel were not requested to participate, and did not take part, in the preparation of the Official Statement, and such firms have not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in capacity as Co-Bond Counsel, such firms have reviewed the information under the captions and subcaptions "PLAN OF FINANCE", "THE BONDS" (excluding the information under the subcaptions "BOOK-ENTRY-ONLY SYSTEM" and "BONDHOLDERS' REMEDIES"), "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS", "PERMANENT SCHOOL FUND GUARANTEE", "CURRENT PUBLIC SCHOOL FINANCE SYSTEM", "AD VALOREM PROPERTY TAXATION," "TAX RATE LIMITATIONS", "TAX MATTERS", "CONTINUING DISCLOSURE OF INFORMATION" (excluding the information under the subcaption "COMPLIANCE WITH PRIOR UNDERTAKINGS"), "OTHER INFORMATION - REGISTRATION AND QUALIFICATION OF BONDS FOR SALE", "OTHER INFORMATION - LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS", and "OTHER INFORMATION - LEGAL MATTERS" (except for the last sentence hereof) in the Official Statement and such firms are of the opinion that the information relating to the Bonds and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the provisions of the Order. The legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. The rendering of an opinion does not guarantee the outcome of any legal dispute that may arise out of the transaction. Certain legal matters will be passed on for the Underwriters by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, and Cantu Harden, LLP, Dallas, Texas, Co-Counsel to the Underwriters, whose legal fees are contingent upon the sale and delivery of the Bonds.

CO-FINANCIAL ADVISORS . . . Estrada Hinojosa & Company, Inc. and RBC Capital Markets, LLC are employed as Co-Financial Advisors to the District in connection with the issuance of the Bonds. The Co-Financial Advisors' fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Co-Financial Advisors have not verified and do 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 Co-Financial Advisors are not obligated to undertake, and have not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

UNDERWRITING … The Underwriters of the Bonds have agreed, subject to certain customary conditions, to purchase the Bonds at a price equal to the principal amount of the Bonds, plus an aggregate premium of $53,484,840.95, and less an underwriting discount of $2,343,147.63. The purchase obligations of the Underwriters are subject to certain conditions precedent, and the Underwriters will be obligated to purchase all of the Bonds of their respective maturities if any of such Bonds are purchased. The Underwriters have provided the following paragraphs for inclusion in this Official Statement, and the District takes no responsibility for the accuracy thereof.

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

The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of the Bonds and such public offering prices may be changed, from time to time, by the Underwriters.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. The Underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to the District and to persons and entities with relationships with the District, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the District (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the District. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

Morgan Stanley & Co. LLC, one of the Underwriters of the Bonds, has entered into a retail distribution arrangement with its affiliate, Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute securities to retail investors through the financial network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its underwriting efforts with respect to the Bonds

Jefferies LLC ("Jefferies"), one of the underwriters of the Bonds, has entered into a distribution agreement with InspereX LLC ("InspereX") for the retail distribution of municipal securities. Pursuant to the agreement, if Jefferies sells Bonds to InspereX, it will share a portion of its selling concession compensation with InspereX.

CERTIFICATION OF OFFICIAL STATEMENT … At the time of payment for and delivery of the Bonds, the Underwriters will be furnished a certificate, executed by the proper District officials, acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the District contained in its Official Statement and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of purchase of the Bonds, and on the date of delivery, were and are true and correct in all material respects; (b) insofar as the District and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were mad e, not misleading; (c) insofar as the descriptions and statements, including financial data, of, or pertaining to, entities other than the District and its activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the District believes to be reliable and that the District has no reason to believe that they are untrue in any material respect; (d) there has been no material adverse change in the financial condition of the District since June 30, 2022, the date of the last audited financial statements of the District and (e) except as disclosed herein, no litigation of any nature has been filed or is pending, as of that date, of which the District has notice to restrain or enjoin the issuance or delivery of the Bonds, or which would affect the provisions made for their payment or security, or in any manner question the validity of the Bonds.

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

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

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

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this final official statement for purposes of, and as that term is defined in, the Rule.

The Bond Order authorized the Authorized Officer to approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorized the use of the Official Statement in the reoffering of the Bonds by the Underwriters. This Official Statement has been approved for distribution by the Authorized Officer of the District in accordance with the provisions of the Rule.

SCHEDULE I

SCHEDULE OF REFUNDED NOTES

Commercial Paper Notes

Dallas Independent School District Unlimited Tax Commercial Paper Notes, Series IA

Maturity	Principal Amount	Interest Rate	Amount Being Refunded
2/15/2023	$ 100,000,000	3.10%	$ 100,000,000

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APPENDIX A

GENERAL INFORMATION REGARDING THE DISTRICT

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THE DISTRICT

The Dallas Independent School District (the "District") is an independent school district and a political subdivision of the State, encompassing approximately 384 square miles primarily within the boundaries of the City of Dallas all within Dallas County. The District had a 2021-2022 enrollment of approximately 141,804 and serves an estimated population of 1,343,266. The District's staff currently consists of approximately 23,000 employees. The City of Dallas is the county seat of Dallas County and ranks as one of the nation's top three cities in number of conventions, trade and market shows. Dallas County is a national center for insurance, banking, electronics, conventions and aircraft manufacturing.

Along with the District, there are 48 college and university campuses in the Dallas metroplex area, enrolling over 220,000 students. Twenty-six campuses offer 4-year undergraduate degree programs, 19 offer 2-year associate degree programs and 22 offer advanced degrees.

DISTRICT FACILITIES

The physical facilities of the District total 273, and include 240 schools as follows:

158	Elementary schools
37	Middle Schools
44	High schools
22	Administration Facilities
12	Athletics & Pool Facilities

STUDENT/TEACHER RATIO

Campus	2022-2023 (Projected)			2021-2022			2020-2021		
Level	**Enrollment**	**FTE's**	**Ratio**	**Enrollment**	**FTE's**	**Ratio**	**Enrollment**	**FTE's**	**Ratio**
High	41,812	2,449.9	17.1	42,075	2,525.8	16.7	42,091	2,429.7	17.3
Middle	29,054	2,157.4	13.5	32,186	2,163.2	14.9	32,679	2,065.1	15.8
Elementary	72,087	4,503.3	16.0	69,297	4,469.8	15.5	70,343	4,668.0	15.1
District	142,953	9,110.6	15.7	143,558	9,158.8	15.7	145,113	9,162.8	15.8

Campus	2019-2020			2018-2019		
Level	**Enrollment**	**FTE's**	**Ratio**	**Enrollment**	**FTE's**	**Ratio**
High	42,024	2,395.5	17.5	41,632	2,367.5	17.6
Middle	33,791	2,015.4	16.8	29,136	1,705.7	17.1
Elementary	78,046	4,706.8	16.6	84,351	5,080.7	16.6
District	153,861	9,117.7	16.9	155,119	9,153.9	16.9

Note: Does not include Special Education Teachers.
Source: Annual Certified Financial Report.

DISTRICT ENROLLMENT

	School Year				
Grade	**2022-23 (1)**	**2021-22**	**2020-21**	**2019-20**	**2018-19**
Early Education	457	452	396	595	262
Pre-kindergarten	10,610	10,256	8,844	12,237	12,756
Kindergarten	9,919	10,303	10,209	10,939	10,959
Grade 1	10,549	10,616	10,532	11,212	11,226
Grade 2	10,480	10,339	10,572	11,073	11,293
Grade 3	10,115	10,113	10,430	11,116	11,510
Grade 4	10,059	10,196	10,533	11,346	12,186
Grade 5	9,898	10,147	10,790	11,968	12,242
Grade 6	9,422	9,683	10,494	11,076	11,117
Grade 7	9,625	10,085	10,578	10,964	10,538
Grade 8	10,007	10,189	10,621	10,295	10,422
Grade 9	12,762	13,260	11,426	12,762	12,109
Grade 10	11,774	10,171	11,193	10,689	10,575
Grade 11	8,885	9,478	9,677	9,234	9,347
Grade 12	8,391	8,270	8,818	8,355	8,577

(1) Projected

Source: Texas Education Agency and the District.

EMPLOYMENT DATA

	Annual Averages				
	2022 (1)	2021	2020	2019	2018
Dallas County					
Civilian Labor Force	1,439,675	1,372,277	1,395,234	1,364,652	1,359,225
Total Employment	1,388,152	1,295,698	1,302,652	1,317,507	1,308,543
Unemployment	51,523	76,579	92,582	47,145	50,682
% Unemployment	3.6%	5.6%	6.6%	3.5%	3.7%
State of Texas					
Civilian Labor Force	14,631,154	14,220,446	14,094,292	14,045,312	13,848,080
Total Employment	14,081,390	13,413,036	13,144,000	13,551,791	13,314,203
Unemployment	549,764	807,410	950,292	493,521	533,877
% Unemployment	3.8%	5.7%	6.7%	3.5%	3.9%

(1) Non-adjusted figure as of October 2022.

Source: Texas Workforce Commission.

APPENDIX B

EXCERPTS FROM THE

DALLAS INDEPENDENT SCHOOL DISTRICT ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the Year Ended June 30, 2022

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

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This section of the District's Annual Comprehensive Financial Report (ACFR) discusses and analyzes the District's financial performance for the fiscal year ended June 30, 2022. The intent of this management discussion and analysis is to look at financial performance as a whole. Therefore, readers should also review the transmittal letter, financial statements, and the notes to the basic financial statements to further enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

The District's total combined net position as presented on the Government-wide Statement of Net Position was $524.9 million for the year ended June 30, 2022. The net position increased by $250.9 million.

The District's governmental funds financial statements reported a combined ending fund balance of $1,866.1 million. This balance consists of $974.6 million in the General Fund of which $292.5 million is assigned, $22.0 million is non-spendable, and $660.0 million is unassigned and available for spending at the District's discretion. Restricted fund balance totals $810.2 million and is used by the Debt Service Fund, Capital Projects Fund and Non-Major Funds. Fund balance in the Debt Service Fund also consists of $64.5 million of assigned fund balance. The Non-Major Fund consists of $7.5 million of assigned fund balance.

For the year ended June 30, 2022, total revenue from all sources, including extraordinary items, was $2.4 billion. Program revenues accounted for $447.5 million of total revenues. General revenues accounted for $1.9 billion.

The General Fund had $1.7 billion in revenues, which primarily consisted of property taxes and state aid, in addition to a $0.3 million transfer out to Internal Service Funds, and $7.2 million to the Debt Service Fund. This resulted in an increase to the fund balance of $51.3 million.

In October 2019, three District schools were damaged by a tornado. In February 2021, district facilities were damaged due to Winter Storm Uri. Extraordinary Items (Sources) for $41.3 million consist of $35.5 million insurance proceeds received for October 2019 tornado damage and $5.8 million received for February 2021 winter storm damage. Extraordinary Items (Uses) of $11.5 million, consist of $9.7 million related to February 2021 winter storm damage and $1.8 million related to October 2019 tornado damage.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The statements are followed by a section of required supplementary information and a section of other information that further explains and supports the information in the financial statements.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the school district's finances in a manner similar to a private sector business. The government-wide statements are comprised of the Statement of Net Position and the Statement of Activities. These statements provide information about the activities of the District as a whole and present both long-term and short-term information about the District's overall financial status. The District's basic services are primarily financed by property taxes and inter-governmental revenues, and include instruction, extracurricular activities, curriculum, staff development, health services, general administration, and plant maintenance and operations.

The Statement of Net Position presents information on all of the District's assets, deferred outflows, liabilities, and deferred inflows with the difference reported as net position. Over time, increases or decreases in the District's net position may serve as a useful indicator of the District's financial health. The Statement of Net Position includes all of the District's non-fiduciary assets and liabilities.

The Statement of Activities presents information for all of the current year's revenues and expenses regardless of when revenue is received or expenses paid. Thus, some revenues and expenses reported in this statement will result in cash flows in future fiscal periods.

Fund Financial Statements. The remaining statements are fund financial statements that focus on individual parts of the government, reporting the District's operations in more detail than the government-wide statements. The fund financial statements provide more detailed information about the District's most significant funds rather than the District as a whole. Funds are a governmental accounting tool that the District uses to track specific sources of funding and spending for particular purposes. Some funds are required by state law and by bond covenants. The Board of Trustees establishes other funds to control and manage resources for specific purposes or to delineate the use of certain taxes and grants.

The District has three kinds of funds:

- Governmental Funds—All of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets can readily be converted to cash flow and (2) the balances left at year end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine the availability of financial resources to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information immediately following the governmental funds statements that explain the relationship (or differences) between them. These include debt financing, capital assets, and revenue recognition.
- Proprietary Funds—Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The District's three proprietary funds are Internal Service Funds. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the various functions. The District uses the Internal Service Fund to report activities for its risk management, graphics, and insurance for auto liability expenses. The proprietary fund statements offer short and long-term financial information about the activities the District operates like a business.
- Fiduciary Funds—Fiduciary funds are used to account for resources held by the District in a custodial capacity. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. Fiduciary funds are excluded from the District's government-wide financial statements because the District cannot use these assets to finance its operations. The fiduciary fund statement provides information about the financial relationships in which the District acts solely as a custodian or agent for funds that belong to others. Per GASB 84, the District's fiduciary activity is reported in a separate Statement of Fiduciary Net Position and Changes in Fiduciary Net Position. Student Activity Funds are funds held by the district in a fiduciary capacity and the assets are for the benefit of the student organizations. The collection and disbursement amounts are controlled by a group which is governed by a representative student body.

Notes to the Basic Financial Statements. The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements.

Combining and Other Statements. Immediately following the required supplementary information, combining statements are included for the Non-Major Funds, Internal Service Funds and Custodial Funds.

Exhibit 1 summarizes the major features of the District's financial statements, including the portion of the District's government they cover and the types of information they contain. The remainder of this overview section explains the structure and contents of each of the statements.

Exhibit 1
Major Features of the District's Government-wide and Fund Financial Statements

Type of Statement	***Government-wide***	***Governmental Funds***	***Proprietary Funds***	***Fiduciary Funds***
Scope	Entire District's government (except fiduciary funds) and the District's component units	The activities of the District that are not proprietary or fiduciary	Activities the District operates similar to private businesses	Instances in which the District is the trustee or agent for someone else's resources
Required financial statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balance	• Statement of Net Position • Statement of Revenues, Expenses and Changes in Fund Net Position • Statement of Cash Flows	• Statement of Changes in Fiduciary Assets and Liabilities
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 that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
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 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	Not applicable to Custodial Fund

GOVERNMENT–WIDE FINANCIAL ANALYSIS

Net Position. As noted earlier, net position may serve over time as a useful indicator of the District's financial position. The District's combined net position between fiscal years 2022 and 2021 increased by $250.9 million. The District's net investment in capital assets is $630.7 million and includes investments in capital assets (e.g. land, building, equipment, improvements, finance purchased assets, right-to-use leased assets, and construction in progress) less any debt used to acquire those assets that is still outstanding. Of the remaining net position, $169.7 million are restricted resources subject to external restrictions on how they are used, and ($275.6) million are unrestricted resources.

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

Exhibit 2 provides a summary of the Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position for governmental activities for years ended June 30, 2022 and 2021, respectively.

Exhibit 2
Net Position
Governmental Activities

	June 30, 2022	June 30, 2021	$ Change Increase/ (Decrease)	% Change Increase/ (Decrease)
Current and Other Assets	$ 2,381,265,742	$ 2,153,072,094	$ 228,193,648	10.6%
Capital Assets	3,650,227,182	3,310,553,171	339,674,011	10.3%
Total Assets	6,031,492,924	5,463,625,265	567,867,659	10.4%
Deferred Outflows of Resources	355,887,645	362,396,775	(6,509,130)	(1.8%)
Current Liabilities	472,258,658	440,309,490	31,949,168	7.3%
Long Term Liabilities	4,645,165,619	4,601,349,647	43,815,972	1.0%
Total Liabilities	5,117,424,277	5,041,659,137	75,765,140	1.5%
Deferred Inflows of Resources	745,070,968	510,327,805	234,743,163	46.0%
Net Position:				
Net Investment in Capital Assets	630,748,328	454,034,389	176,713,939	38.9%
Restricted	169,744,823	121,618,627	48,126,196	39.6%
Unrestricted	(275,607,827)	(301,617,918)	26,010,091	(8.6%)
Total Net Position	$ 524,885,324	$ 274,035,098	$ 250,850,226	91.5%

Other Financial Highlights. For the year ended June 30, 2022, the District's total revenues were $2.4 billion. Exhibit 3 shows the year-over-year change in revenues and expenses. The District's total revenues increased $10.3 million, or 0.4%, over the prior year, and the total expenses decreased $98.2 million or (4.4%), over the prior year.

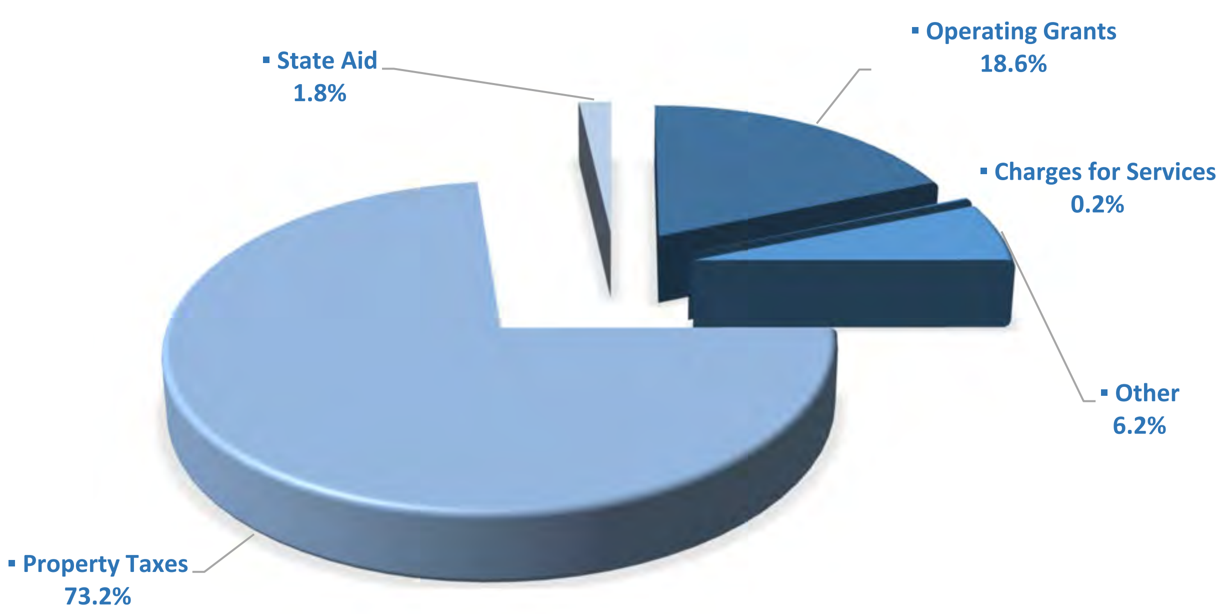
Dallas Independent School District
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2022

Exhibit 3
Changes in Net Position
Governmental Activities

	June 30, 2022	June 30, 2021	$ Change Increase/ (Decrease)	% Change Increase/ (Decrease)
Revenues				
Program Revenues:				
Operating Grants and Contributions	$ 443,338,242	$ 348,776,116	$ 94,562,126	27.1%
Charges for Services	4,152,364	3,110,467	1,041,897	33.5%
General Revenues:				
Investment Earnings	(5,377,815)	30,332,983	(35,710,798)	(117.7%)
Property Taxes	1,741,150,454	1,716,972,446	24,178,008	1.4%
State Aid	42,919,472	41,246,541	1,672,931	4.1%
Grants and Contributions, Unrestricted	91,164,628	6,291,780	84,872,848	1348.9%
Other	28,659,058	188,987,283	(160,328,225)	(84.8%)
Total Revenues	2,346,006,403	2,335,717,616	10,288,787	0.4%
Expenses				
Instruction	1,004,236,979	1,078,164,284	(73,927,305)	(6.9%)
Instructional Resources and Media Services	14,585,509	18,401,935	(3,816,426)	(20.7%)
Curriculum and Staff Development	59,799,697	64,995,553	(5,195,856)	(8.0%)
Instructional Leadership	57,458,311	55,389,836	2,068,475	3.7%
School Leadership	114,857,081	123,102,392	(8,245,311)	(6.7%)
Guidance, Counseling and Evaluation Services	79,002,173	84,734,280	(5,732,107)	(6.8%)
Social Work Services	1,704,888	1,925,327	(220,439)	(11.4%)
Health Services	26,203,296	24,595,412	1,607,884	6.5%
Student (Pupil) Transportation	62,721,267	58,353,284	4,367,983	7.5%
National Breakfast and Lunch	100,553,734	97,710,527	2,843,207	2.9%
Cocurricular/Extracurricular Activities	43,306,251	42,795,172	511,079	1.2%
General Administration	54,554,227	53,824,592	729,635	1.4%
Facilities Maintenance and Operations	171,641,924	205,824,400	(34,182,476)	(16.6%)
Security and Monitoring Services	25,695,932	23,674,507	2,021,425	8.5%
Data Processing Services	51,927,176	45,694,626	6,232,550	13.6%
Community Services	12,526,284	12,011,566	514,718	4.3%
Debt Service - Interest on Long Term Debt	123,440,648	134,313,447	(10,872,799)	(8.1%)
Debt Service - Bond Related Fees	4,581,836	182,736	4,399,100	2407.4%
Facilities Acquisition and Construction	14,455,158	8,339,925	6,115,233	73.3%
Contracted Instructional Services Between Schools	97,987,095	85,377,533	12,609,562	14.8%
Payments to Juvenile Justice Alt. Ed. Prg.	9,726	14,628	(4,902)	(33.5%)
Other Intergovernmental Charges	5,930,560	5,928,126	2,434	2
Total Expenses	2,127,179,752	2,225,354,088	(98,174,336)	(4.4%)
Excess (Deficiency) before Extraordinary Items	218,826,651	110,363,528	108,463,123	98.3%
Extraordinary Item - Resource	41,310,834	19,897,264	21,413,570	107.6%
Extraordinary Item - (Use)	(9,287,259)	(12,544,156)	3,256,897	(26.0%)
Increase (decrease) in Net Position	250,850,226	117,716,636	133,133,590	113.1%
Net Position - Beginning	274,035,098	156,296,299	117,738,799	75.3%
Adjusted for Implementation of GASB 84	-	22,163	(22,163)	-
Net Position - Ending	$ 524,885,324	$ 274,035,098	$ 250,850,226	91.5%

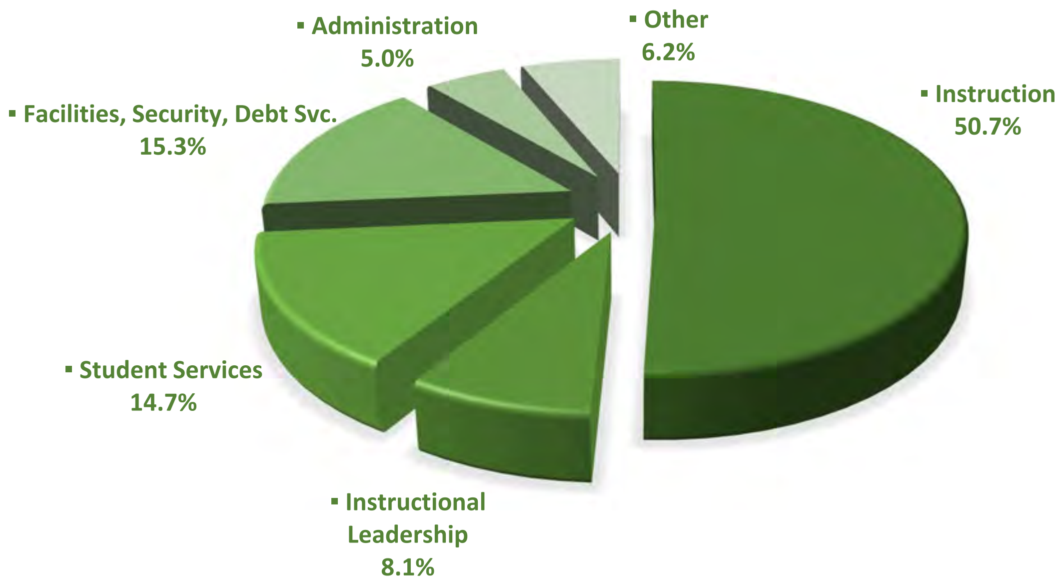
The District's revenue was generated from the following sources: 73.2% from property taxes, 1.8% from state aid, 18.6% from operating grants, 0.2% from charges for services, and 6.2% from miscellaneous revenue sources (See Exhibit 4).

Exhibit 4
Sources of Revenue
Governmental Activities



For the year ended June 30, 2022, the District's total cost of all programs and services was $2.1 billion. Approximately 51% of the District's governmental activities were dedicated to instructional areas. Direct student services, such as counseling, nursing, and transportation services, comprised approximately 15% of governmental expenses. The costs to operate facilities, including utilities, security services and debt payments comprised 15% of the cost of all programs (See Exhibit 5).

Exhibit 5
Expense Allocations
Governmental Activities



FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Fund Balance Analysis

For the fiscal year ended June 30, 2022, the District's governmental funds reported ending fund balances of $1.9 billion. Of this amount, $660.0 million constitutes unassigned fund balance available for use in activities at the District's discretion. The remainder of the fund balance is designated as non-spendable, restricted or assigned, to indicate that it is not available for new spending because it has already been purposed for bond projects, debt service and other obligations of the District.

The General Fund is the chief operating fund of the District. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned and total fund balance to the total fund expenditures. Unassigned fund balance represents 39.7% of the total 2022 General Fund expenditures, while total fund balance represents 58.7% of that same amount.

The increase in fund balance in General Fund was primarily due to a $25.2 million increase in federal revenue due to indirect cost revenue related to ESSER II and ESSER III, and a $26 million decrease in COVID supply expenditures. Insurance proceeds of $7.6 million to cover facilities maintenance expenditures related to winter storm damage were received.

There were some Budget-to-Actual variances in General Fund. The budget was $11.7 million more than actual in local revenues due to a decrease in mark to market investment revenue. Actuals are below budget in function 11 by $87.5 million, of which $35.1 million was reclassed to ESSER funds. In addition, several positions were not filled due to a shortage in the labor market.

The Debt Service Fund had a total fund balance of $252.9 million, of which $188.4 million was restricted for the payment of debt service requirements. An increase in fund balance in Debt Service Funds for $30.4 million was due to increased collection of Property Tax. Tax revenues for the year increased primarily due to increased property tax collections, which grew as a result of a 6.78% rate increase on all classes of property, as well as an average increase of approximately 6.65% in the taxable property values, driven by increased local real estate market values. The District issued Unlimited Tax Refunding Bonds, Taxable Series 2022A for $264.8 million.

The Capital Projects Fund balance increased by $77.9 million to $593.6 million, of which $33.7 million included insurance proceeds received for replacement and rebuilding of three tornado-damaged schools. Federal reimbursement revenue of $12.8 million was received for ESSER II cell tower hot spot device expenditures. The District issued "Unlimited Tax School Building and Refunding Bonds, Series 2021C" for $68.8 million and "Unlimited Tax School Building Bonds, Series 2022" for $406.9 million. The District also issued Commercial Paper for $50,000,000 (see Note I). There was also an increase of $104.4 million in construction expenditures committed to the Bond Program as discussed below.

The ESSER III Fund was a major fund in fiscal year 2022. The ESSER III funding was used to account, on a project basis, to help safely reopen and sustain the safe operation of schools and address the impact of the coronavirus pandemic on students. This program is authorized by the American Rescue Plan (ARP) Act of 2021, Elementary and Secondary School Relief (ESSER III) Fund.

Non-Major Governmental Funds had a total fund balance of $45.1 million representing an increase for the current year of $23.9 million due to an increase in federal revenue of $60.5 million, of which $49.0 million was reimbursement received for Food Services due to more students and Dallas ISD community being served. In fiscal year 2022, the ESSER II Fund, which was previously reported as major in fiscal year 2021, was reported as a non-major governmental fund. Non-Major Governmental Funds consist of Special Revenue funds.

In fiscal year 2022, the District implemented GASB 87. GASB Statement No. 87, *Leases*, revised prior existing standards on lease accounting and financial reporting (primarily Statement No. 62). The concepts of "Capital" and "Operating" leases are no longer to be used. The objective of GASB 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments.

Under this Statement, 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. For more information, please see Summary of Significant Accounting Policies (Note A).

Net Position Analysis

Program revenues increased by $94.6 million primarily due to increased reimbursements in the Food Service Fund and ESSER III grants. Expenses reduced by $98.2 million due to a decrease in instructional expenses, of which $65.0 million was for ESSER funds and were reclassed ESSER funds. In addition, several positions were not filled due to a shortage in the labor market. Maintenance expenditures decreased by $34.2 million. In fiscal year 2021, maintenance expenses increased due to a high volume of COVID supply purchases. In fiscal year 2022, the requests and needs for COVID supplies decreased substantially, resulting in a decrease in maintenance expenses.

A decrease in unrestricted grants and contributions was due to a decrease in GASB 68, Pension plan adjustment of $84.5 million for the District's portion of the pension expense per TRS. A negative balance in investment earnings was due to a decrease in mark to market price of the bonds, and a sudden increase in rates also led to substantial unrealized losses.

Capital Assets. At June 30, 2022, the District had $3.7 billion of capital assets, net of depreciation and loss on disposition of assets, including land, equipment, buildings, and vehicles. This amount represents a net increase of $339.7 million or 10.26% over last year (See Exhibit 6.)

Exhibit 6
District's Capital Assets

	June 30, 2022	June 30, 2021	$ Change	% Change
Land	$ 261,160,751	$ 260,727,146	$ 433,605	0.17%
Building and Improvements	4,618,317,236	4,280,873,325	337,443,911	7.88%
Furniture and Equipment	344,243,852	330,286,132	13,957,720	4.23%
Financed Purchases - Furniture and Equipment	5,827,131	-	5,827,131	-
Right-to-Use Leased Assets - Building	18,914,110	-	18,914,110	-
Right-to-Use Leased Assets - Furniture and Equipment	1,071,078	-	1,071,078	-
Total	5,249,534,158	4,871,886,603	377,647,555	7.75%
Accumulated Depreciation	(2,138,781,083)	(1,997,116,953)	(141,664,130)	7.09%
Net Book Value, net of CIP	3,110,753,075	2,874,769,650	235,983,425	8.21%
Construction in Progress	539,474,107	435,783,521	103,690,586	23.79%
Net Book Value	$ 3,650,227,182	$ 3,310,553,171	$ 339,674,011	10.26%

In fiscal year 2022, the District implemented GASB Statement No. 87, *Leases*. Under this Statement, the District, as a lessee, recognized right-to-use lease assets of $19,985,188 and depreciation of right-to-use leased assets of $3,288,143 in fiscal year 2022.

For the year ended June 30, 2022, the District's capital spending totaled $482.3 million in land, construction in progress, buildings, leases, building improvements and capital equipment. These expenditures resulted primarily from the projects committed to the 2015 and 2020 bond programs and right-to-use leases (new GASB 87).

In fiscal year 2022, the District signed a financed purchased agreement with XEROX, who provided copy machines to the District. The District has the ownership of these copy machines under the financed purchase agreement from the commencement date. The District categorized the copy machines as financed purchase assets with the amount $5,827,131, which will be depreciated in 3 years using the straight line method. The depreciation amount in fiscal year 2022 is $1,618,648.

Voters approved a $3.54 billion bond referendum on November 3, 2020. The District's 2020 Bond Program began after the first sale of bonds in February 2022 and includes $270 million for technology improvements and $114 million for safety and security improvements. Under the leadership and supervision of the Construction Services Department, the $3.54 billion is being used to improve and build District facilities. The 2020 Program includes plans to construct 15 replacement schools and over 200 renovations. The program includes renovations and improvements to existing District facilities including roofs, HVAC, building envelope, interior improvements, site improvements, exterior façade improvements, plumbing, technology, storm shelters, libraries, science labs, performing arts, fine arts, and administration areas in schools. The first replacement schools are targeted to open Fall of 2024. For more information on the District's capital assets, see Note H in the financial statements.

Debt Administration. For the year ended June 30, 2022, the District had $4.6 billion in long-term debt outstanding. This represents a net increase of $44.6 million, or 1.0%, over last year. (See Exhibit 7).

Exhibit 7
District's Long Term Debt

	June 30, 2022	June 30, 2021	$ Change Increase/ (Decrease)	% Change Increase/ (Decrease)
Bonds and Notes Payable	$3,500,300,000	$3,210,015,000	$ 290,285,000	9.0%
Workers Compensation/Auto Liability	11,129,880	10,315,184	814,696	7.9%
Premium on Bonds	194,247,244	196,993,853	(2,746,609)	(1.4%)
Commercial Paper	50,000,000	30,000,000	20,000,000	66.7%
Financed Purchases	4,239,051	-	4,239,051	-
GASB 87 Lease Liability	16,862,589	-	16,862,589	-
Net Pension Liability (District's Share)	303,114,994	600,167,381	(297,052,387)	(49.5%)
Net OPEB Liability (District's Share)	569,594,378	557,369,210	12,225,168	2.2%
Long Term Debt Outstanding	$4,649,488,136	$4,604,860,628	$ 44,627,508	1.0%

For the year ended June 30, 2022, the District implemented the GASB Statement No. 87, Leases. Under this Statement, the District, as a lessee, recognizes a long term lease liability of $19,985,188 in fiscal year 2022. The ending balance of the lease liability is $16,862,589.

For the year ended June 30, 2022, the District signed a financed purchase agreement with XEROX, which provided copy machines to the District. The District will make a monthly payment toward the financed purchase agreement and will pay off the debt in three years. The District recognized the long term liability of $5,827,131 for the future payments at the inception of the agreement. The ending balance of financed purchase payment liability is $4,239,051.

The District's bonds presently carry ratings as follows: Moody's Investor Series "Aaa", Standard & Poor's "AAA" and Fitch "AAA" as guaranteed by the Permanent School Fund (PSF). The District's underlying debt ratings are as follows: Moody's Investor Series "Aa1", AA+ from Standard & Poor's, and AA+ from Fitch. For more information on the District's long-term debt, see Note I in the financial statements.

BUDGETARY HIGHLIGHTS

Revenue

- Amendment approved to increase revenue for the TEA Connect Texas Program by $14.8 million.
- Amendment approved to decrease revenue by $36.4 million due to current year property tax collections.
- Amendment approved to increase revenue by $2.7 million for prior year taxes.
- Amendment approved to decrease revenue by $3.8 million for revised investment earnings estimate.
- Amendment approved to increase revenue by $4.0 million due to additional TRS On-Behalf for FY23.
- Amendment approved to increase revenue estimate of $5.7 million for 5931 School Health & Related Services (SHARS).
- Amendment approved to increase revenue by $1.3 million due to eRate discount.
- Amendment approved for $3.7 million increase in Other Revenue from Local Sources.

- Amendment approved to increase revenue by $2.9 million for Penalties & Interest.
- Amendment approved to increase revenue by $0.6 million for Tuition & Fees.
- Amendment approved to increase revenue by $0.5 million for Gifts & Bequests.
- Amendment approved to increase revenue by $24.8 million for Available School Fund.
- Amendment approved to decrease revenue by $1.5 million for Foundation - School Program.
- Amendment approved to decrease revenue by $14.8 million for State Program Revenues by TEA.
- Amendment approved to increase revenue by $4.2 million for Indirect Cost through TEA.
- Amendment approved to increase revenue by $26.1 million for Federal Revenues by TEA.
- Amendment approved to increase revenue by $0.5 million for Miscellaneous Federal Revenue.
- Amendment approved for $15.0 million increase in Other Resources and Non-Operating Sources from General Operating.

Expenditures

- Amendment approved to increase expenditures by $0.9 million to fund new Resident Student Teachers.
- Amendment approved to increase Fiscal Year 2021-2022 expenditure budget by amount of unspent purchase order balances from Fiscal Year 2020-2021 totaling $13.5 million.
- Amendment approved to increase expenditures for Operations - Maintenance & Facilities projects by $1.3 million for sprinklers, flooring, and portables.
- Amendment approved to increase expenditures by $1.0 million to fund the SPED Evaluation Services contract.
- Amendment approved to increase expenditures by $0.5 million to fund a demographic study.
- Amendment approved to increase expenditures by $3.0 million to fund SPED cameras.
- Amendment approved to increase expenditures by $0.7 million to fund the Big Idea Contest fiscal note.
- Amendment approved to increase expenditures by $0.6 million to fund the Realtor Design Project fiscal note.
- Amendment approved to increase expenditures by $2.7 million for Grounds and Athletic Fields.
- Amendment approved to increase expenditures by $4.5 million to replace/repair obsolete equipment in Heating, Ventilation, and Air Conditioning.
- Amendment approved to increase expenditures by $0.6 million for HVAC renovations.
- Amendment approved to increase expenditures in by $15.6 million for GASB 87 FY22 Lease Recognition.
- Amendment approved to decrease expenditures by $70.0 million for ESSER.
- Amendment approved to increase expenditures in by $7.0 million for TRS On-Behalf Adjustment - Transportation.
- Amendment approved to increase expenditures in by $0.7 million for TRS On-Behalf Adjustment - Extracurricular Activities.
- Amendment approved to increase expenditures in by $0.7 million for Recapture.

- Amendment approved for $7.0 million increase in Other Resources and Non-Operating Revenue due to February 2021 Winter Storm Damage Expenses.
- Amendment approved for $15.6 million increase in Other Resources and Non-Operating Revenue due to GASB 87 FY22 Lease Recognition.
- Amendment approved to increase expenditures by $68.2 million for 2021C Bond P&I Payments.
- Amendment approved to increase expenditures by $3.5 million for the 2022A Bond Sale.
- Amendment approved to decrease Food Services expenditures by $24.0 million.
- Amendment approved for $15.0 million increase in Other Resources and Non-Operating Uses due to Child Nutrition Transfer.
- Amendment approved for $2.8 million increase in Other Resources and Non-Operating Uses due to PO Rollover from 2020-2021 Fiscal Year - Winter Storm.
- Amendment approved for $7.0 million increase in Other Resources and Non-Operating Uses due to February 2021 Winter Storm Damage Expenses.
- Amendment approved for $1.8 million increase in Other Resources and Non-Operating Uses due to Adjuster Fee for 2019 Tornado Claim.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In June 2022, the Board of Trustees adopted the 2022-23 budget, which supports the District's goals.

The primary factors considered in preparing the District's budget for the 2022-23 fiscal year include a 4.0% increase in local property values and a 99.1% property tax collection rate. The Maintenance and Operations tax rate was lowered to $0.942900 per $100 valuation for the 2022-23 year. The Interest and Sinking ("I&S") tax rate remained at $0.242035 per $100 valuation for the 2022-23 year.

Student enrollment is projected to be 143,665 in 2022-23.

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 funding it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District's Finance and Accounting Services Division.

BASIC FINANCIAL STATEMENTS

EXHIBIT A-1

Dallas Independent School District
Statement of Net Position
June 30, 2022

Data Control Codes		Primary Government Governmental Activities
	ASSETS	
1110	Cash and Cash Equivalents	$ 1,536,141,455
1120	Investments	595,287,489
1220	Property Taxes Receivables (delinquent)	79,808,302
1230	Allowance for Uncollectible Taxes (credit)	(47,109,268)
1240	Due from Other Governments	134,121,884
1250	Accrued Interest	398,390
1290	Other Receivables, Net	51,277,837
1300	Inventories	18,919,938
1410	Prepaid Items	12,419,715
	Capital Assets	
1510	Land	261,160,751
1520	Buildings and Improvements, Net	2,751,075,354
1530	Furniture and Equipment, Net	77,611,442
1540	Finance Purchased Assets, Net	4,208,483
1550	Right-to-Use Lease Asset, Net	16,697,045
1580	Construction in Progress	539,474,107
1000	**Total Assets**	6,031,492,924
	DEFERRED OUTFLOWS OF RESOURCES	
1701	Deferred Loss on Refunding	56,303,844
1705	Related to the TRS Pension	181,952,508
1706	Related to the TRS OPEB	117,631,293
1700	**Total Deferred Outflows of Resources**	355,887,645
	LIABILITIES	
2110	Accounts Payable	97,496,909
2120	Other Liabilities	4,324,648
2140	Interest Payable	56,219,691
2150	Payroll Deductions & Withholdings Payable	20,208,884
2160	Accrued Wages and Benefits Payable	165,589,856
2180	Due to Other Governments	106,792,056
2200	Accrued Expenses	15,412,784
2300	Unearned Revenue	6,213,830
	Noncurrent Liabilities	
2501	Due Within One Year	269,858,809
2502	Due in More Than One Year	3,502,597,438
2540	Net Pension Liability (District's Share)	303,114,994
2545	Net OPEB Liability (District's Share)	569,594,378
2000	**Total Liabilities**	5,117,424,277
	DEFERRED INFLOWS OF RESOURCES	
2602	Deferred Inflow - Other	7,028,669
2605	Related to the TRS Pension	337,441,037
2606	Related to the TRS OPEB	400,601,262
2600	**Total Deferred Inflows of Resources**	745,070,968
	NET POSITION	
3200	Net Investment in Capital Assets	630,748,328
3820	Restricted for Federal and State Programs	33,790,149
3850	Restricted for Debt Service	132,183,418
3890	Restricted for Other Programs	3,771,256
3900	Unrestricted	(275,607,827)
3000	**Total Net Position**	$ 524,885,324

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

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

		1	3	4	6
			Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Primary Government					
	GOVERNMENTAL ACTIVITIES				
11	Instruction	$ 1,004,236,979	$ 577,952	$ 189,998,071	$ (813,660,956)
12	Instructional Resources and Media Services	14,585,509	-	1,134,657	(13,450,852)
13	Curriculum and Staff Development	59,799,697	-	40,786,005	(19,013,692)
21	Instructional Leadership	57,458,311	-	16,006,918	(41,451,393)
23	School Leadership	114,857,081	-	8,544,686	(106,312,395)
31	Guidance, Counseling and Evaluation Services	79,002,173	-	24,370,230	(54,631,943)
32	Social Work Services	1,704,888	-	710,098	(994,790)
33	Health Services	26,203,296	-	5,196,357	(21,006,939)
34	Student (Pupil) Transportation	62,721,267	-	4,042,460	(58,678,807)
35	Food Services	100,553,734	1,015,882	115,587,643	16,049,791
36	Cocurricular/Extracurricular Activities	43,306,251	1,061,389	1,184,364	(41,060,498)
41	General Administration	54,554,227	-	7,780,836	(46,773,391)
51	Facilities Maintenance and Operations	171,641,924	1,497,141	12,127,440	(158,017,343)
52	Security and Monitoring Services	25,695,932	-	4,465,789	(21,230,143)
53	Data Processing Services	51,927,176	-	2,802,471	(49,124,705)
61	Community Services	12,526,284	-	8,590,003	(3,936,281)
72	Debt Service - Interest on Long Term Debt	123,440,648	-	-	(123,440,648)
73	Debt Service - Bond Related Fees	4,581,836	-	-	(4,581,836)
81	Facilities Acquisition and Construction	14,455,158	-	10,214	(14,444,944)
91	Contracted Instructional Services Between Schools	97,987,095	-	-	(97,987,095)
95	Payments to Juvenile Justice Alternative Ed. Prg.	9,726	-	-	(9,726)
99	Other Intergovernmental Charges	5,930,560	-	-	(5,930,560)
	TOTAL PRIMARY GOVERNMENT	$ 2,127,179,752	$ 4,152,364	$ 443,338,242	$ (1,679,689,146)

Data Control Codes	General Revenues	
	Taxes	
MT	Property Taxes, Levied for General Purposes	1,403,521,481
DT	Property Taxes, Levied for Debt Service	337,628,973
SF	State Aid not Restricted to Specific Purpose	42,919,472
IE	Investment Earnings	(5,377,815)
MI	Miscellaneous Local and Intermediate Revenue	28,659,058
GC	Grants, Contributions and Other Revenue not Restricted	91,164,628
E1	Extraordinary Item - Resource	41,310,834
E2	Extraordinary Item - (Use)	(9,287,259)
TR	Total General Revenues, Extraordinary Items, and Transfers	1,930,539,372
CN	Change in Net Position	250,850,226
NB	Net Position - Beginning	274,035,098
NE	Net Position - Ending	$ 524,885,324

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

Dallas Independent School District
Balance Sheet
Governmental Funds
June 30, 2022

		10 General Fund	50 Debt Service Fund
ASSETS			
1110	Cash and Cash Equivalents	$ 780,963,827	$ 224,227,060
1120	Investments	370,912,320	27,616,114
1220	Property Taxes Receivables (delinquent)	65,129,477	14,678,825
1230	Allowance for Uncollectible Taxes (credit)	(38,245,910)	(8,863,358)
1240	Due from Other Governments	37,501,657	509,309
1250	Accrued Interest	382,158	-
1260	Due from Other Funds	72,282,471	-
1290	Other Receivables, Net	51,119,088	-
1300	Inventories	9,594,981	-
1410	Prepaid Items	12,419,715	-
1000	**Total Assets**	1,362,059,784	258,167,950
LIABILITIES			
2110	Accounts Payable	21,675,289	-
2120	Other Liabilities	760	-
2140	Interest Payable - Current	22,304	-
2150	Payroll Deductions and Withholdings Payable	17,626,563	-
2160	Accrued Wages and Benefits Payable	149,675,287	-
2170	Due to Other Funds	1,096,153	-
2180	Due to Other Governments	106,635,278	111,122
2200	Accrued Expenditures	11,843,512	-
2300	Unearned Revenues	3,111,730	-
2000	**Total Liabilities**	311,686,876	111,122
DEFERRED INFLOWS OF RESOURCES			
2601	Unavailable Revenue - Property Taxes	24,126,336	5,173,052
2602	Other Deferred Resource Inflows (See Note K)	51,667,759	-
2600	**Total Deferred Inflows of Resources**	75,794,095	5,173,052
FUND BALANCES			
	Nonspendable Fund Balance		
3410	Inventories	9,594,981	-
3430	Prepaid Items	12,419,715	-
	Restricted Fund Balance		
3450	Federal or State Funds Grant Restriction	-	-
3470	Capital Acquisition and Contractual Obligation	-	-
3480	Retirement of Long Term Debt	-	188,380,805
3490	Other Restricted Fund Balance	-	-
	Assigned Fund Balance		
3565	Retirement of Loans or Notes Payable	-	64,502,971
3590	Other Assigned Fund Balance	292,525,314	-
3600	Unassigned Fund Balance	660,038,803	-
3000	**Total Fund Balances**	974,578,813	252,883,776
4000	**Total Liabilities, Deferred Inflows & Fund Balances**	$ 1,362,059,784	$ 258,167,950

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

60 Capital Projects Fund	ESSER III School Emergency Relief Fund	Non-Major Governmental Funds	Total Governmental Funds
$ 468,452,450	$ -	$ 40,777,937	$ 1,514,421,274
196,759,055	-	-	595,287,489
-	-	-	79,808,302
-	-	-	(47,109,268)
-	64,756,763	31,354,155	134,121,884
16,232	-	-	398,390
-	-	-	72,282,471
1,275	-	79,139	51,199,502
-	-	9,324,957	18,919,938
-	-	-	12,419,715
665,229,012	64,756,763	81,536,188	2,431,749,697
70,147,364	2,724,135	2,421,416	96,968,204
-	-	1,370	2,130
-	-	-	22,304
-	457,593	2,123,916	20,208,072
-	3,329,377	12,544,954	165,549,618
-	57,059,563	15,341,646	73,497,362
2,744	-	42,912	106,792,056
1,479,987	1,186,095	873,303	15,382,897
-	-	3,102,100	6,213,830
71,630,095	64,756,763	36,451,617	484,636,473
-	-	-	29,299,388
-	-	-	51,667,759
-	-	-	80,967,147
-	-	9,324,957	18,919,938
-	-	-	12,419,715
-	-	24,465,192	24,465,192
593,598,917	-	-	593,598,917
-	-	-	188,380,805
-	-	3,771,256	3,771,256
-	-	-	64,502,971
-	-	7,523,166	300,048,480
-	-	-	660,038,803
593,598,917	-	45,084,571	1,866,146,077
$ 665,229,012	$ 64,756,763	$ 81,536,188	$ 2,431,749,697

Dallas Independent School District

EXHIBIT C-1R

Dallas Independent School District
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
June 30, 2022

Total Fund Balances - Governmental Funds (from C-1)		$ 1,866,146,077
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets net of accumulated depreciation, less assets held in Internal Service Funds, are not financial resources and therefore are not reported as assets in governmental funds. The total amount, including Construction in Progress, is $3,629,176,034. In addition, the net investment in financed purchases was $3,851,995, and the net investment in right-to-use leases was $16,694,349. The sum of these results in an increase in net position in the amount of $3,649,722,378. (See Note H.)		
Net Capital Assets - Governmental Funds		
Financed Purchase Assets	3,851,995	
Right-to-Use Lease Assets	16,694,349	
Capital Assets (other than Financed Purchase and Right-to-Use Lease Assets)	3,629,176,034	3,649,722,378
The adjustment to lease revenues earned as opposed to revenues received (booked in governmental funds) for the leased assets leased by the District to others resulted in an increase in the change in net position in the amount of $14,565.		14,565
Some liabilities, including bonds payables, are not due and payable in the current period and therefore are not reported in the governmental funds. The liabilities associated with the financed purchases and those associated with the right-to-use leases were also not reported in the governmental funds and must be reported in the government-wide statement. The decrease in the ending net position from these totals $3,708,980,599.		
Bonds, Commercial Paper, and Notes Payable	(3,550,300,000)	
Deferred Losses on Refundings	56,303,844	
Premium on Bonds	(194,247,244)	
Financed Purchase Liability	(3,878,404)	
Right-to-Use Lease Liability	(16,858,795)	(3,708,980,599)
Generally accrued interest is not due and payable in the current period and therefore is not reported as a liability in the governmental funds. The accrued interest on long term debt is $53,483,423 in the Debt Service Funds and $2,736,268 in the other funds, for a total of $56,219,691, of which $22,304 was recognized in governmental funds for GASB 87 lease accrued interest expense. (See A-1)		(56,197,387)
Certain financial resources are not available to pay for current period expenditures and therefore are deferred in the governmental funds. There Deferred Inflow of Resources showed have been recognized as revenue. The effect of these changes are as follows:		
Deferred Resource Inflow for Property Taxes	29,299,388	
Medicaid/SHARS Earned in FY 2021	44,624,525	73,923,913
Internal service funds are used by management to charge the costs of certain activities, such as workers' compensation. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position (see D-1).		11,424,247
The government-wide statement includes the District's proportionate share of the TRS net pension liabilities, as well as certain pension related transactions accounted for as Deferred Inflows and Outflows of Resources.		
Net Pension Liability	(303,114,994)	
Deferred Outflows of Resources - TRS Pension	181,952,508	
Deferred Inflows of Resources - TRS Pension	(337,441,037)	(458,603,523)
The District participates in the TRS OPEB plan TRS-Care. The impact on the ending net position related to the TRS OPEB plan came from the following:		
Net OPEB Liability	(569,594,378)	
Deferred Outflows of Resources - TRS OPEB	117,631,293	
Deferred Inflows of Resources - TRS OPEB	(400,601,262)	(852,564,347)
Total Net Position of Governmental Activities (see A-1)		$ 524,885,324

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

Dallas 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
	REVENUES		
5700	Local and Intermediate Sources	$ 1,416,979,977	$ 340,634,468
5800	State Program Revenues	185,524,432	1,700,396
5900	Federal Program Revenues	106,678,451	-
5020	**Total Revenues**	1,709,182,860	342,334,864
	EXPENDITURES		
	Current		
11	Instruction	844,192,613	-
12	Instructional Resources and Media Services	13,228,831	-
13	Curriculum and Instructional Staff Development	25,600,569	-
21	Instructional Leadership	49,030,186	-
23	School Leadership	115,324,848	-
31	Guidance, Counseling and Evaluation Services	62,848,168	-
32	Social Work Services	1,240,776	-
33	Health Services	24,934,237	-
34	Student (Pupil) Transportation	61,470,739	-
35	Food Services	78,299	-
36	Cocurricular/Extracurricular Activities	39,787,617	-
41	General Administration	50,093,226	-
51	Facilities Maintenance and Operations	174,877,966	-
52	Security and Monitoring Services	23,963,213	-
53	Data Processing Services	50,755,161	-
61	Community Services	4,195,790	-
	Debt Service		
71	Principal on Long Term Debt	4,550,206	212,375,000
72	Interest on Long Term Debt	7,482,424	136,669,942
73	Bond Fees and Charges	500	2,048,595
	Capital Outlay		
81	Facilities Acquisition and Construction	3,607,644	-
	Intergovernmental		
91	Contracted Instructional Services Between Schools	97,987,095	-
95	Payments to Juvenile Justice Alternative Ed. Prg	9,726	-
99	Other Intergovernmental Charges	5,930,354	-
6030	**Total Expenditures**	1,661,190,188	351,093,537
1100	Excess (Deficiency) of Revenues Over Expenditures	47,992,672	(8,758,673)
	OTHER FINANCING SOURCES (USES)		
7901	Refunding Bonds Issued	-	264,805,000
7911	Capital Related Debt Issued (Regular Bonds)	-	-
7912	Sale of Real and Personal Property	520,404	-
7913	Right-to-Use Leases	8,891,951	-
7914	Financed Purchases	5,287,969	-
7915	Transfers In	-	37,190,623
7916	Premium on Issuance of Bonds	-	23,986,213
8911	Transfers Out (Use)	(7,473,039)	-
8940	Payment to Bond Refunding Escrow Agent (Use)	-	(286,781,453)
7080	**Total Other Financing Sources (Uses)**	7,227,285	39,200,383
	EXTRAORDINARY ITEMS		
7919	Extraordinary Item - Resource	7,563,221	-
8913	Extraordinary Item - (Use)	(11,483,003)	-
1200	Net Change in Fund Balance	51,300,175	30,441,710
0100	Fund Balance - Beginning	923,278,638	222,442,066
3000	Fund Balance - Ending	$ 974,578,813	$ 252,883,776

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

60 Capital Projects Fund	ESSER III School Emergency Relief Fund	Non-Major Governmental Funds	Total Governmental Funds
$ 656,768	$ -	$ 9,225,978	$ 1,767,497,191
-	-	15,227,284	202,452,112
12,797,773	84,923,453	259,123,665	463,523,342
13,454,541	84,923,453	283,576,927	2,433,472,645
27,524,665	72,586,654	68,845,561	1,013,149,493
-	74,276	372,038	13,675,145
-	1,349,026	37,852,223	64,801,818
-	6,106,556	7,604,276	62,741,018
-	477,969	2,001,176	117,803,993
-	1,698,860	19,354,039	83,901,067
-	-	599,542	1,840,318
-	419,355	1,875,325	27,228,917
7,035,865	252,877	438,222	69,197,703
-	-	96,232,334	96,310,633
-	-	1,078,821	40,866,438
-	650,521	5,789,504	56,533,251
-	40,383	4,327,964	179,246,313
-	759,314	2,193,130	26,915,657
-	383,568	1,221,986	52,360,715
-	124,094	8,602,571	12,922,455
5,429	-	7,018	216,937,653
214	-	293	144,152,873
4,202,719	-	-	6,251,814
454,777,156	-	1,257,409	459,642,209
-	-	-	97,987,095
-	-	-	9,726
206	-	-	5,930,560
493,546,254	84,923,453	259,653,432	2,850,406,864
(480,091,713)	-	23,923,495	(416,934,219)
-	-	-	264,805,000
526,945,000	-	-	526,945,000
-	-	-	520,404
-	-	-	8,891,951
19,849	-	25,715	5,333,533
-	-	-	37,190,623
27,296,496	-	-	51,282,709
(30,023,623)	-	-	(37,496,662)
-	-	-	(286,781,453)
524,237,722	-	25,715	570,691,105
33,747,613	-	-	41,310,834
-	-	-	(11,483,003)
77,893,622	-	23,949,210	183,584,717
515,705,295	-	21,135,361	1,682,561,360
$ 593,598,917	$ -	$ 45,084,571	$ 1,866,146,077

Dallas Independent School District
Reconciliation of the Governmental 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 Balances - Governmental Funds (from C-2)		$ 183,584,717

Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. Capital assets additions in Note H represent the capital outlays spent in the governmental funds but should be recognized as assets in government-wide financial statements. Capital outlays this current period, adjusted for dispositions, contributions, and initial outlays for current year leases and the right-to-use leases, were $481,759,230. (excluding internal service funds' capital asset added in FY 22 of $493,600 from Note H). Depreciation expenses are not reported in governmental funds statements, but are reported in government-wide statements. The current year's depreciation, excluding internal service funds and including the depreciation for the financed purchase and the right-to-use leases, was $152,291,756 (excluding internal services funds' depreciation expense of $197,760 from Note H). The loss of $1,182,540 was caused by the deletion of the District's assets. The change in net position from these activities is $328,284,934.

Capital Asset Additions - Governmental Funds	481,759,230	
Total Depreciation Expense - Governmental Funds	(152,291,756)	
Gain/Loss from Capital Assets Deletions	(1,182,540)	328,284,934

Repayment of principal and other long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not expensed in the current period. The principal payment includes the principal payments for the financed purchases and right-to-use leases. The District also entered into financed purchases and new leases this reporting period. These were recorded in 7913 in the fund level statements. This must be reclassified and shown as an increase in the long term liability. District's Capital Project fund had a short term loan in amount of $1,225,000 in July 2021, which was paid off in Febuary 2022 through Debt Services Fund.

Principal Payments	212,375,000	
Proceed from the Short Term Loan (paid off, not included in long term debt)	(1,225,000)	
Principal Payment Financed Purchase	1,455,129	
Principal Payment Right-to-Use Leases	3,107,524	
Amortization of Bond Premium	33,679,564	
Amortization of Loss on Bond Refunding	(7,138,633)	
Long-term Liability - Financed Purchase and New Lease	(14,225,484)	228,028,100

The adjustment to lease revenues earned as opposed to revenues received (booked in governmental funds) for the leased assets leased by the District to others resulted in an increase in the change in net position in the amount of $14,565.	14,565
The District issued new bonds during the year. The Series 2021C bonds were issued for $68,815,000 and Series 2022 bonds were issue for $406,905,000, for a total of $475,720,000, and there was a $50,000,000 issue of commercial paper. These are recognized as Other Financing Sources in the governmental funds, but these must be reclassified for the government-wide statements as in increase in long-term debt. The effect of this reclassification will decrease the change in net position in the Statement of Activities. The new bonds were sold at a premium in the amount of $1,645,253 and $25,651,243 for a total of $27,296,496. This was reported in the fund statements in 7916, but must be reclassified as an increase in the unamortized premium, causing another decrease in the change in net position for Exhibit B-1. The total of these two decreases is $553,016,496.	(553,016,496)

The District also issued bonds to refund older issues. Series 2022A was issued in the amount of $264,805,000 with a premium of $23,986,213. The new refunding bonds and the premium were reported as Other Financing Sources in the governmental funds, but these must be reclassified for the government-wide statements as in increase in long-term debt. The effect of this reclassification will decrease the change in net position in the Statement of Activities. The total decrease from the new bonds and their premium is $288,791,213. The 2022A bonds were used to partially refund three bond issues: Series 2014A (39.00%), Series 2015 (53.45%), and Series 2016A (30.48%), for a total of $269,090,000 bonds with an unamortized premium of $20,349,755, an unamortized deferred charge on refunding in the amount of $16,302,510, and a new deferred charge on refunding in the amount of $14,640,793. Interest on the refunded bonds was paid in the amount of $673,393. The payment to the escrow agent was reported as an Other Use in governmental funds and must be reclassified to show the decrease in bonds payable, etc. The amount was $286,781,453. This will cause an increase in the change in net position. The remainder of the total cost was paid with cash and recorded as a decrease in Debt Service expenses, causing an increase in the change in net position in the amount of $1,669,978. The total effect of the refunding is a decrease of $1,013,175 in the change in net position.

2022A Long-term Debt including Premium	(288,791,213)	
Payment Paid to Escrow Account for Refunding	286,781,453	
Interest Accrued on the Refunded Bonds	(673,393)	
2022A Issuance Cost	1,669,978	(1,013,175)

Dallas Independent School District
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities (Continued)
For the Fiscal Year Ended June 30, 2022

In the fund level statements, revenues are reported when they are available. In the Statement of Activities, revenues are reported when they are earned. Thus revenues reported as a deferred resource inflow in the fund level statements must be reclassified showing the portion of these earned in the current reporting period as revenues and the portion of these earned in prior periods as part of the beginning net position. Similarly, any revenues received and available in the current year which were earned in prior years must be reclassified from revenues and reported as part of the beginning net position. This includes revenues from property taxes and revenues earned in prior periods for the Medicaid/SHARS program. There was an adjustment made for the taxes due to a change between what was estimated to be collected in the previous year and what was actually collected and continued to be estimated to be collected in the current year. This caused an increase in the change in net position in the amount of $6,942,074. The total change in the change in net position due to the SHARS adjustments was an increase in net position by $10,440,480. The net effect of all of these adjustments was an increase in the change in net position in the amount of $11,727,909.

FY 21 SHARS Deferred Inflow 2602	(34,184,046)	
FY 22 SHARS Deferred Inflow 2602	44,624,525	
FY 21 Property Tax Deferred Inflow	(28,011,958)	
FY 22 Property Tax Deferred Inflow	29,299,388	11,727,909

Interest on long term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires the use of current financial resources. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. Interest paid during this fiscal year was accrued in the prior year. This was in the amount of $51,042,074. The change in net position will decrease by that amount. The interest accrued this year to be paid next year is $56,219,691, of which $22,304 was booked in governmental funds for GASB 87 lease accrued interest (2141-LS). The net decrease in accrued interest is $5,155,313. The change in ending net position will increase by that amount.

Interest Accrued in FY 21 but Paid in FY 22	51,042,074	
Interest Should be Accrued in FY 22	(56,219,691)	
Interest Accrued and Booked in FY 22	22,304	(5,155,313)

The District uses Internal Service Funds to charge the costs of certain activities to appropriate functions in other funds. The net income of Internal Service Funds is reported with governmental activities. The net effect of this consolidation is to decrease the change in net position. (See D-2.)	(1,008,960)

Adjustments were required for GASB 68 for the current fiscal year. The necessary changes in the ending net pension liability and the deferred resource outflow related to the TRS Pension and the deferred resource inflow related to the TRS Pension resulted in a decrease in the change in net position. Note the change in the deferred outflow does not include the contribution made by the District to the pension plan after the end of the measurement year. The sum of these changes causes a Increase in the change in Net Position in the amount of $30,497,776.

Deferred Outflows decreased by	(26,008,170)	
Deferred Inflows increased by	(240,546,441)	
Ending Net Pension Liability decreased by	297,052,387	30,497,776

Adjustments were required for GASB 75 for the current fiscal year. The necessary changes in the District's ending net OPEB liability, the deferred resource outflow related to the TRS OPEB, and the deferred resource inflow related to the TRS OPEB resulted in an increase in the change in net position. This resulted from the following changes:

Increase in Deferred Resource Outflow	28,299,390	
Decrease in Deferred Resource Inflow	12,831,947	
Increase in Ending Net OPEB Liability	(12,225,168)	28,906,169

Total Change in Net Position of Governmental Activities (see B-1)	$ 250,850,226

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

Dallas Independent School District
Statement of Net Position
Proprietary Funds
June 30, 2022

		Governmental Activities
		Total Internal Service Funds
ASSETS		
Current Assets		
Cash and Cash Equivalents	$	21,720,181
Due from Other Funds		1,215,048
Other Receivables, Net		78,335
Total Current Assets		23,013,564
Noncurrent Assets		
Capital Assets		
Furniture and Equipment, Net		145,620
Financed Purchases, Net		356,488
Right-to-Use Lease Asset, Net		2,696
Total Noncurrent Assets		504,804
Total Assets		23,518,368
LIABILITIES		
Current Liabilities		
Accounts Payable		528,705
Payroll Deductions and Withholdings Payable		812
Accrued Wages and Benefits Payable		40,238
Due to Other Funds		157
Accrued Expenses		29,887
Total Current Liabilities		599,799
Noncurrent Liabilities		
Due Within One Year		4,491,223
Due in More Than One Year		7,003,099
Total Noncurrent Liabilities		11,494,322
Total Liabilities		12,094,121
NET POSITION		
Net Investment in Capital Assets		140,362
Unrestricted Net Position		11,283,885
Total Net Position	$	11,424,247

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

EXHIBIT D-2

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

	Governmental Activities
	Total Internal Service Funds
OPERATING REVENUES	
Charges for Services	$ 12,904,601
Total Operating Revenues	12,904,601
OPERATING EXPENSES	
Personnel Services	7,484,167
Contractual Services	2,281,434
Supplies	632,549
Other Operating Expenses	3,617,901
Depreciation/Amortization Expense	197,760
Debt Service	5,789
Total Operating Expenses	14,219,600
Operating Income (Loss)	(1,314,999)
NON-OPERATING REVENUES (EXPENSES)	
Transfer In	306,039
Total Non-Operating Revenues (Expenses)	306,039
Change in Net Position	(1,008,960)
Total Net Position - Beginning	12,433,207
Total Net Position - Ending	$ 11,424,247

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

Dallas Independent School District
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2022

	Governmental Activities
	Total Internal Service Funds
Cash Flows from Operating Activities	
Cash Received from User Charges	$ 15,244,948
Cash Payments to Employees for Services	(3,738,698)
Cash Payments for Insurance Claims	(3,559,580)
Cash Payments for Suppliers	(6,257,549)
Interest for Leases and Financed Purchases	(5,789)
Cash Payments for Principal of Leases	(148,026)
Cash Payments for Accrued Expenses	(204)
Net Cash Provided by (Used for) Operating Activities	1,535,102
Cash Flows from Non-Capital Financing Activities	
Transfers In	306,039
Net Cash Provided by (Used for) Non-Capital Activities	306,039
Net Increase in Cash and Cash Equivalents	1,841,141
Cash and Cash Equivalents at Beginning of Year	19,879,040
Cash and Cash Equivalents at End of Year	21,720,181
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities	
Operating Income (Loss)	(1,314,999)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities	
Depreciation/Amortization	197,760
Effect of Increases and Decreases in Current Assets and Liabilities	
Decrease (increase) in Due from Other Funds	95,197
Decrease (increase) in Prepayments	2,245,150
Decrease (increase) in Due to Other Funds	3
Increase (decrease) in Accounts Payable	(301,432)
Increase (decrease) in Payroll Deductions	53
Increase (decrease) in Accrued Wages Payable	4,078
Increase (decrease) in Accrued Liabilities - Short Term	811,332
Increase (decrease) in Accrued Liabilities - Long Term	3,160
Increase (decrease) in Accrued Expenses	(57,174)
Increase (decrease) in Lease Liability	(148,026)
Net Cash Provided by (Used for) Operating Activities	$ 1,535,102

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

EXHIBIT E-1

Dallas Independent School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2022

		Custodial Fund
ASSETS		
Cash and Cash Equivalents	$	2,902,285
Total Assets		2,902,285
LIABILITIES		
Accounts Payable		48,234
Accrued Expenses		155,131
Total Liabilities		203,365
NET POSITION		
Restricted for Student Clubs		2,698,920
Total Net Position	$	2,698,920

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

Dallas Independent School District
Statement of Changes in Fiduciary Fund Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2022

	Custodial Fund
Additions	
Contributions and Donations	$ 145,068
Fundraising	876,371
Tuition and Fees	861,911
Other	430,757
Total Additions	2,314,107
Deductions	
Personnel Services	1,784
Contractual Services	94,834
Supplies	1,037,455
Other	1,069,411
Total Deductions	2,203,484
Income (Loss)	110,623
Change in Fiduciary Net Position	110,623
Total Net Position - Beginning	2,588,297
Total Net Position - Ending	$ 2,698,920

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

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NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Dallas Independent School District have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in GASB Statement No. 56, and complies with the requirements of the Texas Education Agency's Financial Accountability System Resource Guide (FASRG) and the requirements of contracts and grants of agencies from which the District receives funds.

Reporting Entity. The Board of Trustees (the "Board") consists of nine members and has governance responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Dallas Independent School District (the "District"). Board members are elected by the public and have decision-making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters.

In evaluating how to define the government for financial reporting purposes, the District's management has considered all potential component units. By applying the criteria set forth in Generally Accepted Accounting Principles ("GAAP"), the District has determined that no other organizations require inclusion in its reporting entity.

Government-wide and Fund Financial Statements. The government-wide financial statements consist of the Statement of Net Position and the Statement of Activities. These statements report information on all non-fiduciary activities of the District. The effect of the interfund activity in the government-wide statements eliminates services provided and used in the process of consolidation. Governmental activities are mainly supported by tax revenues and intergovernmental revenues.

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. All capital asset depreciation is reported as a direct expense of the functional program that benefits from the use of the capital assets. Program revenues include: 1) charges for services and tuition charged by a given function and 2) grants and contributions that are restricted to meeting operational requirements of a particular function. Taxes, state aid, grants and contributions not restricted to specific programs are properly excluded from program revenues and reported instead as general revenues.

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

Basis of Accounting/Measurement Focus. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements are 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 District 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. However, debt service expenditures and claims and judgments are recorded only when matured and payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long term debt and acquisitions under notes payable are reported as other financing sources. Property tax revenues and revenues received from the State of Texas and investment earnings are considered to be susceptible to accrual and so have been recognized as revenues in the current period. Property taxes collected within 60 days of year-end and included in revenue were $4,065,144 and $926,252 for the General Fund and Debt Service Fund, respectively.

Grant revenues and contributions are recognized when all eligibility requirements have been met. Grant funds received in advance are recorded as unearned revenue until earned. Contributions received with purpose restrictions are recorded as revenue and the related fund balance is designated until restrictions are satisfied. Amounts reported as program revenues include operating grants and contributions, food services user charges, rentals and tuition. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. The Texas Education Agency (TEA), through its application of state law, allocates state revenues to school districts by formula allocation. The District receives two allocations, a per capita allocation and a foundation program allocation. The District also recognizes revenues for the state's share of the contributions to the Teacher Retirement System of Texas. See Note M for additional information on the employee's retirement plan. Other state revenues are received through other state miscellaneous programs on an allocated basis. Charges for services and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received.

The District has accrued state aid revenues of $26,112,470 which is included in Receivables from Other Governments in the governmental funds balance sheet, to reflect cash that will be received in fiscal year 2023, which was generated by attendance and the type of instructional services provided in fiscal year 2022, fiscal year 2021 property value audit, and fiscal year 2021 recapture cost overpayment refund. The District has also accrued an offsetting liability of $103,908,202 which is included in Due to Other Governments, to reflect an anticipated Texas Education Agency final fiscal year 2022 settle-up adjustment that will occur in 2023.

The District, by law, is required to prepare and file a budget with the Texas Education Agency (TEA). Activities of the General Fund, Food Services Fund, and Debt Service Fund are included in the District's formally adopted budget. Budgets for Special Revenue funds (other than the Food Services Fund) and Capital Projects Fund are prepared on a project basis, based on grant regulations or applicable bond ordinances. Budgetary control (the level at which expenditures cannot legally exceed appropriations) is maintained at the functional category level with each fund. These functional categories are defined by TEA and identify the purpose of transactions. Oversight control of all expenditures is maintained at this level by the Finance and Accounting staff. TEA requires school districts to present exhibits with budget comparison for Food Services Fund (Exhibit J-2) and the Debt Service Fund (Exhibit J-3). These exhibits are in the financial section of the Annual Comprehensive Financial Report.

The District's accounts are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts. The District reports the following Major Governmental funds:

- The General Fund is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund. All general tax revenues and other receipts not allocated by law or contractual agreement to some other funds are accounted for in this fund.
- The Debt Service Fund accounts for the use of ad valorem taxes and other revenues collected for the purposes of retiring bond principal and paying interest when due. The main source of revenue for debt service is the apportionment of local property taxes.
- The Capital Projects Fund is used to account for proceeds from long term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions.
- The ESSER III was a major fund in the fiscal year 2022. The ESSER III funding was used to account, on a project basis, to help safely reopen and sustain the safe operation of schools and address the impact of the coronavirus pandemic on students. This program is authorized by the American Rescue Plan (ARP) Act of 2021, Elementary and Secondary School Relief (ESSER III) Fund.

The District reports the following Non-Major funds:

- The Special Revenue Funds are used to account for Food Services activities, federal and state financed programs and other local programs. The budget for the Food Services Fund is adopted by the Board each fiscal year. The budget for the Campus Activity Fund is adopted based on the prior year's ending fund balance.

The District reports the following Proprietary Funds:

Internal service funds provide services from one department to other departments of the District on a cost-reimbursement basis. Internal service funds distinguish operating revenues from non-operating revenues. Operating revenues and expenses generally result from providing services and delivering goods in connection with an internal service fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The District reports the following internal service funds:

- The Graphics Shop Fund is used to account for printing services.
- The Risk Management Fund is used to account for the costs associated with the workers' compensation self-funded program. Accrued liabilities include provisions for claims reported and claims incurred but not reported for workers' compensation insurance. The provision for reported claims is determined by estimating the amount that will ultimately be paid to each claimant. The provision for claims incurred but not yet reported is estimated based on the District's experience since the inception of the program.
- The Auto Liability Insurance Fund was established on July 1, 2018, to accumulate and allocate all externally incurred liability expenses relating to student transportation and white fleet vehicle accidents such as physical damage, third party medical claims, and third party administrator costs, as well as contracted services and parts to repair district buses damaged in such incidents.

The District reports Custodial Funds as Fiduciary Funds. Custodial Funds are custodial in nature and account for activities of student and employee groups. Custodial funds use the accrual basis of accounting to recognize assets and liabilities. The Custodial Funds exist with the explicit approval of, and are subject to revocation by, the Board. The District reports the following Custodial Fund:

- The Student Activity Fund accounts for the receipt and disbursement of monies from student activity organizations, for which the District solely acts as an agent.

Assets, Liabilities, and Deferred Outflows and Inflows of Resources

Cash, Cash Equivalents and Investments. The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of 3 months or less from the date of acquisition. All investments in pools are considered cash equivalents.

Investments can consist of certificates of deposit, U.S. Treasury instruments, U.S. Government agency obligations, commercial paper, investments in government sponsored enterprises, repurchase agreements, and obligations of states and their political subdivisions. Investments with maturities at the time of acquisition of over 12 months are recorded at fair value. Fair value is determined by the amount by which a financial instrument could be exchanged in a current transaction between willing parties. The District accrues interest on temporary investments based on the terms and effective interest rates of the specific investments. See Note B for additional discussion.

Property Taxes. Property taxes are levied each October 1 on the assessed value as of the prior January 1 for all real and business personal property located in the District. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the subsequent year. On January 1 of each year a lien attaches to the property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period and 60 days thereafter. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes and historical experience of adjustments to tax receivables. Uncollectible taxes are written off according to the Texas Property Tax Code. See Note C for the discussion of the write-off of uncollectible taxes in the current year.

Interfund Receivables and Payables. Advances between funds are accounted for in the appropriate interfund receivable and payable accounts. All legally authorized transfers are appropriately treated as transfers and are included in the results of operations. Such balances are eliminated within the governmental activities for the government-wide financial statements. See Note F for additional discussion.

Inventories and Prepaid Items. The consumption method is used to account for inventories of supplies and materials. Under this method, these items are carried in an inventory account of the respective fund at cost, using the weighted average method of accounting and are subsequently charged to expenditures when consumed or requisitioned. Although food commodities are received at no cost, their fair value is supplied by the Texas Department of Agriculture and is recorded as inventory on the date received. Prepaid items on the balance sheet are accounted for using the consumption method and are recognized as expenditures over the periods in which the service is provided. In the governmental funds, inventories and prepaid items are reported as non-spendable fund balance.

Capital Assets. Capital assets, which include land, buildings, furniture and equipment, construction in progress, financed purchase assets, and right-to-use leased assets are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Construction cost includes direct and all indirect costs. Donated capital assets are measured at acquisition value. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized, and land and construction in progress are not depreciated. Financed purchase assets are District owned assets and follow the depreciation of regular capital assets. Capital assets and right-to-use assets of the District are depreciated and amortized using the straight-line method over the following estimated useful lives:

Asset Classification	Useful Life in Years
Buildings:	
Buildings – Permanent	40
Buildings – Improvements	20
Portable Buildings and Building Systems	15
Right-to-Use Leased Buildings	Lease term
Equipment:	
Heavy Installed Equipment	20
Maintenance/Warehouse/Custodial Equipment	15
Heavy Equipment – Tractors/Construction Equipment	12
Furniture and Fixture Equipment – Others	10
Kitchen Equipment	10
Other Vehicles	10
Buses	7
Trucks and Vans	7
Automobiles	5
Technology Equipment	3
Software	3
Right-to-Use Leased Equipment	Lease term

Deferred Outflows and Inflows of Resources. In addition to assets, the Statement of Net Position will report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net asset that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditures) until then. The District has three items that qualify for reporting in this category. They are deferred loss on refunding, TRS pension costs, and TRS OPEB costs, which are reported in the Government-wide Statement of Net Position.

In addition to liabilities, the Statement of Net Position will report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net asset that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until then. The District has four items that qualify for reporting in this category. They are related to TRS pension, TRS OPEB, unavailable revenue, and other deferred resource inflows. Unavailable revenue is reported only in the Governmental Funds Balance Sheet, and TRS pension investment earnings are reported only on the Government-wide Statement of Net Position. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. See Note K for the detail of other deferred resource inflows.

Compensated Absences. Certain employees are entitled to receive accrued vacation and compensatory pay in a lump-sum cash payment upon termination of employment with the District. The amount of $3,580,772 represents the recorded liability for employees vested in accumulated vacation and compensatory pay. The General Fund, Food Services Fund, and the Internal Services Fund are used to liquidate compensated absences.

Long Term Obligations. In the government-wide financial statements, long term debt and other long term obligations are reported as liabilities under governmental activities. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred. Gains or losses on refundings are capitalized and amortized over the shorter of the life of the new issuance or the life of the existing debt using the straight-line interest method, which approximates the interest method.

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

Use of Estimates. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Encumbrances. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in the accounting system in order to assign the portion of the applicable appropriation, is employed in the governmental fund financial statements. Encumbrances that have not been liquidated are reported as an assigned portion of fund balance in the governmental funds.

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

Government-wide Net Position

Net position represents the difference between the sum of assets and deferred outflows of resources and the sum of liabilities and deferred inflows of resources. The District's net position is composed of the following:

Net Investment in Capital Assets. The component of net position that reports capital assets less both the accumulated depreciation and the outstanding balance of debt that is directly attributable to the acquisition, construction, or improvements of these capital assets.

Restricted for Federal and State Programs. The component of net position that reports the difference between assets and liabilities of the Federal and State special revenue programs that consists of assets with constraints placed on their use by the Department of Education, Health and Human Services, Labor, Agriculture or TEA.

Restricted for Debt Service. The component of net position that reports the difference between assets and liabilities of the Debt Service Funds net of accrued interest at June 30, that consists of assets with constraints placed on their use by the bond covenants.

Restricted for Other Purposes. The component of net position that reports the difference between assets and liabilities of the Restricted for Other Purposes Funds at June 30, that consists of assets with constraints placed on their use by external parties.

Unrestricted. The difference between the assets and liabilities that are not reported in net position invested in capital assets, net position restricted for debt service, net position restricted for federal and state programs, net position restricted for capital projects, and net position restricted for other purposes.

Governmental Fund Balances

According to the District's fund balance policy, fund balance is comprised of the following components:

Nonspendable Fund Balance. The portion of fund balance that is not expendable or is legally earmarked for a specific use. Nonspendable fund balance reserves may include items like inventory or prepaid items.

Spendable Fund Balance. The portion of fund balance that is comprised of restricted, committed, assigned, and unassigned fund balances.

- **Restricted Fund Balance**. The portion of fund balance that reflects resources that are subject to externally enforceable legal restrictions imposed by parties outside the District. Restricted fund balances include funds for the Food Services, funds restricted for capital acquisitions, funds used to retire long term debts or resources from granting agencies.

- **Committed Fund Balance**. The portion of fund balance that reflects resources whose use is limited based upon resolutions by the District's Board of Trustees. At June 30, 2022, the District had no committed fund balance.

- **Assigned Fund Balance**. The portion of fund balance that is self-imposed by the District to be used for a particular purpose. The assigned fund balance can only be removed by the Superintendent of Schools or the Deputy Superintendent of Business Services.

- **Unassigned Fund Balance**. The portion of the spendable fund balance within the General Fund that has not been classified within any categories above. It is the portion of fund balance available to finance operating expenditures.

In general, it is in the District's policy to consider restricted resources to have been spent first when an expenditure is incurred for purposes for which restricted and unrestricted (i.e. committed, assigned, or unassigned) fund balances are available, followed by committed and then assigned fund balances. Unassigned amounts are used after the other resources have been used.

As of the end of the current fiscal year, the District's Governmental Fund Balance was $1,866,146,077 reported as follows:

Fund Balances	General Fund	Debt Service Fund	Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
Nonspendable					
Inventories	$ 9,594,981	$ -	$ -	$ 9,324,957	$ 18,919,938
Prepaid Items	12,419,715	-	-	-	12,419,715
Restricted					
Federal or State Grants	-	-	-	24,465,192	24,465,192
Capital Acquisition	-	-	593,598,917	-	593,598,917
Debt Services	-	188,380,805	-	-	188,380,805
Local	-	-	-	3,771,256	3,771,256
Assigned					
Retirement of Loans/Notes Payable	-	64,502,971	-	-	64,502,971
Other Assigned Fund Balance	292,525,314	-	-	7,523,166	300,048,480
Unassigned	660,038,803	-	-	-	660,038,803
Total Fund Balances	$974,578,813	$252,883,776	593,598,917	$ 45,084,571	$1,866,146,077

The Other Assigned Fund Balance consists of $200 million to fund the continuation of programs after ESSER funding is exhausted, $0.3 assigned for fingerprinting of employees, $78.8 million for the future payment of QSCB notes, and $4.6 million for anticipated capital expenditures. Additionally, $8.7 million is earmarked for encumbrances carried forward to fiscal year 2023 as detailed below.

Note: Encumbrances are documented by purchase orders and contracts. They are commitments to expend resources. Appropriations lapse at June 30 and encumbrances outstanding at that time are either canceled or provided for in the subsequent year's budget. Outstanding encumbrances at June 30, 2022, that were subsequently provided for in the 2022-2023 budget totaled $8,741,834 in Other Assigned Fund Balance in the General Fund, and were broken down by functions as follows:

Function 11 -	Instruction	1,346,682
Function 12 -	Instructional Resources and Media Services	72,555
Function 13 -	Curriculum & Staff Development	36,251
Function 21 -	Instructional Leadership	41,188
Function 31 -	Guidance, Counseling and Evaluation Services	24,442
Function 33 -	Health Services	180,724
Function 34 -	Student Transportation	14,493
Function 36 -	Extracurricular Activities	644,064
Function 41 -	General Administration	1,966,190
Function 51 -	Plant Maintenance and Operations	3,289,822
Function 52 -	Security and Monitoring Services	274,619
Function 53 -	Data Processing Services	850,804
	Total	$ 8,741,834

Data Control Codes. In accordance with the Financial Accountability System Resource Guide published by the TEA, the District has adopted and installed an accounting system which meets the minimum requirements prescribed by the State Board of Education and has been approved by the state auditor. The TEA requires the display of these codes in the financial statements filed with the TEA in order to ensure accuracy in building a statewide database for policy development and funding plans.

<u>GASB 87 Leases</u>

In the fiscal year 2022, GASB 87 pronouncements were implemented by the District. GASB Statement No.87, *Leases,* was issued in June 2017 and provides better information of financial statements to the users by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, 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.

Lessee

The District is a lessee for noncancellable leases of buildings, copiers, and other equipment. The District recognizes a lease liability, reported with long-term debt, and a right-to-use lease asset (leased asset), reported with other capital assets, in the government-wide and proprietary fund financial statements. The District recognizes lease liabilities with an initial, individual value of $5,000 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 determines (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 the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, The District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease payments included in the measurement of the lease liability are composed of fixed payments, variable payments fixed in substance or that depend on an index or a rate, purchase option price that The District is reasonably certain to exercise, lease incentives receivable from the lessor, and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

The District monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lessor

The District is a lessor for noncancellable leases of buildings and grounds. The District recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental 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 noncancellable 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 remeasurement of its leases and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

NOTE B: CASH, CASH EQUIVALENTS AND INVESTMENTS

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the School Depository Act. The depository bank deposits for safekeeping and trust with The Bank of New York Mellon, under a tri-party collateral agreement between the District, the depository bank and The Bank of New York Mellon. The Bank of New York Mellon deposits approved pledged securities, as authorized by Chapter 2257, Collateral for Public Funds of the Government Code, in an amount sufficient to protect the District’s funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") coverage. In order to maximize return on cash balances, the District uses consolidated bank accounts from which all disbursements are made, with cash in excess of the District's total daily requirement being invested for future needs.

At June 30, 2022, the net carrying amount of the District’s cash deposits, excluding student activity fund deposits of $2,902,285, was $32,827,911. The bank balance of $55,081,994 was on deposit with the contracted depository bank. District funds are insured up to $250,000 for the combined amount of all time and savings accounts, and up to an additional $250,000 for the combined total of all Demand Deposit Accounts (DDA’s). Interest-bearing accounts were collateralized by pledged United States government securities with a fair value of $66,991,029 at June 30, 2022, held by The Bank of New York Mellon. Because The Bank of New York Mellon holds the pledged securities in trust on behalf of the District, the deposits were deemed collateralized under Texas law. All campus activity funds were centralized and were on deposit with the contracted depository. Custodial and activity funds were in separate non-interest-bearing bank accounts at the depository bank, and as such, have full FDIC coverage of $250,000 per bank account. At June 30, 2022, cash on hand in Custodial Funds totaled $2,902,285 and was on deposit with the contracted depository and separate bank accounts. The District’s Custodial Fund bank balance on June 30, 2022, was covered by federal depository insurance or by collateral held in the District’s name.

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

a. Depository bank: Wells Fargo Bank, N.A.
b. The date of highest deposit was December 24, 2021, with combined cash and certificates of deposit balance of $232,171,896.
c. On December 27, 2021, the amount of bonds, securities pledged, and FDIC coverage was $265,901,117.
d. The FDIC coverage portion of the collateral listed above was $250,000/$250,000.
e. The District had no occasions during the year of not being sufficiently collateralized, in which the pledged collateral requirement was less than the collateral requirement.

The Texas legislature passed the Public Funds Investment Act of 1995 (“Public Funds Investment Act”) which authorizes the District to invest its excess funds in the following:

- Obligations of the United States or its agencies and instrumentalities,
- Obligations of the State of Texas or its agencies, and instrumentalities,
- Other obligations guaranteed by the United States or the State of Texas or their agencies and instrumentalities,
- Public funds investment pools,
- No load money market funds with a weighted average maturity of 90 days or less,
- Fully collateralized repurchase agreements,
- Obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality not less than an “A”, or its equivalent, by a nationally recognized investment rating firm,
- Commercial paper having a stated maturity of 365 days or fewer from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies or one nationally recognized credit agency and is fully secured by an irrevocable letter of credit,
- Guaranteed investment contracts for bond proceeds investment only, with a defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas Public Funds Investment Act in an amount equal to the bond proceeds,

- Guaranteed or secured certificates of deposit, issued by state and national banks domiciled in Texas, and insured by federal depository insurance or secured by the obligations mentioned above,
- Bonds issued, assumed or guaranteed by the State of Israel, and
- Secured corporate bonds rated not lower than "AA—" or the equivalent.

The Public Funds Investment Act requires an annual review and approval of investment policies and practices. The review disclosed that in this area of investment practices, management reports and establishment of appropriate policies, the District materially adhered to the requirements of the Public Funds Investment Act. Additionally, investment practices of the District were in accordance with local policies, which are more restrictive than state statutes.

As of June 30, 2022, the following are the District's cash equivalents and investments, with respective maturities and credit rating:

Type of Investment	Book Value	Percent	Fair Value	Percent	Maturity in Less Than 1 Year	Maturity in 1-10 Years	Maturity in Over 10 Years	Credit Rating
Cash	$ 35,730,196	1.7%	$ 35,730,196	1.7%	$ 35,730,196	$ -	$ -	N/A
Money markets and FDIC insured investment accounts	25,686,155	1.2%	25,686,155	1.2%	25,686,155	-	-	N/A
Investment pools:								
LOGIC	140,408,121	6.6%	140,408,121	6.6%	140,408,121	-	-	AAAm
Lone Star	305,357,976	14.3%	305,357,976	14.3%	305,357,976	-	-	AAAm
Texas CLASS	230,949,622	10.8%	230,949,622	10.8%	230,949,622	-	-	AAAm
TexasTERM Daily/Select	43,842,051	2.1%	43,842,051	2.1%	43,842,051	-	-	AAAm
TexasTERM Fixed Term	490,439,960	23.0%	490,439,960	23.0%	490,439,960	-	-	AAAf
TexPool	168,139,917	7.9%	168,139,917	7.9%	168,139,917	-	-	AAAm
Texas FIT	98,489,742	4.6%	98,489,742	4.6%	98,489,742	-	-	AAAf
Total Investment pools	1,477,627,389	69.3%	1,477,627,389	69.3%	1,477,627,389	-	-	
*Total cash and cash equivalents	1,539,043,740	72.2%	1,539,043,740	72.2%	1,539,043,740	-	-	
Commercial Paper	443,127,418	20.8%	443,127,418	20.8%	443,127,418	-	-	A1/P1
American Municipal Power Authority - Ohio	830,768	0.0%	830,768	0.0%	-	830,768	-	A1
Boone County Kentucky Municipal Bond	1,305,202	0.1%	1,305,202	0.1%	-	1,305,202	-	AA-
City of Alice, Texas GO LTD Bond	938,700	0.0%	938,700	0.0%	-	938,700	-	AA
City of West Palm Beach, Florida Bond	1,152,602	0.1%	1,152,602	0.1%	-	1,152,602	-	Aa3
Corpus Christi GO Municipal Bond	428,672	0.0%	428,672	0.0%	-	428,672	-	Aa2
Federal Farm Credit Bureau Agency	19,098,923	0.9%	19,098,923	0.9%	-	19,098,923	-	Aaa
Federal Home Loan Bank Agency	79,740,155	3.7%	79,740,155	3.7%	-	79,740,155	-	Aaa
Fontana Unified School District Municipal Bond	745,082	0.0%	745,082	0.0%	-	745,082	-	Aa3
Gainesville Florida Pension Municipal Bond	1,535,727	0.1%	1,535,727	0.1%	-	1,535,727	-	Aa3
Green Bay Wisconsin Municipal Bond	516,284	0.0%	516,284	0.0%	-	516,284	-	A2
Indiana State Finance Authority	683,909	0.0%	683,909	0.0%	-	-	683,909	A+
North Hudson Sewerage Authority, NJ (A)	600,536	0.0%	600,536	0.0%	-	600,536	-	A+
Oregon State School Board Assoc GO Pension Municipal Bond	531,014	0.0%	531,014	0.0%	-	531,014	-	Aa2
Oregon State School Board Assoc Pension Municipal Bond	1,932,874	0.1%	1,932,874	0.1%	1,932,874	-	-	Aa2
Pennsylvania Economic Development Municipal Bond	2,755,467	0.1%	2,755,467	0.1%	-	2,755,467	-	A3
Reading Pennsylvania Municipal Bond	4,054,925	0.2%	4,054,925	0.2%	-	4,054,925	-	A1
San Bernardino County Redevelopment Successor Muni Bond	2,011,746	0.1%	2,011,746	0.1%	-	2,011,746	-	AA
San Francisco City & County Redevelopment Municipal Bond	1,359,680	0.1%	1,359,680	0.1%	-	1,359,680	-	Aa3
State of Hawaii GO Municipal Bond	23,635,250	1.1%	23,635,250	1.1%	-	23,635,250	-	Aa2
Texas State Public Finance Municipal Bond	1,479,672	0.1%	1,479,672	0.1%	-	722,237	757,436	Aa2
Texas State University System	909,596	0.0%	909,596	0.0%	-	909,596	-	Aa2
University of North Texas	1,483,540	0.1%	1,483,540	0.1%	-	1,483,540	-	Aa2
Walnut Valley Unified School District Municipal Bond	2,521,395	0.1%	2,521,395	0.1%	-	-	2,521,395	Aa1
*Total Investments	593,379,137	27.8%	593,379,137	27.8%	445,060,292	144,356,106	3,962,739	
Total cash, cash equivalents and investments	$ 2,132,422,877	100.0%	$ 2,132,422,877	100.0%	$ 1,984,104,032	$ 144,356,106	$ 3,962,739	

**Total cash and cash equivalents and total investments include accrued interest. The TERM investments accrued interest and Sweep account accrued interest are reported in the investment pool and money market section above.*

In accordance with the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, the District's investments with a maturity date of greater than one year have been recorded at fair value based upon quoted market prices as of June 30, 2022 with an increase or decrease in fair value being recorded as a component of earnings on investments. Investment Pools are measured at amortized cost or net asset value, i.e. fair value. As such, these investments are not required to be reported in the fair value hierarchy.

During the fourth quarter of 2022, the Federal Reserve increased the fed funds rate from 0.5% in April to 2.5% by the end of June. The quick rise in rates resulted in older securities on the District's portfolio losing value to stay competitive in the new environment. Subsequently, the year-end GASB 31 mark-to-market entry resulted in an unrealized loss for the overall portfolio's earnings. The District holds all securities until maturity; therefore this is a book loss and not a loss of cash.

The TexPool and Lone Star Overnight investment pools are external investment pools measured at amortized cost. 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 transact at a net asset value of $1.00 per share, 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 5% of portfolio with one issuer (excluding US government securities), and can meet reasonably foreseeable redemptions. TexPool and Lone Star Overnight 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 pool's liquidity.

Texas CLASS, TexasTERM, LOGIC, and TX-Fit investment pools are external investment pools measured at net asset value. Texas CLASS, TexasTERM, LOGIC, and TX-Fit's strategy is to seek preservation of principal, liquidity, and current income through investment in a diversified portfolio of short-term marketable securities. The District has no unfunded commitments related to the investment pools. Texas CLASS, TexasTERM, LOGIC, and TX-Fit have a redemption notice period of one day and may redeem daily. The investment pools' authority 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 pool's liquidity.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application*, provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs—other than quoted prices included within Level 1—that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

The District has recurring fair value measurements as presented in the table below. The District's investment balances and weighted average maturity of such investments are as follows:

		Fair Value Measurements Using			
	June 30, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Percent of Total Investments
Investments not Subject to Fair Value:					
Money markets and FDIC insured investment accounts	$ 25,686,155	$ -	$ -	$ -	1.21%
Investment Pools:					
LOGIC	$ 140,408,121	$ -	$ -	$ -	6.64%
Lone Star	305,357,976	-	-	-	14.43%
Texas Class	230,949,622	-	-	-	10.92%
Texas TERM Daily	43,842,051				2.07%
TexasTERM Fixed Term	490,439,960	-	-	-	23.18%
TexPool	168,139,917	-	-	-	7.95%
Texas Fit	98,489,742	-	-	-	4.65%
Investments by Fair Value Level:					
Commercial Paper	$ 443,127,418	$ -	$ 443,127,418	$ -	20.94%
US Government Agency Securities:					
Federal Farm Credit Bureau Agency	19,098,923	-	19,098,923	-	0.90%
Federal Home Loan Bank Agency	79,740,155	-	79,740,155	-	3.77%
Municipal Bonds:					
American Municipal Power Authority - Ohio	$ 830,768	$ -	$ 830,768	$ -	0.04%
Boone County Kentucky Municipal Bond	1,305,202	-	1,305,202	-	0.06%
City of Alice, Texas GO LTD Bond	938,700	-	938,700	-	0.04%
City of West Palm Beach, Florida Bond	1,152,602	-	1,152,602	-	0.05%
Corpus Christi GO Municipal Bond	428,672	-	428,672	-	0.02%
Fontana Unified School District Municipal Bond	745,082	-	745,082	-	0.04%
Gainesville Florida Pension Municipal Bond	1,535,727	-	1,535,727	-	0.07%
Green Bay Wisconsin Municipal Bond	516,284	-	516,284	-	0.02%
Indiana State Finance Authority	683,909	-	683,909	-	0.03%
North Hudson Sewerage Authority, NJ (A)	600,536	-	600,536	-	0.03%
Oregon State School Board Assoc GO Pension Municipal Bond	531,014	-	531,014	-	0.03%
Oregon State School Board Assoc Pension Municipal Bond	1,932,874	-	1,932,874	-	0.09%
Pennsylvania Economic Development Municipal Bond	2,755,467	-	2,755,467	-	0.13%
Port Douglas County Washington Municipal Bond	4,054,925	-	4,054,925	-	0.19%
Reading Pennsylvania Municipal Bond	2,011,746	-	2,011,746	-	0.10%
San Bernardino County Redevelopment Successor Muni Bond	1,359,680	-	1,359,680	-	0.06%
San Francisco City & County Redevelopment Municipal Bond	23,635,250	-	23,635,250	-	1.12%
Texas State Public Finance Municipal Bond	1,479,672	-	1,479,672	-	0.07%
Texas State University System	909,596	-	909,596	-	0.04%
University of North Texas	1,483,540	-	1,483,540	-	0.07%
Walnut Valley Unified School District Municipal Bond	2,521,395	-	2,521,395	-	0.12%
Total Investments	$2,115,791,604	$ -	$ 612,478,060	$ -	100.0%

U.S. Government Agency Securities and Commercial Paper are classified in Level 2 of the fair value hierarchy and are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Interest Rate Risk. In accordance with the District's investment policy, investments are made in a manner that ensures the preservation of capital in the overall portfolio, and offsets during a twelve-month period any market price losses resulting from interest-rate fluctuations by income received from the balance of the portfolio. The District's investment strategy states that no individual transaction shall be undertaken that jeopardizes the total capital position of the overall portfolio. Some investments are also purchased with longer maturities to match the $143.3 million General Fund liability for 2013 QSCB notes due in August 2033. These bear a risk that market interest rates could at some point exceed the yield of the investments purchased.

Credit Risk. State law limits investment purchases in commercial paper to not less than A1-P1 or equivalent rating by at least two nationally recognized credit rating agencies. The District's investments in Local Government Investment Pools (LGIP's) include: Texas CLASS, LOGIC, Lone Star, TexPool, Texas TERM Daily, Texas TERM Fixed Term, and TX-Fit. These are all public funds investment pools operating in full compliance with the Public Funds Investment Act. All are rated "AAAm/AAAf" by Standard and Poor's. The District's no-load money market fund maintains weighted-average maturity of 90-days or less. This money market fund invests only in first-tier securities. Under SEC Rule 2a-7 of the 1940 Act, a first-tier security is a debt instrument that is an eligible investment for money market funds and has received a rating in the highest short-term category from a nationally recognized statistical rating organization. On August 5, 2011, Standard and Poor's, one of three nationally recognized raters of US debt and securities, downgraded the rating of long-term US sovereign debt from AAA to AA+ for the first time since 1941. The two other national raters, Moody's and Fitch, continue to have the highest ratings. As of July 8, 2022, and March 21, 2014, respectively, US long term sovereign debt outlook is listed as "Stable" by Standard and Poor and by Fitch. The District utilizes Wells Fargo Securities for money market investments and Wells Fargo Bank, N.A. for the daily operating funds.

Concentration of Credit Risk. The District's investment portfolio is diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity or specific issuer.

Custodial Credit Risk – Deposits. This is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. All deposits not covered by FDIC insurance but held in the depository bank, Bank of America, were fully collateralized.

Custodial Credit Risk – Investments. This is the risk that, in the event of failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District also uses an Insured Cash Shelter Account that, similar to a Certificate of Deposit Account Registry Service (CDARS) program, holds investment balances of $250,000 or less at multiple depositories to maintain full FDIC coverage for the whole account.

Foreign Currency Risk. As of June 30, 2022, there are no foreign currency investments in the District's portfolio.

NOTE C: LOCAL REVENUES AND PROPERTY TAXES

Local and intermediate sources are comprised of the following:

	General Fund	Debt Service Fund	Capital Projects Fund	Non-Major Funds	Total Governmental Funds
Property Taxes	$ 1,416,247,959	$ 340,392,403	$ -	$ -	$ 1,756,640,362
Food Services	-	-	-	1,356,340	1,356,340
Gifts and Bequests	19,559	-	-	3,547,965	3,567,524
Campus Activity Funds	-	-	-	3,568,213	3,568,213
Interest Income	(6,524,586)	239,565	656,768	-	(5,628,253)
Tuition, Fees and Cocurricular	1,469,938	-	-	-	1,469,938
Rental Income	1,476,409	-	-	-	1,476,409
Other	4,290,698	2,500	-	753,460	5,046,658
Totals	$ 1,416,979,977	$ 340,634,468	$ 656,768	$ 9,225,978	$ 1,767,497,191

Property Taxes. The appraisal of property within the District is the responsibility of the Dallas County Appraisal District. The District's ad valorem property tax is levied each October 1 on the assessed value as of the prior January 1 for all real and business personal property located in the District. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the subsequent year. On January 1 of each year a tax lien attaches to the property to secure the payment of all taxes, penalties, and interest ultimately imposed. The assessed value of the roll on January 1, 2021 was $182,086,074,890. After deductions of all exemptions and reductions provided by law and those granted by the District, the 2021 tax year levy was based on property values of $141,905,281,463.

The tax rates assessed for the year ended June 30, 2022, to finance General Fund operations and the payment of principal and interest on long term debt were $1.006200 and $0.242035 per $100 valuation, respectively, for a total of $1.248235 per $100 valuation. The resolution levying the ad valorem taxes specifies the individual tax rates for the General Fund and Debt Service Fund. Current tax collections for the year ended June 30, 2022, were 98.4% of the adjusted tax levy.

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. The District has provided an allowance for estimated uncollectible property taxes and estimated adjustments within the General Fund and Debt Service Fund of $38,245,910 and $8,863,357 respectively, based upon historical collection experience and historical adjustment experience.

The Texas Property Tax Code directs tax collectors to cancel and remove from the tax rolls real property taxes that have been delinquent more than 20 years and personal property taxes that have been delinquent more than 10 years. Additionally, the Texas Property Tax Code provides that personal property may not be seized and a suit may not be filed to collect a tax on personal property that has been delinquent more than four years.

NOTE D: RECEIVABLES

Property tax receivable as of June 30, 2022, for the District's Major Funds and Non-Major Funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Debt Service	Totals
Property Taxes	$ 65,129,477	$ 14,678,825	$ 79,808,302
Less: Allowance			
for uncollectible	(38,245,910)	(8,863,358)	(47,109,268)
Totals	$ 26,883,567	$ 5,815,467	$ 32,699,034

In addition, the District has recorded a state aid receivable of $26.4 million and a receivable from other governmental entities of $149.5 million as of June 30, 2022.

NOTE E: UNEARNED REVENUE

Governmental funds defer revenue recognition in connection with resources that have been received but not yet earned. As of June 30, 2022, the components of unearned revenue reported in the General Fund and Non-Major Governmental funds were as follows:

	General	Non-Major	Totals
Grants	$ -	$ 3,102,100	$ 3,102,100
Other	3,111,730	-	3,111,730
Totals	$ 3,111,730	$ 3,102,100	$ 6,213,830

NOTE F: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

Fund	Receivables	Payables
General Fund:		
ESSER III American Rescue Plan Fund	$ 57,059,563	$ -
Non-Major Governmental Funds	15,222,908	-
Internal Service Funds	-	1,096,153
	72,282,471	1,096,153
ESSER III American Rescue Plan Fund		
General Fund	-	57,059,563
	-	57,059,563
Non-Major Governmental Funds:		
General Fund	-	15,222,908
Internal Service Funds	-	118,738
	-	15,341,646
Internal Service Funds:		
General Fund	1,096,153	-
Non-Major Governmental Funds	118,895	157
	1,215,048	157
	$ 73,497,519	$ 73,497,519

The interfund receivable and payable between General Fund and Major and Non-Major Governmental Funds occurs when expenditures take place before the reimbursement is received from the granting agency. The interfund balances between General Fund and Internal Service Fund occur due to payments made from the General Fund operating account on behalf of these funds. The interfund balances between Internal Service Fund, General Fund, and Major and Non-Major Governmental Funds occur due to recording of workers' compensation liabilities recorded but not yet funded. Transfers occur monthly, unless significantly larger payments are noted, and the transfer occurs more frequently. All interfund balances are expected to be repaid within the next fiscal year.

Interfund transfers are defined as “flows of assets without equivalent flows of assets in return and without a requirement for repayment”. Interfund transfers during the year ended June 30, 2022, were as follows:

Transfer Out	Transfer In	Amount	
General Fund	Debt Service	7,167,000	*
Capital Projects	Debt Service	30,023,623	**
General Fund	Internal Service Fund	306,039	

**$7.2 million transferred from the General Fund to the 2013 Qualified School Construction Bonds Fund to provide for the QSCB principal of $143.3 million due in August 2033.*
***In fiscal year 2022, $30 million was transferred for reissuance and refund of Commercial Paper.*

NOTE G: GASB 87 LEASES

Leases Payable

Dallas ISD has entered into multiple lease agreements as a lessee. The leases allow Dallas ISD the right to use copy machines, buildings, and other equipment over the term of the lease. Dallas ISD is required to make monthly, quarterly, or annual payments at its incremental borrowing rate, which was computed at the beginning of each fiscal year based on the weighted average yield rate of most recently launched bonds. The lease rate, term, and ending lease liability are as follows:

	Interest Rate(s)	Liability at Commencement	Lease Term in Months	Ending Balance
Governmental Fund				
Furniture and Equipment	1.45%	$ 4,720,325	13 - 108	$ 286,414
Buildings	1.45%	18,914,111	26 - 480	16,572,380
Total Governmental Fund				16,858,794
Proprietary Fund				
Furniture and Equipment	1.45%	$ 18,870	13	$ 3,795
Total Proprietary Fund				3,795
Total Governmental Activities				$16,862,589

The future principal and interest lease payments as of fiscal year-end are as follows:

Governmental Fund

Year Ended June 30,	Principal	Interest	Total
2023	$ 2,622,942	$ 225,941	$ 2,848,883
2024	2,560,662	188,888	2,749,550
2025	1,592,984	157,717	1,750,701
2026	1,637,830	134,642	1,772,472
2027	498,809	117,028	615,837
2028-2032	972,792	538,343	1,511,135
2033-after	6,972,775	1,600,891	8,573,666
Total Governmental Fund	$ 16,858,794	$ 2,963,450	$ 19,822,244

Proprietary Fund

Year Ended June 30,	Principal	Interest	Total
2023	$ 3,795	$ 14	$ 3,809
Total Proprietary Fund	$ 3,795	$ 14	$ 3,809

The value of the right-to-use assets as of the end of the current fiscal year was $19,985,189 and had accumulated amortization of $3,288,143.

Leases Receivable

Dallas ISD has entered into multiple lease agreements as a lessor. The leases allow the tenants the right to use buildings and grounds over the term of the lease. Dallas ISD received monthly, quarterly, or annual payments from tenants. Interest revenue is calculated at the weighted average yield rate of most recently launched bonds. The lease rate, term, and ending lease receivable are as follows:

	Interest Rate(s)	Receivable at Commencement	Lease Term in Months	Ending Balance
Governmental Fund				
Buildings and Grounds	1.45%	$ 981,848	14 - 115	$ 785,728
Total Governmental Activities				785,728

The balance of the deferred inflow as of the end of the current fiscal year was $771,163 after the amortization of $210,685 in the year.

NOTE H: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022 is as follows:

	Balance at June 30, 2021	Additions	Transfers	Deletions	Balance at June 30, 2022
Capital assets, not being depreciated/amortized:					
Land	$ 260,727,146	$ 433,605	$ -	$ -	$ 261,160,751
Construction in progress	435,783,521	450,997,776	(347,307,190)	-	539,474,107
Total capital assets, not being depreciated/amortized	696,510,667	451,431,381	(347,307,190)	-	800,634,858
Capital assets, being depreciated/amortized:					
Building and improvements	4,280,873,325	5,129,292	335,451,706	(3,137,087)	4,618,317,236
Furniture and equipment	330,286,132	10,973,075	11,855,484	(8,870,839)	344,243,852
Furniture and equipment - Financed Purchases	-	5,827,131	-	-	5,827,131
Right-to-Use Leased Assets - Building	10,115,879	8,798,231	-	-	18,914,110
Right-to-Use Leased Assets - Furniture and equipment	977,358	93,720	-	-	1,071,078
Total capital assets, being depreciated/amortized	4,622,252,694	30,821,449	347,307,190	(12,007,926)	4,988,373,407
Less accumulated depreciation/amortization for:					
Buildings and improvements	1,739,699,930	130,679,039	-	(3,137,087)	1,867,241,882
Furniture and equipment	257,417,023	16,903,686	-	(7,688,299)	266,632,410
Furniture and equipment - Financed Purchases	-	1,618,648	-	-	1,618,648
Right-to-Use Leased Assets - Building	-	2,508,603	-	-	2,508,603
Right-to-Use Leased Assets - Furniture and equipment	-	779,540	-	-	779,540
Total accumulated depreciation/amortization	1,997,116,953	152,489,516	-	(10,825,386)	2,138,781,083
Total capital assets, being depreciated/amortized, net	2,625,135,741	(121,668,067)	347,307,190	(1,182,540)	2,849,592,324
Capital assets, net	$ 3,321,646,408	$ 329,763,314	$ -	$ (1,182,540)	$ 3,650,227,182

Capital assets include assets recorded in Internal Service Funds, net of depreciation/amortization, of $504,804.

The beginning balance of Right-to-Use Leased Assets (building and furniture and equipment) reflects that some leases were executed before the GASB 87 implementation date of July 1, 2022. Per GASB 87, changes adopted to conform to the provisions of this Statement should be applied retroactively by restating financial statements, if practicable, for all prior periods presented. If restatement for prior periods is not practicable, the cumulative effect, if any, of applying this Statement should be reported as a restatement of beginning net position (or fund balance or fund net position, as applicable) for the earliest period restated.

Depreciation/amortization expense was charged to functions of government activities as follows:

Depreciation/Amortization by Function

			Depreciation/ Amortization Expense
Regular Assets			
11	Instruction	$	86,860,932
12	Instructional Resources and Media Services		2,121,728
13	Curriculum and Instructional Staff Development		657,490
21	Instructional Leadership		651,955
23	School Leadership		9,119,853
31	Guidance, Counseling and Evaluation Services		3,144,651
32	Social Work Services		52,790
33	Health Services		1,480,490
34	Student (Pupil) Transportation		6,262,230
35	Food Services		10,027,936
36	Cocurricular/Extracurricular Activities		4,867,414
41	General Administration		1,265,567
51	Facilities Maintenance and Operations		13,335,179
52	Security and Monitoring Services		1,687,516
53	Data Processing Services		1,703,094
61	Community Services		736,009
81	Facilities Acquisition and Construction		3,607,891
	Regular Assets Total	$	147,582,725
Right-to-Use Leased Assets - Buildings			
11	Instruction		585,831
34	Student (Pupil) Transportation		217,743
51	Facilities Maintenance and Operations		1,705,029
	Right-to-Use Leased Assets - Buildings Total	$	2,508,603
Right-to-Use Leased Assets - Furniture and Equipment			
41	General Administration		708,515
51	Facilities Maintenance and Operations		71,025
	Right-to-Use Leased Assets - Furniture and Equipment Total	$	779,540
Furniture and Equipment - Financed Purchases			
11	Instruction		1,363,226
35	Food Services		7,143
41	General Administration		242,765
81	Facilities Acquisition and Construction		5,514
	Furniture and Equipment - Financed Purchase Total	$	1,618,648
	Total Depreciation/Amortization Expense	**$**	**152,489,516**

Depreciation/amortization is allocated to functions of governmental activities by specific identification whenever possible. Depreciation related to campus facilities is allocated to functions based on the relative square footage of the respective functional areas. Technology equipment is allocated in total to data processing services.

The District has active construction projects. These projects include new school construction and renovation of existing facilities. The total construction commitments as of June 30, 2022 are $419,439,972 for projects under the bond programs.

NOTE I: LONG TERM OBLIGATIONS

The District's long-term debt includes general obligation bonds, maintenance tax notes and provisions for workers' compensation liability. Bond premiums and deferred losses on refundings are amortized using the effective interest method.

General Obligation Bonds. These bonds are secured by ad valorem taxes levied against all taxable property and are serviced by the Debt Service Fund with an apportionment of the ad valorem tax levy. Interest rates on the bonds range from 0.00% to 6.00% and are due through 2052. At June 30, 2022, $253,068,174 in cash, cash equivalents, investments, and accrued interest is restricted or assigned in the Debt Service Fund to service the outstanding bonds:

Series	Bond Series Name - General Obligation Bonds Maturity or Mandatory Redemption Date	Interest Rates	Original Issue Amount (in thousands)	Total Outstanding Principal Amount (in thousands)
2010C	**Unlimited Tax School Building Bonds** - Serially in varying amounts from February 15, 2018 to February 15, 2026 and Term Bonds due 2030 and 2035	4.05% - 6.00%	950,300	$ 845,140
2012	**Unlimited Tax Refunding Bonds** - Serially in varying amounts from August 15, 2013 to August 15, 2031	2.00% - 5.00%	390,235	18,400
2012A	**Unlimited Tax Refunding Bonds** - Serially in varying amounts from August 15, 2013 to August 15, 2031	4.00% - 5.00%	46,825	2,535
2014A	**Unlimited Tax Refunding Bonds** - Serially in varying amounts from August 15, 2015 to August 15, 2034	1.00% - 5.00%	356,115	97,535
2015	**Unlimited Tax Refunding Bonds** - Serially in varying amounts from February 15, 2016 to February 15, 2032	2.125% - 5.00%	234,760	83,745
2016A	**Unlimited Tax School Building Bonds** - Serially in varying amounts from February 15, 2022 to February 15, 2036	3.00% - 5.00%	305,785	197,965
2017	**Qualified Zone Academy Bonds, Taxable**, No interest, principal due August 15, 2027	0.00% - 0.00%	4,405	4,405
2019	**Unlimited Tax Refunding Bonds** - Serially in varying amounts from February 15, 2020 to February 15, 2034	3.00% - 5.00%	68,025	58,085
2019B	**Unlimited Tax School Building Bonds** - Serially in varying amounts from February 15, 2021 to February 15, 2040	3.00% - 5.00%	311,975	291,915
2020	**Unlimited Tax School Building Bonds** - Serially in varying amounts from February 15, 2021 to February 15, 2050	2.00% - 5.00%	278,345	268,530
2021	**Unlimited Tax School Building Bonds** - Serially in varying amounts from February 15, 2021 to February 15, 2045	1.75% - 4.00%	275,210	267,615
2021A	**Unlimited Tax Refunding Bonds** - Serially in varying amounts from February 15, 2022 to February 15, 2031	3.00% - 5.00%	158,900	137,880
2021B	**Unlimited Tax School Building Bonds - Taxable** Serially in varying amounts from August 15, 2023 to August 15, 2034	1.935% - 4.00%	409,355	409,355
2021C	**Unlimited Tax School Building & Refunding Bonds** - Serially in varying amounts from February 15, 2022 to February 15, 2023	5.00% - 5.00%	68,815	2,145
2022	**Unlimited Tax School Building Bonds** - Serially in varying amounts from February 15, 2023 to February 15, 2052	2.375% - 5.00%	406,905	406,905
2022A	**Unlimited Tax Refunding Bonds - Taxable** Serially in varying amounts from February 15, 2027 to February 15, 2034	2.533% - 5.00%	264,805	264,805
Total				$ 3,356,960

Maintenance Tax Notes. On December 1, 2013, the District issued $143,340,000 in Limited Maintenance Tax Qualified School Construction Bonds. The Maintenance Tax Notes are paid from the General Fund. The amount outstanding for Maintenance Tax Notes as of June 30, 2022 was as follows:

Series	Maintenance Tax Notes Maturity or Mandatory Redemption Date	Yield Rates	Total Outstanding Principal Amount (in thousands)
2013	Principal due at maturity - interest due each February 15 and August 15 from August 15, 2014 to August 15, 2033	5.05%	143,340
		Total	$ 143,340

As of June 30, 2022, the District has transferred $64,502,971 from the General Fund to a specially established Debt Service fund for the 2013 Qualified School Construction Bonds Fund to pay the 2013 Limited Maintenance Tax Qualified School Construction Bonds (QSCB) due in 2033. In addition, the District expects to annually transfer $7,167,000 from the General Fund to the 2013 Qualified School Construction Bonds Fund to provide for the QSCB principal of $143,340,000 due in August 2033.

Variable Rate Debt. The District currently has no variable rate debt.

Debt Issuance. As of June 30, 2022, the District has $45,000,000 remaining of the $75 million 2018 Transportation Bond Authorization, $2,800,375,000 remaining of the 2020 School Building Bond Authorization, and $220,000,000 remaining of the 2020 Technology Bond Authorization.

In August 2021, the District issued $68,815,000 in “Unlimited Tax School Building and Refunding Bonds, Series 2021C” with interest rates at 5.00%. The District received a net premium of $1,645,253. The total proceeds, less issuance costs and underwriter’s discount of $367,528 and $88,305, respectively, were used for school building construction, and renovation, and to refund Commercial Paper. Principal and interest payments are due every February 15 and August 15, beginning February 15, 2022, until February 15, 2023. The total interest requirements of these bonds aggregate $107,250, as of June 30, 2022. The proceeds were invested in local government investment pools, commercial paper, or US government agencies. The debt is subject to federal arbitrage regulations and is serviced by the Debt Service Fund.

In February 2022, the District issued $406,905,000 in “Unlimited Tax School Building Bonds, Series 2022” with interest rates ranging from 2.375% to 5.00%. The District received a net premium of $25,651,243. The total proceeds, less issuance costs and underwriter’s discount of $1,036,314 and $1,519,139, respectively, were used for school building construction and renovation. Principal and interest payments are due every February 15 and August 15, beginning August 15, 2022, until February 15, 2052. The total interest requirements of these bonds aggregate $173,843,961, as of June 30, 2022. The proceeds were invested in local government investment pools, commercial paper, or US government agencies. The debt is subject to federal arbitrage regulations and is serviced by the Debt Service Fund.

In March 2022, the District issued $264,805,000 in “Unlimited Tax Refunding Bonds, Taxable Series 2022A” with interest rates ranging from 2.533% to 5.00%. The District received a net premium of $23,986,213. The total proceeds, less issuance costs and underwriter’s discount of $859,758 and $1,148,312, respectively, were used to partially refund $68,880,000 in Unlimited Tax Refunding Bonds, Series 2014A, partially refund $107,010,000 in Unlimited Tax Refunding Bonds, Taxable Series 2014A, and partially refund $93,200,000 in Unlimited Tax School Building Bonds, Taxable Series 2016A. Principal and interest payments are due every February 15 and August 15, beginning August 15, 2022 until February 15, 2034. The total interest requirements of these bonds aggregate $87,671,149, as of June 30, 2022. The aggregate difference in debt service between the refunding debt and the refunded debt is a savings of $15,650,790 which is a net present value economic gain of $15,652,481. The debt is subject to federal arbitrage regulations and is serviced by the Debt Service Fund.

The District’s underlying debt rating was last changed on November 22, 2019, an increase by Standard & Poor’s from AA to AA+ with outlook stable.

The following is a summary of the changes in the District's long-term debt for the year ended June 30, 2022:

Description	Long-Term Liabilities Outstanding July 1, 2021 (in thousands)	Additions and Interest Accretion (in thousands)	Retired/ Refunded/ Defeased (in thousands)	Long-Term Liabilities Outstanding June 30, 2022 (in thousands)	Amount Due Within One Year from June 30, 2022 (in thousands)
General Obligation Bonds:					
Series 2010C	$ 868,805	$ -	$ 23,665	$ 845,140	$ 23,525
Series 2012	26,340	-	7,940	18,400	18,400
Series 2012A	3,610	-	1,075	2,535	2,535
Series 2014A	176,630	-	79,095	97,535	11,635
Series 2015	200,195	-	116,450	83,745	-
Series 2016A	305,785	-	107,820	197,965	15,370
Series 2017 QZAB	4,405	-	-	4,405	-
Series 2019	61,565	-	3,480	58,085	3,660
Series 2019B	302,195	-	10,280	291,915	10,810
Series 2020	273,680	-	5,150	268,530	5,415
Series 2021	275,210	-	7,595	267,615	7,905
Series 2021A	158,900	-	21,020	137,880	23,220
Series 2021B	409,355	-	-	409,355	-
Series 2021C	-	68,815	66,670	2,145	2,145
Series 2022	-	406,905	-	406,905	86,355
Series 2022A	-	264,805	-	264,805	-
Total General Obligation Bonds	$ 3,066,675	$ 740,525	$ 450,240	$ 3,356,960	$ 210,975
Maintenance Tax Notes Payable:					
Series 2013-QSCB	$ 143,340	$ -	$ -	$ 143,340	$ -
Total Maintenance Tax Notes	$ 143,340	$ -	$ -	$ 143,340	$ -
Total Bonds and Notes Payable	$ 3,210,015	$ 740,525	$ 450,240	$ 3,500,300	$ 210,975
Commercial Paper	$ 30,000	$ 50,000	$ 30,000	$ 50,000	$ 50,000
Other Long-Term Obligations:					
Workers Compensation/Auto Liability	$ 10,315	$ 5,101	$ 4,286	$ 11,130	$ 4,323
Premium on Bonds	196,994	51,283	54,030	194,247	-
Financed Purchases	-	5,827	1,588	4,239	1,938
GASB 87 Lease Liability	11,093	8,892	3,123	16,862	2,623
Net Pension Liability	600,167	101,010	398,062	303,115	-
Net OPEB Liability	557,369	78,418	66,193	569,594	-
	$ 1,375,939	$ 250,531	$ 527,282	$ 1,099,187	$ 8,884
Totals	$ 4,615,954	$ 1,041,056	$ 1,007,522	$ 4,649,487	$ 269,859

For fiscal year ending June 30, 2022, the legal debt margin of the District is $10,731,521,212.

Debt Service Requirements. The annual requirements to pay principal and interest on the bond obligations and notes payable outstanding as of June 30, 2022, are as follows:

General Obligation Bonds

Year Ended June 30,	Principal (in thousands)	Interest (in thousands)	Total Requirements (in thousands)
2023	$ 210,975	$ 142,914	$ 353,889
2024	143,475	133,493	276,968
2025	171,885	126,552	298,437
2026	163,700	118,500	282,200
2027	190,740	110,564	301,304
2028-2032	1,029,710	421,454	1,451,164
2033-2037	918,780	159,099	1,077,879
2038-2042	242,535	49,774	292,309
2043-2047	169,910	25,764	195,674
2048-2055	115,250	8,133	123,383
Totals	$ 3,356,960	$ 1,296,247	$ 4,653,207

Maintenance Tax Notes

Year Ended June 30,	Principal (in thousands)	Interest (in thousands)	Total Requirements (in thousands)
2023	$ -	$ 7,237	$ 7,237
2024	-	7,237	7,237
2025	-	7,237	7,237
2026	-	7,237	7,237
2027	-	7,237	7,237
2028-2032	-	36,187	36,187
2033-2037	143,340	10,856	154,196
Totals	$ 143,340	$ 83,228	$ 226,568

The District legally defeased certain bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account assets and the liability for these defeased bonds are not included in the District's basic financial statements. There are currently $717,610,000 defeased bonds that remain in escrow at June 30, 2022 that have not met their redemption date.

Arbitrage. The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the United States Treasury of investment income received at yields that exceed the issuer's tax-exempt borrowing rates. The U.S. Treasury requires payment for each issue every five years. The estimated liability is updated annually for any tax-exempt issuances or changes in yields until such time payment of the calculated liability is due. At June 30, 2022, the District had no liability for arbitrage.

NOTE J: SHORT TERM OBLIGATIONS

Short Term Debt. In August 2018, the Board approved the issuance of Dallas Independent School District Commercial Paper Notes, Series A (Commercial Paper) in an aggregate principal amount not to exceed $300,000,000. The purpose of the Commercial Paper was for constructing, improving, renovating and equipping school buildings of the District and acquiring real property as authorized in the 2015 Bond Authorization; purchasing school buses and constructing and equipping bus maintenance and operating facilities for the District as authorized in the 2018 Transportation Bond Authorization; and refinancing, renewing or refunding outstanding Notes and Loans from time to time. The Commercial Paper Notes mature in not more than 270 days from issuance and are supported by a standby letter of credit with JPMorgan Chase Bank, National Association. Under the 2018 Transportation Bond Authorization, thirty million ($30,000,000) of the Commercial Paper, Series A was outstanding at the beginning of the fiscal year until July 2, 2021. This $30,000,000 was reissued at a rate of 0.08% until August 31, 2021, at which time, it was refunded by the Unlimited Tax School Building & Refunding Bonds, Series 2021C. The District's 2018 Commercial Paper Program ended on October 3, 2021.

In June 2021, the Board approved the issuance of Dallas Independent School District Unlimited Tax Commercial Paper Program, Series I, in an aggregate principal amount not to exceed $300,000,000, and the issuance of Dallas Independent School District Unlimited Tax Extendable Commercial Paper Program, Series II, in an aggregate principal amount not to exceed $200,000,000, for a total of $500,000,000 available for the District's 2021 Commercial Paper Program. Up to $300,000,000 in Commercial Paper may be issued against the Series I program, and up to $500,000,000 in contracts may be entered into under both the Series I and Series II programs. The purpose of the 2021 Commercial Paper Program is (i) the purchase of school buses and construction and equipping of the maintenance and operating facilities for the District, as authorized by the 2018 Transportation Bond Authorization and the 2020 School Building Bond Authorization; (ii) constructing, improving, renovating and equipping school buildings of the District and acquiring real property therefore as authorized by the 2020 School Building Bond Authorization; acquisition and updating of District technology equipment, as authorized by the 2020 Technology Bond Authorization; and, (iii) refinancing, renewing, or refunding Notes or Loans from time to time under any credit agreement. The Commercial Paper Notes mature in not more than 270 days from issuance and are supported by a standby letter of credit with Bank of America, National Association. A note of $1,225,000 to pay the costs of issuance of the 2021 Commercial Paper Program was issued by Bank of America on July 28, 2021, at a rate of 0.45%, and matured on February 17, 2022. Under the 2020 Technology

Bond Authorization, fifty million ($50,000,000) of Commercial Paper, Series I, was issued on March 3, 2022, at a rate of 0.70% and matures on July 1, 2022.

The Commercial Paper is secured by a pledge of the proceeds of future general obligation bonds or loans issued by the District to pay the principal of the Commercial Paper issued, or by proceeds from ad valorem property taxes. As of June 30, 2022, the District had a $50,000,000 outstanding balance of Commercial Paper issued.

Changes in the Commercial Paper are as follows:

Description	June 30, 2022	June 30, 2021
Beginning of the Period Liability	$ 30,000,000	$ 30,000,000
Bonds Issued	(30,000,000)	-
Commercial Paper Retirements	-	(30,000,000)
Commercial Paper Issuances	50,000,000	30,000,000
End of the Period Liability	$ 50,000,000	$ 30,000,000

NOTE K: DEFERRED INFLOWS OF RESOURCES

Governmental funds report an amount that represents an acquisition of net position for a future period that will not be recognized as revenue until that time. As of June 30, 2022, the District had the following Deferred Inflows of Resources reported in the General Fund and Debt Service Fund:

	General	Debt Service	Total
Property Taxes	$ 24,126,336	$ 5,173,052	$ 29,299,388
GASB 87 Leases	785,728	-	785,728
DCS Dissolution Payment	6,257,506	-	6,257,506
Medicaid/SHARS	44,624,525	-	44,624,525
Totals	$ 75,794,095	$ 5,173,052	$ 80,967,147

NOTE L: GENERAL FUND FEDERAL SOURCE REVENUE

Federal revenues recorded in the General Fund consist of the following:

Build America Bonds Subsidy	$ 17,864,867
E-Rate	3,196,339
Federal Revenue Distributed by TEA	13,329,542
Federal Revenue Distributed by Other Texas Agencies	239,940
Indirect Cost Reimbursement	21,680,075
Junior Reserve Officer Training Corps	2,566,339
School Health and Related Services	37,938,511
Qualified School Construction Bonds Subsidy	6,824,714
Emergency Connectivity Fund Revenue from USAC	3,038,124
Total	$ 106,678,451

NOTE M: DEFINED BENEFIT PENSION PLAN

Teacher Retirement System of Texas Plan Description. Dallas Independent School District participates in a cost-sharing multiple-employer defined benefit pension plan that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). 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 workload and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

Pension Plan Fiduciary Net Position. Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at https://www.trs.texas.gov/Pages/about_publications.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% (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (A) above.

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.

In May, 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provides for gradual contribution increases from the state, participating employers and active employees to make the pension fund actuarially sound. This action causing the pension fund to be actuarially sound, allowed the legislature to approve funding for a 13th check in September 2019. All eligible members retired as of December 31, 2018 received an extra annuity check in either the matching amount of their monthly annuity or $2,000, whichever was less.

Contributions. Contribution requirements are established or amended pursuant to Article 16, Section 67 of the Texas Constitution which requires the Texas Legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2020 through 2025. The 85th Texas Legislature, General Applications Act (GAA) affirmed that the employer contribution rates for fiscal years 2018 and 2019 would remain the same. SB12 in the 86th Legislature set higher contribution rates for fiscal year 2021 and fiscal year 2022. Beginning September 1, 2019, all employers are required to pay the Public Education Employer contribution of 1.5%. This "surcharge" was previously only charged to employers not participating in social security. Contribution Rates can be found in the TRS 2021 ACFR, Note 11, on page 85.

Contribution Rates

	2021	2022
Member	7.7%	8.0%
Non-Employer Contributing Entity (State)	7.5%	7.75%
Employers	7.5%	7.75%

Dallas ISD 2022 Employer Contributions	$ 44,719,456
Dallas ISD 2022 Member Contributions	$ 97,921,054
Dallas ISD 2022 NECE On-Behalf Contributions	$ 1,330,913

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

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.
- When the employing district is a public or charter school, the employer shall contribute 1.5% of covered payroll to the pension fund beginning in fiscal year 2020. This contribution rate called the Public Education Employer Contribution will replace the Non(OASDI) surcharge that was in effect in fiscal year 2019.
- In addition to the employer contributions listed above, there is an additional surcharge an employer is subject to.
- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees. This surcharge was in effect through fiscal year 2019 and was replaced with the Public Education Employer Contribution explained above.

Actuarial Assumptions. Roll Forward. A change was made in the measurement date of the total pension liability for the 2021 measurement year. The actuarial valuation was performed as of August 31, 2020. Update procedures were used to roll forward the total pension liability to August 31, 2021.

The following table discloses the assumptions that were applied to this measurement period:

Valuation Date	August 31, 2020 rolled forward to August 31, 2021
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.25%
Long-Term Expected Rate	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 years)	2120
Inflation	2.30%
Salary Increases	3.05% to 9.05% Including Inflation
Ad Hoc Post Employment Benefit Changes	None

The actuarial methods and assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2020. For a full description of these assumptions please see the TRS actuarial valuation report dated November 9, 2020.

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 plan investments of 7.25%. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 legislative session. It is assumed that future employer and state contributions will be 8.50% of payroll in fiscal year 2020 gradually increasing to 9.55% of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term rate of return on pension plan investments is 7.25%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2021 (see page 53 of the TRS ACFR) 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.	18.0%	3.6%	0.94%
Non-U.S. Developed	13.0%	4.4%	0.83%
Emerging Markets	9.0%	4.6%	0.74%
Directional Hedge Funds	0.0%	0.0%	0.00%
Private Equity	14.0%	6.3%	1.36%

Stable Value			
Government Bonds	16.0%	(0.2)%	0.01%
Stable Value Hedge Funds	5.0%	1.1%	0.12%
Absolute Return (including Credit Sensitive Investments)	0.0%	2.2%	0.00%
Real Return			
Real Estate	15.0%	4.5%	1.00%
Energy, Natural Resources, and Infrastructure	6.0%	4.7%	0.35%
Commodities	0.0%	1.7%	0.00%
Risk Parity			
Risk Parity	8.0%	2.8%	0.028%
Asset Allocation Leverage			
Asset Allocation Leverage Cash	2.0%	(0.7)%	(0.01)%
Asset Allocation Leverage	(6.0)%	(0.5)%	0.03%
Inflation Expectation			2.20%
Volatility Drag****			(0.95)%
Expected Return	100.0%		6.90%

* *Absolute Return includes Credit Sensitive Investments.*
** *Target Allocation based on the FY2021 policy model.*
*** *Capital Market Assumptions come from Aon Hewitt (as of 08/31/2021).*
**** *The volatility drag results from the conversion between arithmetic and geometric mean returns.*

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.25%) in measuring the Net Pension Liability. The discount rate can be found in the 2021 TRS ACFR, Note 11, page 88.

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
DISD's proportionate share of the net pension liability	$ 662,354,372	$ 303,114,994	$ 11,662,816

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2022, Dallas Independent School District reported a liability of $303,114,994 for its proportionate share of TRS's net pension liability. This liability reflects a reduction for state pension support provided to Dallas Independent School 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	$ 303,114,994
State's proportionate share that is associated with the District	332,905,041
Total	$ 636,020,035

The net pension liability was measured as of August 31, 2020, and rolled forward to 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 employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2020 through August 31, 2021.

At August 31, 2021, the employer's proportion of the collective net pension liability was 1.1902517295%. In the prior year, this was 1.1205941805%. This year there was a decrease of 0.0696575490% from the previous proportion measured as of August 31, 2020.

Changes Since the Prior Actuarial Valuation. Assumptions, methods, and plan changes, which are specific to the Pension Trust Fund, were updated from the prior year's report. The Net Pension Liability increased significantly since the prior measurement date due to a change in the following actuarial assumptions:

- The total pension liability as of August 31, 2021, was developed using a roll-forward method from the August 31, 2020 valuation.

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, Dallas Independent School District recognized pension expense of $24,013,302, and revenue of $1,330,913 for support provided by the state in the Government-wide Statement of Activities.

At June 30, 2022, Dallas Independent School District's proportionate share of TRS's deferred outflows of resources and deferred inflows of resources related to pensions were from the following sources. (The amounts shown below will be the cumulative layers from the current and prior years combined.)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 507,254	$ 21,339,535
Changes in actuarial assumptions	107,145,229	46,706,131
Difference between projected and actual investment earnings	-	254,157,988
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	29,941,124	15,237,383
Contributions paid to TRS subsequent to the measurement date	44,358,901	-
Total	$ 181,952,508	$ 337,441,037

The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions (not including the deferred contribution paid subsequent to the measurement date) will be recognized by TRS in pension expense as follows:

Year Ended June 30:	Pension Expense Amount
2023	$ (35,784,997)
2024	(38,087,891)
2025	(56,840,491)
2026	(72,764,749)
2027	2,622,914
Thereafter	1,007,784
Total	$ (199,847,430)

NOTE N: OTHER POST- EMPLOYMENT BENEFITS

Texas Public School Retired Employees Group Insurance Program Plan Description. The District contributes to 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. Detailed information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the internet at http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698, or by calling (512) 542-6592.

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2021 are as follows:

Net OPEB Liability	**Total**
Total OPEB Liability	$ 41,113,711,083
Less: Plan Fiduciary Net Position	2,539,242,470
Net OPEB Liability	**$ 38,574,468,613**
Net Position as percentage of Total OPEB Liability	6.18%

Benefits Provided. TRS-Care provides health insurance coverage to 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 is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

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

TRS-Care Monthly Premium Rates

	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, which is 0.75% of each active employee’s pay for fiscal year 2021, is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

Contribution Rates

	2021	**2022**
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding Remitted by Employers	1.25%	1.25%

Dallas ISD 2022 Employer Contributions	$	11,848,562
Dallas ISD 2022 Member Contributions	$	8,004,939
Dallas ISD 2022 NECE On-Behalf Contributions	$	28,165,308

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, when the retiree is enrolled.

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

Actuarial Assumptions. The total OPEB liability in the August 31, 2020 actuarial valuation was rolled forward to August 31, 2021. The actuarial valuation was determined by actuarial assumptions. The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2020 TRS pension actuarial valuation that was rolled forward to August 31, 2021:

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2020 rolled forward to August 31, 2021
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	1.95% as of August 31, 2021
Aging Factors	Based on Plan Specific Experience
Election Rates	Normal Retirement: 65% participation prior to age 65 and 40% participation after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65.
Expenses	Third-party administrative expenses related to the delivery of healthcare benefits are included in the age-adjusted claims costs.
Projected Salary Increases	3.05% to 9.05%
Ad Hoc Post Employment Benefit Changes	None

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

Discount Rate. A single discount rate of 1.95% was used to measure the total OPEB liability. There was a decrease of 0.38% in the discount rate since the previous year. The Discount Rate can be found in the 2021 TRS ACFR on page 77. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net OPEB Liability

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (1.95%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (0.95%)	Discount Rate (1.95%)	1% Increase in Discount Rate (2.95%)
DISD's proportionate share of the net OPEB liability	$ 687,062,068	$ 569,594,378	$ 477,143,483

Healthcare Cost Trend Rates Sensitivity Analysis. The following presents the Net OPEB Liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one-percentage point lower or one-percentage point higher than the assumed healthcare cost trend rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
DISD's proportionate share of the net OPEB liability	$ 461,352,570	$ 569,594,378	$ 714,827,995

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. At June 30, 2022, Dallas Independent School District reported a liability of $569,594,378 for its proportionate share of TRS's net OPEB liability. This liability reflects a reduction for state OPEB support provided to Dallas Independent School District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related state support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	$	569,594,378
State's proportionate share that is associated with the District		763,129,528
Total	$	1,332,723,906

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 that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2020 through August 31, 2021.

At August 31, 2021, the employer's proportion of the collective Net OPEB Liability was 1.47660978390% compared to the 1.4662009954% as of August 31, 2020. This is an increase of 0.010408788500%.

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

- The discount rate changed from 2.33% as of August 31, 2020 to 1.95% as of August 31, 2021. This change increased the Total OPEB Liability.
- The participation rate for pre-65 retirees was lowered from 50 percent to 40 percent. This change decreased the Total OPEB Liability.

Changes in Benefit Terms. There were no changes in benefit terms since the prior measurement date.

For the year ended June 30, 2022, Dallas Independent School District recognized OPEB expense of $45,227,982, and revenue of $28,165,308 for support provided by the state.

At June 30, 2022, Dallas Independent School 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	$ 24,523,735	$ 275,723,526
Changes in actuarial assumptions	63,089,265	120,458,669
Net difference between projected and actual investment earnings	618,396	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	19,422,352	4,419,067
Contributions paid to TRS subsequent to the measurement date (to be calculated by employer)	9,977,545	-
Total	$ 117,631,293	$ 400,601,262

The net amounts of the employer's balances of deferred outflows and inflows of resources (not including the deferred contribution paid subsequent to the measurement date) related to OPEBs will be recognized in OPEB expense as follows:

Year Ended June 30:	OPEB Expense Amount
2023	$ (58,066,950)
2024	(58,080,896)
2025	(58,077,078)
2026	(43,083,812)
2027	(22,785,614)
Thereafter	(52,853,164)
Total	$ (292,947,514)

NOTE O: RISK MANAGEMENT / AUTO LIABILITY

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District purchases commercial insurance to cover property losses. There were no significant reductions in insurance coverage from the prior year. There have been no claim settlements in excess of insurance coverage in the last three years.

Workers' Compensation. Beginning in 1989, the District moved from a self-insured workers' compensation program administered by a third party to a self-insured program administered by the District. The District currently reports all of its risk management activities in its Internal Service Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. The provision for reported claims and for claims incurred but not yet reported is determined by an actuary for the District management. The District has an agreement with a third party administrator to contract directly with medical providers for their workers' compensation program and their injured employees. At June 30, 2022, the accrued liability for workers' compensation self-insurance of $11.1 million includes incurred but not reported claims.

This liability is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements, and the amount of loss can be reasonably estimated. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing the liability does not necessarily result in an exact amount. This liability is the District's best estimate based on available information and management's estimate of administration costs necessary to provide future claims management.

Auto Liability. On July 1, 2018, the District established an internal service fund to accumulate and allocate all externally incurred liability expenses relating to student transportation and white fleet vehicle accidents such as physical damage, third party medical claims, and third party administrator costs, as well as contracted services and parts to repair district buses damaged in such incidents.

Changes in the reported accrued liability for Risk Management and Auto Liability resulted from the following:

Fiscal Year	Balance at Beginning of Year	Current Year Claims and Changes in Estimates	Claims Payments	Balance at End of Year
2021 - 2022	$ 10,315,184	$ 5,100,764	$ (4,286,068)	$ 11,129,880
2020 - 2021	$ 9,800,591	$ 3,998,461	$ (3,483,868)	$ 10,315,184

Health Insurance. The Board of Trustees approved the District's participation in the Teacher Retirement System (TRS) Active Care Health Insurance Program as sponsored by the Teacher Retirement System. From September 1, 2014 until August 31, 2020, the TRS-ActiveCare Health Insurance Program was administered by Aetna and CVS/Caremark Pharmacy. Effective September 1, 2020, the TRS-ActiveCare Health Insurance Program was administered by Blue Cross Blue Shield of Texas (BCBSTX). This is a premium based plan. Employees pay for the insurance on a monthly basis.

Medicare Part D. The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended June 30, 2022 and 2021, these on-behalf payments were $4,907,939 and $5,433,032, respectively, and were recorded as equal revenues and expenditures in the General Fund.

NOTE P: LITIGATION, CONTINGENCIES AND COMMITMENTS

The District participates in a number of federal and state financial assistance programs. These programs are governed by various statutory rules and regulations, and amounts received and receivable under the funding programs are subject to periodic audit and adjustment by the funding agencies. The District is also subject to audit by the Texas Education Agency, including student attendance data upon which many payments from the agency are based. Any non-compliance could result in questioned costs or refunds to be paid back to the granting agencies. The District has established appropriate liabilities for these items.

There are other claims and lawsuits arising principally in the normal course of operations. In the opinion of the District's management, the potential losses, after insurance coverage, on all allegations, claims, and lawsuits will not have a material effect on the District's financial position, results of operations, or liquidity.

NOTE Q: NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 87: *Leases*. Statement 87 was issued in June 2017. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It 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 this Statement, 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. This standard became effective for the District in fiscal year 2022. The District implemented GASB 87 in fiscal year 2022.

GASB Statement No. 89: *Accounting for Interest Cost Incurred Before the End of a Construction Period*. Statement 89 was issued in June 2018. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement became effective for the District in fiscal year 2022. The implementation had no significant effect on the District's financial statements.

GASB Statement No. 91: *Conduit Debt Obligations*. Statement 91 was issued in May 2019. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This standard becomes effective for the District in fiscal year 2023. The District has not yet determined the impact of this statement.

GASB Statement No. 92: *Omnibus 2020*. Statement 92 was issued in January 2020. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This standard became effective for the District in fiscal year 2022. The implementation had no significant effect on the District's financial statements.

GASB Statement No. 94: *Public-Private and Public-Public Partnerships and Availability Payment Arrangements.* Statement 94 was issued in March 2020. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. This standard becomes effective for the District in fiscal year 2023. The District has not yet determined the impact of this statement.

GASB Statement No. 96: *Subscription-Based Information Technology Arrangements.* Statement 96 was issued in May 2020. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases,* as amended. This standard becomes effective for the District in fiscal year 2023. The District has not yet determined the impact of this statement.

GASB Statement No. 97: *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.* Statement 97 was issued in June 2020. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. This standard became effective for the District in fiscal year 2022. The implementation had no significant effect on the District's financial statements.

Statement No. 100: *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62.* Statement 100 was issued in June 2022. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. Statement 100 defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. In addition, this Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections. This statement became effective for the District in fiscal year 2024. The District has not yet determined the impact of this statement.

Statement No. 101: *Compensated Absences.* Statement 100 was issued in June 2022. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. Further, this Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. This statement became effective for the District in fiscal year 2024. The District has not yet determined the impact of this statement.

NOTE R: EXTRAORDINARY ITEMS

Extraordinary items are defined as events that are both unusual in nature and infrequent in occurrence. In October 2019, three District schools were damaged by a tornado. In February 2021, district facilities were damaged due to Winter Storm Uri. Extraordinary Items (Sources) of $41.3 million consisted of $5.8 million of insurance proceeds received for winter storm damage and $35.5 million received for tornado damage. Extraordinary Items (Uses) of $11.5 million consisted of $1.8 million related to tornado damage, and $9.7 million related to winter storm damage.

NOTE S: SUBSEQUENT EVENTS

The District's management has reviewed its financial statements and evaluated subsequent events for the period of time from its year ended June 30, 2022 through November 1, 2022, the date the financial statements were issued. Management is not aware of any subsequent events, other than those described above, that would require recognition or disclosure in the accompanying financial statements.

On July 1, 2022, the District rolled $50 million of commercial paper for an additional 97 days at 140 bps to provide interim financing to pay technology project costs.

On July 29, 2022, the District purchased the building at 5501 LBJ Freeway for the purpose of serving as the International STEAM School. The building was purchased for $45,000,000.

APPENDIX C

FORM OF CO-BOND COUNSELS' OPINION

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FORM OF CO-BOND COUNSELS' OPINION

February 9, 2023

$551,460,000

DALLAS INDEPENDENT SCHOOL DISTRICT

UNLIMITED TAX SCHOOL BUILDING AND REFUNDING BONDS

SERIES 2023

We have represented the Dallas Independent School District (the "District"), as its co-bond counsel, in connection with the bonds hereinafter described (the "Bonds"):

> DALLAS INDEPENDENT SCHOOL DISTRICT UNLIMITED TAX SCHOOL BUILDING AND REFUNDING BONDS, SERIES 2023, dated February 1, 2023, in the aggregate principal amount of $551,460,000.
>
> The Bonds mature, bear interest, are subject to redemption prior to maturity, and may be transferred and exchanged as set out in the Bonds and in the order adopted by the Board of Trustees of the District authorizing their issuance (the "Bond Order") and the pricing certificate (the "Pricing Certificate," and together with the Bond Order, the "Order") executed pursuant thereto.

We have represented the District as its co-bond counsel for the sole purpose of rendering our opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and with respect to the excludability of interest on the Bonds from gross income for federal income tax purposes. We have not been requested to investigate or verify and have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of certified proceedings described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the District or the disclosure thereof in connection with the sale of the Bonds. Our role in connection with the District's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

In our capacity as co-bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Bonds and the obligations being refunded on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the District; a Certificate of Sufficiency (the "Sufficiency Certificate") of the issuing and paying agent verifying the sufficiency of deposits being made for the obligations being refunded (the "Refunded Obligations"); customary certificates of officers, agents and representatives of the District and other public officials; and other certified showings relating to the authorization and issuance of the Bonds, on which we have relied in giving our opinion. We also have analyzed such laws, regulations, guidance, documents and other materials as we have deemed necessary to render the opinions herein. We have also examined executed Bond No. 1 of this issue.

In providing the opinions set forth herein, we have relied on representations and certifications of the District and other parties involved with the issuance of the Bonds with respect to matters solely within the knowledge of the District and such parties, which we have not independently verified. In addition, we have assumed for purposes of this opinion continuing compliance with the covenants in the Order, including, but not limited to, covenants relating to the tax-exempt status of the Bonds. We have further relied on the Sufficiency Certificate of the issuing and paying agent regarding the mathematical accuracy of certain computations.

BASED ON SUCH EXAMINATION, IT IS OUR OPINION THAT:

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

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

(C) Firm banking and financial arrangements have been made for the discharge and final payment of the Refunded Obligations, and, therefore, the Refunded Obligations are deemed to be no longer outstanding except for the purpose of being paid from the funds provided therefor; and

(D) Interest on the Bonds is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended. In addition, interest on the Bonds is not a specific preference item for purposes of the alternative minimum tax, but we observe that such interest is taken into account in computing the alternative minimum tax on certain corporations for tax years beginning after December 31, 2022.

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

Except as stated above, we express no opinion as to the amount of interest on the Bonds or any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership, or disposition of the Bonds. This opinion is specifically limited to the laws of the State of Texas and, to the extent applicable, the laws of the United States of America. Further, in the event that , the representations of the District or other parties upon which we have relied or the Sufficiency Certificate are determined to be inaccurate or incomplete or the District fails to comply with the covenants of the Bond Order, interest on the Bonds could become includable in gross income for federal income tax purposes from the date of the original delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

Our opinions are based on existing law and our knowledge of facts as of the date hereof and may be affected by certain actions that may be taken or omitted on a later date. We assume no duty to update or supplement our opinions, and this opinion letter may not be relied upon in connection with any changes to the law or facts, or actions taken or omitted, after the date hereof.

Financial Advisory Services
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