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

OFFICIAL STATEMENT
Dated: July 11, 2023

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

$949,075,000
DENTON INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Denton County, Texas)
UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2023

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

The Denton Independent School District (the "District") is issuing its $949,075,000 Unlimited Tax School Building Bonds, Series 2023 (the "Bonds") in accordance with the Constitution and general laws of the State of Texas, including, particularly, Chapter 1371, Texas Government Code, as amended ("Chapter 1371"), Sections 45.001 and 45.003(b)(1), Texas Education Code, as amended, an election held in the District on May 6, 2023 (the "Election"), and a bond order (the "Bond Order") adopted by the Board of Trustees (the "Board") of the District on June 13, 2023, in which the Board delegated pricing of the Bonds and certain other matters to a "Pricing Officer" who approved and executed a "Pricing Certificate" on July 11, 2023, which completed the sale of the Bonds (the Bond Order and the Pricing Certificate are collectively referred to as the "Order").

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

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

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

Proceeds from the sale of the Bonds will be used (i) for designing, constructing, renovating, improving, upgrading, updating, modernizing, acquiring, and equipping school facilities (and any necessary or related removal of existing facilities), the purchase of the necessary sites for school facilities, and the purchase of new school buses and security devices for school buses; (ii) for acquiring, updating, improving, modernizing, and installing school technology improvements; (iii) to fund capitalized interest on the Bonds; and (iv) to pay costs of issuance related to the Bonds (see "THE BONDS – Purpose").

CUSIP PREFIX: 249002 / **MATURITY SCHEDULE & 9 DIGIT CUSIP** – See Schedule on Page 2

The Bonds are offered when, as and if issued, and accepted by the Underwriters, subject to the approving opinion of the Attorney General of the State of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Norton Rose Fulbright US LLP, Dallas, Texas. The Bonds are expected to be available for initial delivery through the services of DTC on or about August 10, 2023 (the "Date of Delivery").

Piper Sandler & Co.

FHN Financial Capital Markets		**Jefferies**
HilltopSecurities	**Mesirow Financial, Inc.**	**Raymond James**
RBC Capital Markets		**Siebert Williams Shank & Co., LLC**
Huntington Capital Markets		**Stephens Inc.**

CUSIP Prefix(A): 249002

MATURITY SCHEDULE

$439,270,000 Serial Bonds

Maturity Date (8/15)	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix(A)
2024	$ 6,045,000	5.000%	3.170%	LF(1)
2025	12,550,000	5.000	3.050	LG(9)
2026	14,505,000	5.000	2.970	LH(7)
2027	15,230,000	5.000	2.890	LJ(3)
2028	15,995,000	5.000	2.840	LK(0)
2029	15,685,000	5.000	2.900	LL(8)
2030	16,470,000	5.000	2.920	LM(6)
2031	17,290,000	5.000	2.920	LN(4)
2032	18,155,000	5.000	2.930	LP(9)
2033	19,055,000	5.000	2.970	LQ(7)
2034	24,055,000	5.000	3.050(B)	LR(5)
2035	25,375,000	5.000	3.120(B)	LS(3)
2036	26,095,000	5.000	3.200(B)	LT(1)
2037	27,555,000	5.000	3.300(B)	LU(8)
2038	29,105,000	5.000	3.420(B)	LV(6)
2039	30,465,000	5.000	3.530(B)	LW(4)
2040	29,465,000	5.000	3.610(B)	LX(2)
2041	29,205,000	5.000	3.690(B)	LY(0)
2042	30,665,000	5.000	3.750(B)	LZ(7)
2043	36,305,000	5.000	3.800(B)	MA(1)

(Interest to accrue from the Date of Delivery)

$509,805,000 Term Bonds

$233,475,000 5.000% Term Bond due August 15, 2048, Price 108.012%, Yield 4.020%(B), CUSIP Suffix(A) MB(9)

$276,330,000 5.000% Term Bond due August 15, 2053, Price 107.500%, Yield 4.080%(B), CUSIP Suffix(A) MC(7)

(Interest to accrue from the Date of Delivery)

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

MANDATORY SINKING FUND REDEMPTION…The Bonds maturing on August 15, 2048, and August 15, 2053 (the "Term Bonds"), are also subject to mandatory sinking fund redemption as described herein (see "THE BONDS – Redemption Provisions").

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

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

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

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

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

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

None of the District, the Financial Advisor, or the Underwriters makes any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company ("DTC") or its book-entry-only system described under "BOOK-ENTRY-ONLY SYSTEM" or the affairs of the TEA described under "Appendix E – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" as such information has been provided by DTC and TEA, respectively.

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

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

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

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

TABLE OF CONTENTS

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

SELECTED DATA FROM THE OFFICIAL STATEMENT

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

The District	Denton Independent School District (the "District") is a political subdivision of the State of Texas (the "State") located in Denton County, Texas. The District is governed by a seven-member Board of Trustees (the "Board"). Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent of Schools, who is the chief administrative officer of the District. Support services are supplied by consultants and advisors. For more information regarding the District, see "Appendix A – FINANCIAL INFORMATION REGARDING THE DISTRICT" and "Appendix B – GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY."
Authority for Issuance	The District's Unlimited Tax School Building Bonds, Series 2023 (the "Bonds") are being issued pursuant to the Constitution and general laws of the State, including, particularly, Chapter 1371, Texas Government Code, as amended ("Chapter 1371"), Sections 45.001 and 45.003(b)(1), Texas Education Code, as amended, an election held in the District on May 6, 2023 (the "Election"), and an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board on June 13, 2023. In the Bond Order, the Board delegated to an officer of the District (the "Pricing Officer") authority to complete the sale of the Bonds. The terms of the sale are included in a "Pricing Certificate," which was approved and executed by the Pricing Officer on July 11, 2023, and completed the sale of the Bonds (the Bond Order and the Pricing Certificate are collectively referred to as the "Order") (see "THE BONDS – Authorization").
The Bonds	The Bonds shall mature on the dates and in the amounts set forth on page 2 of this Official Statement (see "THE BONDS – General Description").
Payment of Interest	Interest on the Bonds will accrue from the date of their initial delivery (the "Date of Delivery") to the initial purchasers thereof (the "Underwriters") and will be payable on August 15, 2023 and semiannually thereafter on each succeeding February 15 and August 15 of each year until stated maturity or prior redemption (see "THE BONDS – General Description").
Security	The Bonds constitute direct obligations of the District, payable as to principal and interest from an annual ad valorem tax levied against all taxable property located within the District, without legal limit as to rate or amount (see "THE BONDS – Security"). Also see "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" for a discussion of recent developments in State law affecting the financing of school districts in the State. Additionally, the District has received conditional approval from the Texas Education Agency for the payment of the Bonds to be guaranteed by the corpus of the Permanent School Fund of the State of Texas (see "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").
Use of Proceeds	Proceeds from the sale of the Bonds will be used (i) for designing, constructing, renovating, improving, upgrading, updating, modernizing, acquiring, and equipping school facilities (and any necessary or related removal of existing facilities), the purchase of the necessary sites for school facilities, and the purchase of new school buses and security devices for school buses; (ii) for acquiring, updating, improving, modernizing, and installing school technology improvements; (iii) to fund capitalized interest on the Bonds; and (iv) to pay costs of issuance related to the Bonds (see "THE BONDS – Purpose").
Redemption Provisions	<u>*Optional Redemption*</u>. The Bonds maturing on and after August 15, 2034, are subject to redemption prior to stated maturity, at the option of the District, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2033, or any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption (see "THE BONDS – Redemption Provisions"). <u>*Mandatory Sinking Fund Redemption*</u>. The Bonds maturing on August 15, 2048, and August 15, 2053 (the "Term Bonds"), are also subject to mandatory sinking fund redemption as described herein (see "THE BONDS – Redemption Provisions").

Tax Exemption	In the opinion of Bond Counsel, interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on certain corporations.
Ratings	S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P"), and Fitch Ratings, Inc. ("Fitch") have assigned municipal bond ratings of "AAA" and "AAA", respectively to the Bonds based upon the Permanent School Fund Guarantee. S&P and Fitch generally rate all bond issues guaranteed by the Permanent School Fund of the State of Texas "AAA" and "AAA", respectively (see "Appendix E – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "RATINGS"). The District's underlying ratings for the Bonds (without consideration of the Permanent School Fund Guarantee or other credit enhancement) are "AA" by S&P and "AA" by Fitch (see "RATINGS").
Book-Entry-Only System	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. The principal of and interest on the Bonds at maturity or on a prior redemption date will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "BOOK-ENTRY-ONLY SYSTEM").
Paying Agent/Registrar	The initial Paying Agent/Registrar for the Bonds is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (see "REGISTRATION, TRANSFER AND EXCHANGE – Paying Agent/Registrar").
Continuing Disclosure of Information	Pursuant to the Order, the District is obligated to provide certain updated financial information and operating data annually, and to provide timely notice of certain specified events which will be available to investors as described in the section captioned "CONTINUING DISCLOSURE OF INFORMATION." Also see "Appendix E – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" for a description of the undertaking of the Texas Education Agency to provide certain information on a continuing basis.
Payment Record	The District has never defaulted on the payment of its bonded indebtedness.
Legality	Delivery of the Bonds is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality and tax exemption by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel (see "LEGAL MATTERS" and "TAX MATTERS").

For additional information regarding the District, please contact:

Dr. Scott Niven Deputy Superintendent Denton Independent School District 1307 North Locust Street Denton, Texas 76201 Phone: (940) 369-0010	or	Joshua McLaughlin or Alison Long BOK Financial Securities, Inc. 333 West Campbell Road, 4th Floor Richardson, Texas 75080 Phone: (214) 576-0878

DENTON INDEPENDENT SCHOOL DISTRICT
OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

Name	Term Expires	Occupation
Mia Price, President	May 2025	Financial Manager
Barbara Burns, Vice President	May 2024	Retired Educator
Dr. Patsy Sosa-Sanchez, Secretary	May 2026	Program Coordinator, University of North Texas-Dallas
Sheryl English, Member	May 2024	Real Estate Professional
Amy Bundgus, Member	May 2025	Corporate Learning and Development Professional
Charles Stafford, Member	May 2025	Real Estate Professional
Lori Tays, Member	May 2026	Nurse

CERTAIN DISTRICT OFFICIALS

Name	Position
Dr. Jamie Wilson	Superintendent of Schools
Dr. Scott Niven [(A)]	Deputy Superintendent
Dr. Jeremy Thompson [(A)]	Deputy Superintendent / Chief Financial Officer
Dr. Mike Mattingly	Associate Superintendent of Curriculum, Instruction and Staff Development
Dr. Susannah O'Bara	Assistant Superintendent of Academic Programs
Dr. Robert Stewart	Assistant Superintendent of Human Resources
Deron Robinson	General Counsel
Robert Pierce	Chief Technology Officer
Julie Zwahr	Chief Communications Officer
Paul Andress	Executive Director of Operations
Vicki Garcia	Executive Director of Financial Operations
Jennifer Stewart	Executive Director of Budget

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[(A)] Dr. Scott Niven has announced his retirement, but will remain at the District part-time over the next few months as they transition his responsibilities to recently-hired Dr. Jeremy Thompson.

CONSULTANTS AND ADVISORS

Auditors .... Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas

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

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

OFFICIAL STATEMENT RELATING TO

$949,075,000
DENTON INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Denton County, Texas)
UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2023

INTRODUCTORY STATEMENT

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

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

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

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

THE BONDS

Authorization

The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including, particularly, Chapter 1371, Texas Government Code, as amended ("Chapter 1371"), Sections 45.001 and 45.003(b)(1), Texas Education Code, as amended, an election held in the District on May 6, 2023 (the "Election"), and an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the District's Board of Trustees (the "Board") on June 13, 2023. In the Bond Order, the Board delegated to an officer of the District (the "Pricing Officer") authority to complete the sale of the Bonds. The terms of the sale are included in a "Pricing Certificate," which was approved and executed by the Pricing Officer on July 11, 2023, and completed the sale of the Bonds (the Bond Order and the Pricing Certificate are collectively referred to as the "Order"). Capitalized terms used herein have the same meanings assigned to such terms in the Order, except as otherwise indicated.

Purpose

Proceeds from the sale of the Bonds will be used (i) for designing, constructing, renovating, improving, upgrading, updating, modernizing, acquiring, and equipping school facilities (and any necessary or related removal of existing facilities), the purchase of the necessary sites for school facilities, and the purchase of new school buses and security devices for school buses; (ii) for acquiring, updating, improving, modernizing, and installing school technology improvements; (iii) to fund capitalized interest on the Bonds; and (iv) to pay costs of issuance related to the Bonds. After the issuance of the Bonds, the District will have $381,996,928 of voter authorized but unissued unlimited ad valorem tax bonds remaining from the Election (see "Table 13 – Authorized But Unissued Bonds" in Appendix A).

General Description

The Bonds shall be dated July 15, 2023, and interest accruing on the Bonds will be calculated on the basis of a 360-day year of twelve 30-day months. Interest on the Bonds will accrue from the date of their initial delivery (the "Date of Delivery") to the initial purchasers thereof (the "Underwriters"), at the interest rates shown on page 2 hereof and such interest shall be payable to the registered owners thereof commencing on August 15, 2023, and semiannually thereafter on each succeeding February 15 and August 15 until stated maturity or prior redemption. The Bonds are to mature on the dates and in the principal amounts shown on page 2 hereof. The Bonds will be issued as fully registered obligations in principal denominations of $5,000 or any integral multiple thereof within a maturity. The paying agent and transfer agent for the Bonds is initially The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Paying Agent/Registrar").

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

Interest on the Bonds will be payable to the registered owner whose name appears on the bond registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined) and such accrued interest will be paid by (i) check sent by United States mail, first class, postage prepaid, to the address of the registered owner appearing on such registration books of the Paying Agent/Registrar or (ii) such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. The record date for determining the party to whom interest is payable on any interest payment date for the Bonds is the close of business on the last business day of the month next preceding such interest payment date (the "Record Date") (provided, however, the Record Date for the August 15, 2023 interest payment date shall be the Date of Delivery) (see "REGISTRATION, TRANSFER AND EXCHANGE – Record Date for Interest Payment"). The principal of the Bonds at maturity or on a prior redemption date will be payable only upon presentation of such Bonds at the designated office of the Paying Agent/Registrar upon maturity or prior redemption, as applicable; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Bonds, all payments will be made as described under "BOOK-ENTRY-ONLY SYSTEM" herein.

Security

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

Permanent School Fund Guarantee

In connection with the sale of the Bonds, the District has received conditional approval from the Texas Commissioner of Education for guarantee of the Bonds under the Texas Permanent School Fund Guarantee Program (Chapter 45, Subchapter C of the Texas Education Code, as amended). Subject to satisfying certain conditions discussed in "Appendix E – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein, the Bonds will be absolutely and unconditionally guaranteed by the corpus of the Permanent School Fund of the State of Texas.

In the event of default, registered owners will receive all payments due on the Bonds from the corpus of the Permanent School Fund. The Permanent School Fund Guarantee will terminate with respect to Bonds that are defeased (see "THE BONDS – Defeasance of Bonds").

Redemption Provisions

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

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

Mandatory Sinking Fund Redemption. The Bonds maturing on August 15, 2048, and August 15, 2053 (the "Term Bonds"), are also subject to mandatory sinking fund redemption prior to stated maturity at the price of par plus accrued interest to the mandatory redemption date on the respective dates and in principal amounts as follows:

Term Bond Due August 15, 2048		Term Bond Due August 15, 2053	
Redemption Date (8/15)	Principal Amount	Redemption Date (8/15)	Principal Amount
2044	$ 55,770,000	2049	$ 50,010,000
2045	43,275,000	2050	52,510,000
2046	42,640,000	2051	55,135,000
2047	44,775,000	2052	57,890,000
2048[(A)]	47,015,000	2053[(A)]	60,785,000

[(A)] Stated maturity.

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

Notice of Redemption

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

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

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

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

Legality

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

Payment Record

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

Defeasance of Bonds

The Order provides for the defeasance of the Bonds when the payment on the Bonds to the due date thereof (whether such due date be by reason of maturity or otherwise) is provided by irrevocably depositing with the Paying Agent/Registrar or authorized escrow agent, in trust (1) money sufficient to make such payment and/or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times to ensure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds, and thereafter the District will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased Bonds, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The Order provides that “Defeasance Securities” means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Bonds. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the District authorizes the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the District authorizes the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent. There is no assurance that current State law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Order does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Defeasance Securities or those for any other Defeasance Security will be maintained at any particular rating category.

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

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

Amendments

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

The Order further provides that the holders of the Bonds aggregating in principal amount of a majority of outstanding Bonds that are the subject of a proposed amendment shall have the right from time to time to approve any amendment not described above to the

Order if it is deemed necessary or desirable by the District; provided, however, that without the consent of 100% of the holders in principal amount of the then outstanding Bonds, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Bonds; (ii) reducing the rate of interest borne by any of the outstanding Bonds; (iii) reducing the amount of the principal of, or redemption premium, if any, payable on any outstanding Bonds; (iv) modifying the terms of payment of principal or of interest or redemption premium on outstanding Bonds, or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Bonds necessary for consent to such amendment. Reference is made to the Order for further provisions relating to the amendment thereof.

Sources and Uses of Funds

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

Sources:		
	Principal Amount of the Bonds	$ 949,075,000.00
	Original Issue Reoffering Premium on the Bonds	93,527,043.65
	Total Sources of Funds	**$ 1,042,602,043.65**
Uses:		
	Deposit to Construction Fund	$ 1,036,485,000.00
	Costs of Issuance and Underwriters' Discount	5,457,963.79
	Deposit to Interest and Sinking Fund [(A)]	659,079.86
	Total Uses of Funds	**$ 1,042,602,043.65**

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

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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

REGISTERED OWNERS' REMEDIES

The Order specifies events of default as the failure of the District to make payment of the principal of or interest on any of the Bonds when the same becomes due and payable, along with the failure by the State of Texas to honor the Permanent School Fund guarantee for such payment, or default in the performance or observance of any other covenant, agreement or obligation of the District, which failure materially, adversely affects the rights of the registered owners, including, but not limited to, their prospect or ability to be repaid in accordance with the Order, and the continuation thereof for a period of 60 days after notice of such default is given by any registered owner to the District. Upon an event of default, the registered owners may seek a writ of mandamus to compel District officials to carry out their legally imposed duties with respect to the Bonds, as well as enforce rights of payment under the Permanent School Fund Guarantee, if there is no other available remedy at law to compel performance of the Bonds or the Order covenants and the District's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Order does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the District to perform in accordance with the terms of the Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Chapter 1371, which pertains to the issuance of public securities by issuers such as the District, permits the District to waive sovereign immunity in the proceedings authorizing its bonds. Notwithstanding its reliance upon the provisions of Chapter 1371 in connection with the issuance of the Bonds (as further described under the subcaption "THE BONDS – Authorization"), the District has not waived the defense of sovereign immunity with respect thereto. Because it is unclear whether the Texas legislature has effectively waived the District's sovereign immunity from a suit for money damages, bondholders may not be able to bring such a suit against the District for breach of the Bonds or Order covenants in the absence of District action. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the United States Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce creditors' rights would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors, principles of governmental immunity and by general principles of equity which permit the exercise of judicial discretion.

See "Appendix E – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein for a description of the procedures to be followed for payment of the Bonds by the Permanent School Fund in the event the District fails to make a payment on the Bonds when due. Initially, the only registered owner of the Bonds will be Cede & Co., as DTC's nominee. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the duties of DTC with regard to ownership of Bonds.

BOOK-ENTRY-ONLY SYSTEM

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

The District, the Financial Advisor and the Underwriters cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each stated maturity of the Bonds, as set forth on page 2 hereof, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating from S&P Global Ratings of "AA+." The DTC Rules applicable to its Participants are on file with the United States Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

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

Effect of Termination of Book-Entry-Only System

In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the District, printed Bonds will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Order and summarized under "REGISTRATION, TRANSFER AND EXCHANGE" below.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

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

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

Future Registration

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

Record Date for Interest Payment

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

Limitation on Transfer of Bonds

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

Replacement Bonds

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

LEGAL MATTERS

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

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

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

TAX MATTERS

Opinion

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

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

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

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

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

Collateral Federal Income Tax Consequences

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

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

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

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

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

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

State, Local and Foreign Taxes

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

Information Reporting and Backup Withholding

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

Future and Proposed Legislation

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

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

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

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

STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS

Litigation Relating to the Texas Public School Finance System

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

On May 13, 2016, the Court issued its opinion in the most recent school finance litigation, *Morath v. The Texas Taxpayer and Student Fairness Coalition*, 490 S.W.3d 826 (Tex. 2016) ("*Morath*"). The plaintiffs and intervenors in the case had alleged that the Finance

System, as modified by the State Legislature in part in response to prior decisions of the Court, violated article VII, section 1 and article VIII, section 1-e of the Texas Constitution. In its opinion, the Court held that "[d]espite the imperfections of the current school funding regime, it meets minimum constitutional requirements." The Court also noted that:

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

Possible Effects of Changes in Law on District Bonds

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

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

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

Overview

The following language constitutes only a summary of the public school finance system as it is currently structured. For a more complete description of school finance and fiscal management in the State, reference is made to Chapters 43 through 49 of the Texas Education Code, as amended.

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

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

2021 Regular and Special Legislative Sessions. The Texas 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”). During the 87th Regular Session, the Legislature did not make significant changes to the school finance system, State funding of school districts, nor ad valorem taxation procedures affecting school districts.

When the regular Legislature is not in session, the Governor of Texas (the “Governor”) may call one or more special sessions, at the Governor’s direction, each lasting no more than 30 days, and for which the Governor sets the agenda. Following the conclusion of the 87th Regular Session, the Texas Governor called three special sessions of the Legislature. No significant changes were made to the Texas school finance system or property tax systems during the First and Second Special Sessions. Senate Joint Resolution 2, passed during the Third Special Session, proposed a constitutional amendment increasing the mandatory homestead exemption for school districts from $25,000 to $40,000, which was approved by voters at an election held May 7, 2022. The amendment to the Constitution became effective beginning January 1, 2022. As a result of the increased exemption, additional changes to the education finance system have been implemented, including “hold harmless” allotments, to provide funding to school districts who have less revenue (including revenues specifically for debt service and maintenance and operations) due to the implementation of the increased homestead exemption. At this time, the District cannot ascertain the financial impact, if any, the change in homestead exemption will have on the District’s finances.

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

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

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

As of the date of this Official Statement, SB 2 has not yet been signed into law by the Governor.

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

Local Funding for School Districts

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

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

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

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

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

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

State Funding for School Districts

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

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

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

Tier One and Tier Two allotments represent the State's share of the cost of M&O expenses of school districts, with local M&O taxes representing the school district's local share. EDA and IFA allotments supplement a school district's local I&S taxes levied for debt service on eligible bonds issued to construct, acquire and improve facilities, provided that a school district qualifies for such funding and that the State Legislature makes sufficient appropriations to fund the allotments for a State fiscal biennium. Tier One and Tier Two allotments and existing EDA and IFA allotments are generally required to be funded each year by the State Legislature.

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

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

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

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

Existing Debt Allotment, Instruction Facilities Allotment, and New Instructional Facilities Allotment. The Foundation School Program also includes facilities funding components consisting of the IFA and the EDA, subject to legislative appropriation each State fiscal biennium. To the extent funded for a biennium, these programs assist school districts in funding facilities by, generally, equalizing a school district's I&S tax effort. The IFA guarantees each awarded school district a specified amount per student (the "IFA Yield") in State and local funds for each cent of I&S tax levied to pay the principal of and interest on eligible bonds issued to construct, acquire, renovate or improve instructional facilities. The IFA Yield has been $35 since this program first began in 1997. New awards of IFA are only available if appropriated funds are allocated for such purpose by the State Legislature. To receive an IFA award, in years where new IFA awards are available, a school district must apply to the Commissioner in accordance with rules adopted by the TEA before issuing the bonds to be paid with IFA State assistance. The total amount of debt service assistance over a biennium for which a school district may be awarded is limited to the lesser of (1) the actual debt service payments made by the school district in the biennium in which the bonds are issued; or (2) the greater of (a) $100,000 or (b) $250 multiplied by the number of students in ADA. The IFA is also available for lease-purchase agreements and refunding bonds meeting certain prescribed conditions. Once a school district receives an IFA award for bonds, it is entitled to continue receiving State assistance for such bonds without reapplying to the Commissioner. The guaranteed level of State and local funds per student per cent of local tax effort applicable to the bonds may not be reduced below the level provided for the year in which the bonds were issued. For the 2022-2023 State fiscal biennium, the State Legislature did not appropriate any funds for new IFA awards; however, awards previously granted in years the State Legislature did appropriate funds for new IFA awards will continue to be funded.

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

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

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

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

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

Local Revenue Level in Excess of Entitlement

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

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

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

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

CURRENT PUBLIC SCHOOL FINANCE SYSTEM AS APPLIED TO THE DISTRICT

For the 2022-2023 fiscal year, the District was designated as an "excess local revenue" district by the TEA. Accordingly, the District is required to exercise one of the wealth equalization options permitted under applicable State law. While the District is not projected to owe any recapture during fiscal year 2022-2023, the District has notified the TEA that it intends to reduce its wealth per student, if needed, pursuant to Option 3, an agreement to purchase attendance credits pursuant to Chapter 49, Texas Education Code, as amended (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Revenue Level in Excess of Entitlement" herein).

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

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

AD VALOREM PROPERTY TAXATION

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

Valuation of Taxable Property

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

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

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

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

State Mandated Homestead Exemptions. State law grants, with respect to each school district in the State, (1) a $40,000 exemption (as described below) of the appraised value of all homesteads, (2) a $10,000 exemption of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled, and (3) various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty. Senate Joint Resolution 2, passed during the Third Special Session of the 87th Texas Legislature, proposed a constitutional amendment increasing the mandatory homestead exemption for school districts from $25,000 to $40,000. This constitutional amendment was approved by the voters at an election held on May 7, 2022, and this increased exemption amount is effective for the tax year beginning January 1, 2022. Senate Bill 1, which was also passed during the Third Special Session of the 87th Texas Legislature made provisions based on the outcome of the constitutional amendment election for additional State aid to hold school districts harmless for tax revenue losses resulting from 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. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit.

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

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

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

Certain goods, that are acquired in or imported into the State to be forwarded to another location within or 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.

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

Temporary Exemption for Qualified Property Damaged by a Disaster. The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the Governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. Except in situations where the territory is declared a disaster on or after the date the taxing unit adopts a tax rate for the year in which the disaster declaration is issued, the governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the Governor declares the area to be a disaster area. For more information on the exemption, reference is made to Section 11.35 of the Tax Code. Section 11.35 of the Tax Code was enacted during the 2019 legislative session, and there is no judicial precedent for how the statute will be applied. Texas Attorney General Opinion KP-0299, issued on April 13, 2020, concluded a court would likely find the Texas Legislature intended to limit the temporary tax exemption to apply to property physically harmed as a result of a declared disaster.

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

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

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

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

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

District and Taxpayer Remedies

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

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

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

Levy and Collection of Taxes

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

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

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

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

Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, adverse market conditions, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer's debt.

Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT

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

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

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

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

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

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

The District does not tax non-business personal property.

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

The District exempts "freeport property" from taxation.

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

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

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

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

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

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

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

TAX RATE LIMITATIONS

M&O Tax Rate Limitations

The District is authorized to levy an M&O tax rate pursuant to the approval of the voters of the District at an election held on March 6, 1965, 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").

Section 45.0031 of the Texas Education Code, as amended, requires a school district to demonstrate to the Texas Attorney General that it has the prospective ability to pay its maximum annual debt service on a proposed issue of bonds and all previously issued bonds, other than bonds approved by voters of a school district at an election held on or before April 1, 1991 and issued before September 1, 1992 (or debt issued to refund such bonds, collectively, "exempt bonds"), from a tax levied at a rate of $0.50 per $100 of assessed valuation before bonds may be issued (the "50-cent Test"). In demonstrating the ability to pay debt service at a rate of $0.50, a school district may take into account EDA and IFA allotments to the school district, which effectively reduces the school district's local share of debt service, and may also take into account Tier One funds allotted to the school district. If a school district exercises this option, it may not adopt an I&S tax until it has credited to the school district's I&S fund an amount equal to all State allotments provided solely for payment of debt service and any Tier One funds needed to demonstrate compliance with the 50-cent Test and which is received or to be received in that year. Additionally, a school district may demonstrate its ability to comply with the 50-cent Test by applying the $0.50 tax rate to an amount equal to 90% of projected future taxable value of property in the school district, as certified by a registered professional appraiser, anticipated for the earlier of the tax year five (5) years after the current tax year or the tax year in which the final payment for the bonds is due. However, if a school district uses projected future taxable values to meet the 50-cent Test and subsequently imposes a tax at a rate greater than $0.50 per $100 of valuation to pay for bonds subject to the 50-cent Test, then for subsequent bond issues, the Texas Attorney General must find that the school district has the projected ability to pay principal and interest on the proposed bonds and all previously issued bonds subject to the 50-cent Test from a tax rate of $0.45 per $100 of valuation. Once the prospective ability to pay such tax has been shown and the bonds are issued, a school district may levy an unlimited tax to pay debt service. Refunding bonds issued pursuant to Chapter 1207, Texas Government Code, are not subject to the 50-cent Test; however, taxes levied to pay debt service on such bonds (other than bonds issued to refund exempt bonds) are included in maximum annual debt service for calculation of the 50-cent Test when applied to subsequent bond issues that are subject to the 50-cent Test. The Bonds are issued for school building purposes pursuant to Chapter 45, Texas Education Code as new debt and are, therefore, subject to the 50-cent Test. In connection with the issuance of the Bonds, the District does not expect to use State assistance or projected property values to satisfy this threshold test.

Public Hearing and Voter-Approval Tax Rate

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

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

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

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

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

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

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

RATINGS

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

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

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

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

INVESTMENT AUTHORITY AND INVESTMENT OBJECTIVES OF THE DISTRICT

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

Legal Investments

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

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

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

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

Investment Policies

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

State law requires the District's investments be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived." The District is required to perform an annual audit of the management controls on investments and compliance with its investment policies and provide regular training for its investment officers.

Current Investments

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

Investment Instrument	Book Value	Percentage
Lone Star Investment Pool ("Lone Star")(A)	$ 229,565,345.10	55.39%
TexasTERM Local Government Investment Pool ("TexasTERM")(A)	85,902,670.21	20.73%
Texas Cooperative Liquid Assets Securities System Trust ("Texas CLASS")(A)	57,882,558.37	13.97%
Texas Local Investment Pool ("TexPool")(A)	26,793,607.90	6.46%
PNC Bank Money Market Accounts	9,343,570.04	2.25%
Texas Short Term Asset Reserve Program ("TexSTAR")(A)	4,976,865.40	1.20%
Total	**$ 414,464,617.02**	**100.00%**

(A) Lone Star, TexasTERM, Texas CLASS, TexPool and TexSTAR operate pursuant to Chapter 2256 of the Texas Government Code, as amended. Lone Star, TexasTERM, Texas CLASS, TexPool and TexSTAR operate as a money market equivalent, in a manner consistent with the SEC's Rule 2a-7 under the Investment Company Act of 1940. No funds of the District are invested in derivative securities, i.e. securities whose rate of return is determined by reference to some other instrument, index or commodity.

EMPLOYEES' BENEFIT PLANS

The District's employees participate in a retirement plan (the "Plan") with the State. The Plan is administered by the Teacher Retirement System of Texas ("TRS"). State contributions are made to cover costs of the TRS retirement plan up to certain statutory limits. The District is obligated for a portion of TRS costs relating to employee salaries that exceed the statutory limit. For the State's fiscal year ended August 31, 2022, the State contributed $12,331,619 to TRS on behalf of the District. For the District's fiscal year ended June 30, 2022, District employees paid $19,427,762 and other contributions into the Plan made from federal and private grants and the District for salaries above the statutory minimum were $9,082,975. For more detailed information concerning the Plan, TRS's net pension liability with respect thereto and the District's proportionate share of such net pension liability, see Note 11 to the District's audited financial statements attached hereto as Appendix D.

In addition to its participation in the TRS, the District contributes to the Texas Public School Retired Employees Group Insurance Program (the "TRS-Care Retired Plan"), a cost-sharing multiple-employer defined benefit post-employment health care plan. The TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the TRS. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. For more detailed information concerning the District's funding policy and contributions in connection with the TRS-Care Retired Plan, see Note 12 to the District's audited financial statements attached hereto as Appendix D.

In addition to the Plan and the TRS-Care Retired Plan, the District provides health care coverage for its employees. For a more detailed discussion of the District's medical benefit plan, see Note 15 to the audited financial statements of the District that are attached hereto as Appendix D.

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

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

CYBERSECURITY

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

INFECTIOUS DISEASE OUTBREAK – COVID-19

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as 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, 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 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 establishment. 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.

The full extent of the ongoing impact of COVID-19 on the District's longer-term operational and financial performance will depend on future developments, many of which are outside of its control, including the effectiveness of any mitigation strategies, the duration and spread of COVID-19, and future governmental actions, all of which are highly uncertain and cannot be predicted. 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. In addition, the federal government has taken, and continues to consider additional action without precedent in effort to counteract or mitigate the Pandemic's economic impact. These conditions and related responses and reactions may reduce or negatively affect property values within the District (see "AD VALOREM PROPERTY TAXATION"). 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 "Appendix E – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM."

Certain financial and operating data contained in this Official Statement are as of dates and for periods prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, such data is not indicative of the current financial condition or future prospects of the District.

CONTINUING DISCLOSURE OF INFORMATION

In the Order, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the MSRB. See "Appendix E – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" for a description of the TEA's continuing disclosure undertaking to provide certain updated financial information and operating data annually with respect to the Permanent School Fund and the State, as the case may be, and to provide timely notice of certain specified events related to the guarantee to the MSRB.

Annual Reports

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

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

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

Notices of Certain Events

The District will also provide timely notices of certain events to the MSRB. The District will provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a Financial Obligation of the District or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties. In addition, the District will provide timely notice of any failure by the District to provide annual financial information in accordance with its agreement described above under "Annual Reports." Neither the Bonds nor the Order provide for debt service reserves, liquidity enhancement, or credit enhancement (except with respect to the Permanent School Fund Guarantee).

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

Availability of Information from MSRB

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

Limitations and Amendments

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

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

Compliance with Prior Undertakings

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

LITIGATION

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

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

FINANCIAL ADVISOR

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

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

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

UNDERWRITING

The Underwriters have agreed, subject to certain customary conditions, to purchase the Bonds at a price equal to the initial offering price to the public, as shown on page 2 of this Official Statement, less an underwriting discount of $4,046,428.97, and no accrued interest. The Underwriters' obligations are subject to certain conditions precedent, and they will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriters.

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

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

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

On February 28, 2022, First Horizon Corporation and TD Bank Group announced that First Horizon Corporation entered into a definitive agreement to be acquired by TD Bank Group. FHN Financial Capital Markets is the municipal underwriting business line of FHN Financial, the fixed income division of First Horizon Bank, whose parent company is First Horizon Corporation. The acquisition is expected to be completed in 2023 pending all necessary regulatory approvals. This transaction should not have any material effect on this underwriting transaction.

Jefferies LLC ("Jefferies") and its 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. Under certain circumstances, Jefferies and its affiliates may have certain creditor and/or other rights against the District and its affiliates in connection with such activities. In the course of their various business activities, Jefferies and its 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. Jefferies and its 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 the clients that they should acquire, long and/or short positions in such assets, securities and instruments.

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

Huntington Capital Markets is a trade name under which securities and investment banking products and services of Huntington Bancshares Incorporated and its subsidiaries, including Huntington Securities, Inc. ("HSI"), are marketed. Municipal sales, trading and underwriting services are provided through HSI, which is a broker-dealer registered with the Securities and Exchange Commission.

FORWARD-LOOKING STATEMENTS

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

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

CONCLUDING STATEMENT

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

MISCELLANEOUS

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

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

Dr. Jamie Wilson
Pricing Officer
Denton Independent School District

APPENDIX A

FINANCIAL INFORMATION REGARDING THE DISTRICT

FINANCIAL INFORMATION REGARDING THE DISTRICT

Table 1
ASSESSED VALUATION [A][B]

2022/23 Total Assessed Valuation	$33,382,725,790
2022/23 Taxable Assessed Valuation	$28,397,614,473

Exemption	Total
Residential Homestead	$ 1,612,594,751
10% Residential Homestead Cap	1,600,011,354
Over 65	135,280,460
Disabled Persons	3,877,543
Disabled/Deceased Veterans	285,879,881
Freeport	280,629,436
Pollution Control	40,173,900
Productivity Loss	1,026,004,431
Other	659,561
Total (14.93% of Total Assessed Valuation)	$ 4,985,111,317

[A] Source: Denton Central Appraisal District. Certified values are subject to change throughout the year as contested values are resolved and the Denton Central Appraisal District updates records.
[B] As of July 7, 2023, the District's preliminary 2023/24 taxable assessed valuation is $34,827,924,576; however, approximately 13.4% of such valuation is under review and subject to change upon certification. The District expects to receive certified values by the July 25 deadline.

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

Unlimited Tax Debt Outstanding (As of July 15, 2023)	$ 1,237,690,283	[C]
Plus: The Bonds (Dated: July 15, 2023)	949,075,000	
TOTAL UNLIMITED TAX DEBT OUTSTANDING	$ 2,186,765,283	[C]
Less: Interest & Sinking Fund Balance (As of June 30, 2022)	93,684,814	
NET UNLIMITED TAX DEBT OUTSTANDING	$ 2,093,080,469	[C]

[A] See discussion under "TAX RATE LIMITATIONS" in the Official Statement.
[B] Does not include any limited tax obligations payable from the District's Maintenance & Operations tax rate (see "Table 15 - Commitments Under Leases").
[C] Excludes interest accreted on outstanding capital appreciation bonds.

2023 Population Estimate	213,201	Per Capita Total Assessed Valuation	$	156,579
2022/23 Enrollment	32,390	Per Capita Taxable Assessed Valuation	$	133,196
Area (square miles)	180	Per Capita Total Unlimited Tax Debt	$	10,257

Table 3
ESTIMATED GENERAL OBLIGATION OVERLAPPING DEBT STATEMENT

Taxing Body	Gross Dollar Amount [A]	As Of	Percent Overlap	Dollar Overlap
Argyle, Town of	$ 9,560,000	07/15/23	0.39%	$ 37,284
Aubrey, City of	26,563,000	07/15/23	45.89%	12,189,761
Bartonville, Town of	614,000	07/15/23	49.00%	300,860
Copper Canyon, Town of	1,430,000	07/15/23	30.43%	435,149
Corinth, City of	66,465,000	07/15/23	50.96%	33,870,564
Denton, City of	1,077,820,000	07/15/23	97.34%	1,049,149,988
Denton County	654,435,000	07/15/23	19.75%	129,250,913
Denton County FWSD No. 6	27,410,000	07/15/23	100.00%	27,410,000
Denton County FWSD No. 7	65,515,000	07/15/23	100.00%	65,515,000
Denton County FWSD No. 8-A	17,100,000	07/15/23	57.58%	9,846,180
Denton County FWSD No. 8-B	4,860,000	07/15/23	100.00%	4,860,000
Denton County FWSD No. 11-A	24,830,000	07/15/23	100.00%	24,830,000
Denton County FWSD No. 11-B	30,445,000	07/15/23	68.10%	20,733,045
Denton County FWSD No. 11-C	12,095,000	07/15/23	100.00%	12,095,000
Denton County MUD No. 4	10,000,000	07/15/23	100.00%	10,000,000
Denton County MUD No. 5	11,675,000	07/15/23	100.00%	11,675,000
Denton County MUD No. 6	58,605,000	07/15/23	98.27%	57,591,134
Denton County MUD No. 8	4,200,000	07/15/23	100.00%	4,200,000
Elm Ridge WC&ID	126,930,000	07/15/23	64.18%	81,463,674
Flower Mound, Town of	145,555,000	07/15/23	0.27%	392,999
Highway 380 MMD No. 1	129,365,000	07/15/23	87.41%	113,077,947
Little Elm, Town of	108,570,000	07/15/23	23.72%	25,752,804
Oak Point, City of	1,400,000	07/15/23	28.84%	403,760
Oak Point WC&ID No. 4	13,930,000	07/15/23	5.51%	767,543
Prosper, Town of	185,170,000	07/15/23	4.55%	8,425,235
Providence Village, Town of	18,094,000	07/15/23	36.27%	6,562,694
Shady Shores, Town of	1,700,000	07/15/23	84.24%	1,432,080
Denton ISD	**$ 2,186,765,283** [B][C]	**07/15/23**	**100.00%**	**$ 2,186,765,283** [B][C]
Total Direct and Overlapping Debt				**$ 3,899,033,897**

Ratio of Direct Debt to Taxable Assessed Valuation	7.70%
Ratio of Direct and Overlapping Debt to Taxable Assessed Valuation	13.73%
Ratio of Direct and Overlapping Debt to Total Assessed Valuation	11.68%
Per Capita Direct and Overlapping Debt	$18,288

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

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

Argyle, Town of	$0.365347
Aubrey, City of	0.464928
Bartonville, Town of	0.173646
Copper Canyon, Town of	0.277505
Corinth, City of	0.540000
Denton, City of	0.560682
Denton County	0.217543
Denton County FWSD No. 6	0.738610
Denton County FWSD No. 7	0.741700
Denton County FWSD No. 8-A	0.782500
Denton County FWSD No. 8-B	0.537500
Denton County FWSD No. 11-A	0.818500
Denton County FWSD No. 11-B	0.930000
Denton County FWSD No. 11-C	0.830000
Denton County MUD No. 4	0.480000
Denton County MUD No. 5	0.645000
Denton County MUD No. 6	1.000000
Denton County MUD No. 8	1.000000
Elm Ridge WC&ID	0.928000
Flower Mound, Town of	0.405000
Highway 380 MMD No. 1	0.518000
Little Elm, Town of	0.629900
Oak Point, City of	0.434931
Oak Point WC&ID No. 4	0.470000
Prosper, Town of	0.510000
Providence Village, Town of	0.601954
Shady Shores, Town of	0.319109

Source: Denton Central Appraisal District.

Table 5
PROPERTY TAX RATES AND COLLECTIONS

Tax Year	Taxable Assessed Valuation	Tax Rate	Percent Collections (A) Current	Total	Fiscal Year Ended
2017	$ 16,446,508,477	$1.5400	99.19%	99.87%	6-30-18
2018	18,348,269,941	1.5400	99.00%	99.76%	6-30-19
2019	20,562,497,749	1.4700	99.16%	99.79%	6-30-20
2020	22,051,446,436	1.4076	98.88%	99.91%	6-30-21
2021	24,238,406,773	1.3620	99.18%	100.23%	6-30-22
	Five Year Average…………………………		**99.08%**	**99.91%**	
2022	$ 28,397,614,473	$1.3446	98.78% (B)	98.84% (B)	6-30-23

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

Table 6
TAX RATE DISTRIBUTION (A)

	2022/23	2021/22	2020/21	2019/20	2018/19
Local Maintenance	$0.8646	$0.8820	$0.9276	$0.9900 (B)	$1.0600 (C)
Interest & Sinking	0.4800	0.4800	0.4800	0.4800	0.4800
Total	**$1.3446**	**$1.3620**	**$1.4076**	**$1.4700**	**$1.5400**

(A) See discussion under "TAX RATE LIMITATIONS" in the Official Statement.
(B) Beginning in year 2019/20, the District's maintenance and operations tax rate became subject to compression pursuant to House Bill 3 that was enacted during the 2019 legislative session (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - Overview" in the Official Statement).
(C) The levy of a $1.06 tax rate for maintenance and operations was approved by the voters in the District at a tax ratification election held on September 9, 2017. Prior to such ratification, the District was limited to a $1.04 tax rate for maintenance and operations.
Source: District's Audited Financial Statements and District records.

Table 7
VALUATION AND UNLIMITED TAX DEBT HISTORY

Fiscal Year	Taxable Assessed Valuation	Percent Increase/ (Decrease) In Taxable Assessed Valuation Over Prior Year	Principal Amount Of Unlimited Tax Debt Outstanding At Year End(A)(B)	Ratio Of Unlimited Tax Debt To Taxable Assessed Valuation(A)(B)
2018/19	$ 18,348,269,941	11.56%	$ 1,167,039,104	6.36%
2019/20	20,562,497,749	12.07%	1,122,249,104	5.46%
2020/21	22,051,446,436	7.24%	1,367,776,088	6.20%
2021/22	24,238,406,773	9.92%	1,308,438,717	5.40%
2022/23	28,397,614,473	17.16%	1,237,690,283	4.36%
2023/24	34,827,924,576 (C)	22.64%	2,150,181,665 (D)	6.17% (D)

(A) Does not include any limited tax obligations payable from the District's Maintenance & Operations tax rate (see "Table 15 - Commitments Under Leases").
(B) Excludes the interest accreted on outstanding capital appreciation bonds.
(C) Preliminary taxable assessed valuation as of July 7, 2023, subject to change. See end note to Table 1 herein.
(D) Projected, as of June 30, 2024, subject to change. Includes the Bonds.
Source: District records and Denton Central Appraisal District.

Table 8
HISTORICAL TOP TEN TAXPAYERS

PRINCIPAL TAXPAYERS AND THEIR 2022/23 TAXABLE ASSESSED VALUATIONS

Name of Taxpayer	Type of Property	Taxable Assessed Valuation	Percent Of T.A.V.
Paccar, Inc.	Truck Manufacturer	$ 122,573,087	0.43%
Southwire Company LLC	Wire and Cable Manufacturer	110,244,449	0.39%
WinCo Foods	Grocery Store	101,141,303	0.36%
Target Corporation	Commercial Distribution Center	94,458,974	0.33%
Columbia Medical Center of Denton	Hospital (Medical City Denton)	86,992,602	0.31%
BVF-V Souvenir 380 LLC [(A)]	Apartments (Villages 3Eighty)	83,350,000	0.29%
Atmos Energy / Mid-Tex Distribution	Oil & Gas Distribution	69,411,290	0.24%
Trdwind Timberlinks Borrower LLC	Apartments (The Timbers at Denton)	65,030,537	0.23%
NREA Gardens, DST	Apartments (Gardens of Denton)	64,800,000	0.23%
Rayzor Ranch Marketplace Associates LLC	Real Estate - Retail Shopping Center	64,765,228	0.23%
Totals……		**$ 862,767,470**	**3.04%**

PRINCIPAL TAXPAYERS AND THEIR 2021/22 TAXABLE ASSESSED VALUATIONS

Name of Taxpayer	Type of Property	Taxable Assessed Valuation	Percent Of T.A.V.
Paccar, Inc.	Truck Manufacturer	$ 174,791,711	0.72%
WinCo Foods	Grocery Store	103,177,527	0.43%
Target Corporation	Commercial Distribution Center	89,190,435	0.37%
Columbia Medical Center of Denton	Hospital (Medical City Denton)	81,309,527	0.34%
Western Rim Investors 2014-5 LP [(A)]	Apartments (The Mansions 3Eighty)	72,484,240	0.30%
Rayzor Ranch Marketplace Associates LLC	Real Estate - Retail Shopping Center	62,713,337	0.26%
Inland Western Denton Crossing Ltd	Real Estate - Retail Shopping Center	59,238,335	0.24%
Atmos Energy / Mid-Tex Distribution	Oil & Gas Distribution	56,877,160	0.23%
Village at Rayzor Ranch LLC	Apartments (The Village at Rayzor Ranch)	56,500,000	0.23%
Trdwind Timberlinks Borrower LLC	Apartments (The Timbers at Denton)	55,521,317	0.23%
Totals……		**$ 811,803,589**	**3.35%**

PRINCIPAL TAXPAYERS AND THEIR 2020/21 TAXABLE ASSESSED VALUATIONS

Name of Taxpayer	Type of Property	Taxable Assessed Valuation	Percent Of T.A.V.
Target Corporation	Commercial Distribution Center / Retail	$ 123,743,245	0.56%
WinCo Foods	Grocery Store	107,324,179	0.49%
Paccar, Inc.	Truck Manufacturer	107,215,464	0.49%
Columbia Medical Center of Denton	Hospital (Medical City Denton)	86,272,317	0.39%
Western Rim Investors 2014-5 LP [(A)]	Apartments (The Mansions 3Eighty)	70,000,000	0.32%
Rayzor Ranch Marketplace Associates LLC	Real Estate - Retail Shopping Center	64,663,924	0.29%
Inland Western Denton Crossing Ltd	Real Estate - Retail Shopping Center	63,966,110	0.29%
AC Denton LLC	Apartments (Forum at Denton Station)	56,000,000	0.25%
RR Town Center Associates LLC	Real Estate - Retail Shopping Center	55,275,281	0.25%
Trdwind Timberlinks Borrower LLC	Apartments (The Timbers at Denton)	53,121,317	0.24%
Totals……		**$ 787,581,837**	**3.57%**

[(A)] In September 2021, BVF-V Souvenir 380 LLC purchased Villages 3Eighty apartments, previously The Mansions 3Eighty, from Western Rim Investors 2014-5 LP.
Source: Denton Central Appraisal District and District records.

Table 9
CLASSIFICATION OF ASSESSED VALUATION BY USE CATEGORY

Property Use Category	2022/23	2021/22	2020/21	2019/20	2018/19
Real Property:					
Single-Family Residential	$ 21,610,997,460	$ 16,610,525,354	$ 14,773,775,541	$ 13,676,536,803	$ 12,458,470,388
Multi-Family Residential	2,986,332,803	2,450,717,414	2,287,420,879	2,026,898,813	1,753,591,574
Vacant Lots/Tracts	647,457,189	545,204,829	517,720,790	452,177,432	391,156,098
Acreage (Land Only)	1,056,251,999	907,142,067	885,572,592	892,208,776	893,579,463
Farm and Ranch Improvements	684,020,883	514,413,922	420,155,923	440,905,496	391,329,613
Commercial and Industrial	3,945,566,078	3,584,597,279	3,496,415,488	3,278,485,095	2,941,336,819
Inventory	392,684,657	356,156,858	313,824,222	323,188,239	292,886,255
Minerals, Oil and Gas	92,765,368	48,086,259	41,050,131	87,571,995	96,117,798
Tangible Personal Property:					
Business	1,637,892,370	1,529,780,864	1,504,607,742	1,639,850,583	1,227,068,346
Other	33,859,054	34,588,789	34,617,743	34,730,880	34,393,538
Real and Tangible Personal Property:					
Utilities	294,897,929	290,031,371	263,090,113	248,245,884	214,960,088
Total Assessed Valuation	**$ 33,382,725,790**	**$ 26,871,245,006**	**$ 24,538,251,164**	**$ 23,100,799,996**	**$ 20,694,889,980**
Less Exemptions:					
Residential Homestead	$ 1,612,594,751 [B]	$ 956,066,923	$ 926,936,930	$ 898,470,023	$ 852,958,642
Homestead Cap Adjustment	1,600,011,354	127,738,458	66,844,810	173,862,769	223,672,720
Over 65	135,280,460	126,256,288	120,425,441	114,230,109	107,659,388
Disabled Persons	3,877,543	4,344,260	4,066,059	3,758,923	3,770,905
Disabled/Deceased Veterans	285,879,881	233,870,249	185,443,579	155,438,430	125,655,333
Freeport	280,629,436	276,319,619	293,880,453	299,508,871	152,939,149
Pollution Control	40,173,900	28,377,026	31,972,561	27,832,387	15,177,987
Productivity Loss	1,026,004,431	878,292,524	856,558,020	862,971,590	863,545,224
Other	659,561	1,572,886	676,875	2,229,145	1,240,691
Total Exemptions	**$ 4,985,111,317**	**$ 2,632,838,233**	**$ 2,486,804,728**	**$ 2,538,302,247**	**$ 2,346,620,039**
Taxable Assessed Valuation [A]	**$ 28,397,614,473**	**$ 24,238,406,773**	**$ 22,051,446,436**	**$ 20,562,497,749**	**$ 18,348,269,941**

[A] The District's preliminary 2023/24 taxable assessed valuation is $34,827,924,576 as of July 7, 2023, subject to change. See end note to Table 1 herein.
[B] Increase in "Residential Homestead" is primarily due to the increase in the State-mandated general residence homestead exemption from $25,000 to $40,000 pursuant to a constitutional amendment approved at a statewide election held on May 7, 2022.
Source: Denton Central Appraisal District. Certified values are subject to change throughout the year as contested values are resolved and the Denton Central Appraisal District updates records.

Table 10
PERCENTAGE OF TOTAL ASSESSED VALUATION BY CATEGORY

Property Use Category	2022/23	2021/22	2020/21	2019/20	2018/19
Real Property:					
Single-Family Residential	64.74%	61.82%	60.21%	59.20%	60.20%
Multi-Family Residential	8.95%	9.12%	9.32%	8.77%	8.47%
Vacant Lots/Tracts	1.94%	2.03%	2.11%	1.96%	1.89%
Acreage (Land Only)	3.16%	3.38%	3.61%	3.86%	4.32%
Farm and Ranch Improvements	2.05%	1.91%	1.71%	1.91%	1.89%
Commercial and Industrial	11.82%	13.34%	14.25%	14.19%	14.21%
Inventory	1.18%	1.33%	1.28%	1.40%	1.42%
Minerals, Oil and Gas	0.28%	0.18%	0.17%	0.38%	0.46%
Tangible Personal Property:					
Business	4.91%	5.69%	6.13%	7.10%	5.93%
Other	0.10%	0.13%	0.14%	0.15%	0.17%
Real and Tangible Personal Property:					
Utilities	0.88%	1.08%	1.07%	1.07%	1.04%
Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Source: Denton Central Appraisal District.

Table 11
OUTSTANDING UNLIMITED TAX DEBT SERVICE

Year [A]	Outstanding Debt Requirements [B] Principal	Outstanding Debt Requirements [B] Interest	Plus: The Bonds - Debt Requirements Principal	Plus: The Bonds - Debt Requirements Interest	Total Debt Service Requirements	Percent Of Principal Retired
2022/23	$ 67,588,618.10 [C][D]	$ 65,968,145.22	$ -	$ 659,079.86	$ 134,215,843.18 [C][D]	
2023/24	29,594,176.70	64,034,774.12	6,045,000.00	47,453,750.00	147,127,700.82	
2024/25	33,587,487.80	59,668,863.02	12,550,000.00	47,151,500.00	152,957,850.82	
2025/26	42,755,000.00	50,055,050.82	14,505,000.00	46,524,000.00	153,839,050.82	
2026/27	47,715,000.00	45,092,550.82	15,230,000.00	45,798,750.00	153,836,300.82	12.16%
2027/28	54,010,000.00	38,797,050.82	15,995,000.00	45,037,250.00	153,839,300.82	
2028/29	50,080,000.00	36,335,550.82	15,685,000.00	44,237,500.00	146,338,050.82	
2029/30	52,585,000.00	33,831,550.82	16,470,000.00	43,453,250.00	146,339,800.82	
2030/31	55,210,000.00	31,206,200.82	17,290,000.00	42,629,750.00	146,335,950.82	
2031/32	57,495,000.00	28,920,839.36	18,155,000.00	41,765,250.00	146,336,089.36	28.07%
2032/33	58,900,000.00	27,523,963.76	19,055,000.00	40,857,500.00	146,336,463.76	
2033/34	48,760,000.00	26,114,382.70	24,055,000.00	39,904,750.00	138,834,132.70	
2034/35	50,235,000.00	24,525,092.40	25,375,000.00	38,702,000.00	138,837,092.40	
2035/36	52,255,000.00	23,052,311.40	26,095,000.00	37,433,250.00	138,835,561.40	
2036/37	53,805,000.00	21,345,845.50	27,555,000.00	36,128,500.00	138,834,345.50	45.48%
2037/38	55,495,000.00	19,486,180.00	29,105,000.00	34,750,750.00	138,836,930.00	
2038/39	42,635,000.00	17,437,059.60	30,465,000.00	33,295,500.00	123,832,559.60	
2039/40	46,800,000.00	15,796,646.60	29,465,000.00	31,772,250.00	123,833,896.60	
2040/41	50,300,000.00	14,029,241.40	29,205,000.00	30,299,000.00	123,833,241.40	
2041/42	52,115,000.00	12,215,848.40	30,665,000.00	28,838,750.00	123,834,598.40	63.35%
2042/43	49,950,000.00	10,273,118.60	36,305,000.00	27,305,500.00	123,833,618.60	
2043/44	26,695,000.00	8,375,956.40	55,770,000.00	25,490,250.00	116,331,206.40	
2044/45	42,820,000.00	7,536,112.40	43,275,000.00	22,701,750.00	116,332,862.40	
2045/46	47,165,000.00	5,990,350.00	42,640,000.00	20,538,000.00	116,333,350.00	
2046/47	49,075,000.00	4,077,700.00	44,775,000.00	18,406,000.00	116,333,700.00	83.12%
2047/48	51,070,000.00	2,081,850.00	47,015,000.00	16,167,250.00	116,334,100.00	
2048/49	-	-	50,010,000.00	13,816,500.00	63,826,500.00	
2049/50	-	-	52,510,000.00	11,316,000.00	63,826,000.00	
2050/51	-	-	55,135,000.00	8,690,500.00	63,825,500.00	
2051/52	-	-	57,890,000.00	5,933,750.00	63,823,750.00	97.26%
2052/53	-	-	60,785,000.00	3,039,250.00	63,824,250.00	100.00%
TOTAL	**$1,268,695,282.60**	**$ 693,772,235.80**	**$ 949,075,000.00**	**$ 930,097,079.86**	**$3,841,639,598.26**	

[A] Represents debt service payments from September 1 through August 31. The District's fiscal year ends on June 30. Due to timing of tax collection receipts, the District budgets for its debt service payments incurred during the time period of September 1 through August 31.

[B] Interest on the District's Variable Rate Unlimited Tax School Building Bonds, Series 2013 (the "Series 2013 Bonds") is calculated at a 2.00% coupon through July 31, 2023. Interest on the District's Variable Rate Unlimited Tax School Building Bonds, Series 2014-B (the "Series 2014-B Bonds") is calculated at a 2.00% coupon through July 31, 2024 and an assumed 4.00% coupon thereafter.

[C] Includes a $21,390,000 defeasance of the Series 2013 Bonds prior to scheduled maturity on February 1, 2023.

[D] Includes a $9,615,000 defeasance of the Series 2014-B Bonds prior to scheduled maturity on February 1, 2023.

Note: Table 11 does not include any potential funding the District may receive from the State of Texas. The District has budgeted for the receipt of State financial assistance in the amount of $2,503,799 for debt service in year 2022/23 and received State financial assistance in the amount of $695,017 for fiscal year ended June 30, 2022. The amount of State aid for debt service may substantially differ from year to year, depending on a number of factors, including amounts, if any, appropriated for that purpose by the Texas Legislature (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM"). Table 11 does not include any limited tax obligations payable from the District's Maintenance & Operations tax rate (see "Table 15 - Commitments Under Leases").

Table 12
INTEREST & SINKING FUND BUDGET INFORMATION [(A)]

Tax Supported Debt Service Requirements, Fiscal Year Ending June 30, 2023		$ 134,291,335 [(B)]
Interest and Sinking Fund Balance at June 30, 2022	$ 93,684,814	
Estimated State Assistance	2,503,799	
Local Taxes and Other Revenues	126,418,525	$ 222,607,138
Projected Interest and Sinking Fund Balance at June 30, 2023		$ 88,315,803 [(C)]

(A) The District's fiscal year ends on June 30. Due to the timing of tax collection receipts, the District budgets for its debt service payments incurred during the time period of September 1 through August 31.
(B) Reflects the District's debt service payments in August 2022 and February 2023. Includes estimated paying agent/registrar fees and other bond related expenses.
(C) The District's projected Interest & Sinking Fund balance as of June 30, 2023 will be reduced by approximately $79,003,762 in August 2023 to make the District's scheduled debt service payments in August 2023.

Table 13
AUTHORIZED BUT UNISSUED BONDS

After the issuance of the Bonds, the District will have $381,996,928 of authorized but unissued bonds remaining from an election held on May 6, 2023. Except for possible refundings for debt service savings, the District does not anticipate the issuance of additional unlimited tax bonds within the next 12 months.

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

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

Year 2022/23 Principal And Interest Requirements	$ 134,215,843
$0.4771 Tax Rate At 99.08% Collections Produces	$ 134,238,556 [(B)]
Year 2023/24 Principal And Interest Requirements	$ 147,127,701
$0.4264 Tax Rate At 99.08% Collections Produces	$ 147,140,013 [(C)]
Maximum Principal And Interest Requirements, Year 2027/28	$ 153,839,301
$0.4459 Tax Rate At 99.08% Collections Produces	$ 153,868,977 [(C)]

(A) Represents debt service payments from September 1 through August 31.
(B) Based upon 2022/23 taxable assessed valuation of $28,397,614,473.
(C) Based upon the preliminary 2023/24 taxable assessed valuation of $34,827,924,576 as of July 7, 2023, subject to change. See end note to Table 1 herein.

Note: Table 14 does not include any potential funding the District may receive from the State of Texas. The District has budgeted for the receipt of State financial assistance in the amount of $2,503,799 for debt service in year 2022/23 and received State financial assistance in the amount of $695,017 for fiscal year ended June 30, 2022. The amount of State aid for debt service may substantially differ from year to year, depending on a number of factors, including amounts, if any, appropriated for that purpose by the Texas Legislature (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM"). Table 14 does not include any limited tax obligations payable from the District's Maintenance & Operations tax rate (see "Table 15 - Commitments Under Leases").

Table 15
COMMITMENTS UNDER LEASES

The District has no commitments under operating (noncapitalized) lease agreements for equipment or for commercial lease purposes as of June 30, 2022.

Source: District's Audited Financial Statements.

Table 16
COMBINED GENERAL FUND BALANCE SHEET

	Fiscal Years Ending June 30, 2018 - 2022				
	2022	**2021**	**2020**	**2019**	**2018**
Assets:					
Cash and Cash Equivalents	$ 117,218,617	$ 117,434,862	$ 124,131,005	$ 112,554,323	$ 97,869,720
Property Taxes - Delinquent	3,233,382	3,760,198	3,638,099	3,242,951	2,778,915
Allowance for Uncollected Taxes (Credit)	(125,563)	(127,593)	(128,660)	(136,756)	(132,874)
Due from Other Governments	14,312,753	16,109,093	12,109,510	20,471,788	23,471,299
Due from Other Funds	13,071,051	7,790,431	113,177	34,002	93,498
Other Receivables	463,394	6,698,300	172,211	72,422	127,303
Inventories	160,619	194,871	101,678	133,404	147,268
Prepayments	165,473	289,410	239,492	148,867	206,081
Total Assets	**$ 148,499,726**	**$ 152,149,572**	**$ 140,376,512**	**$ 136,521,001**	**$ 124,561,210**
Liabilities, Deferred Inflows of Resources and Fund Balances:					
Liabilities:					
Accounts Payable	$ 4,077,606	$ 4,927,230	$ 3,139,397	$ 3,827,768	$ 3,904,308
Payroll Deductions and Withholdings Payable	2,929,244	2,638,875	2,533,665	2,171,179	2,187,778
Accrued Wages Payable	29,559,228	28,912,956	28,552,252	26,153,030	25,052,507
Due to Other Funds	803,736	810,091	564,359	29,723	18,399
Unearned Revenue	84,307	3,769,807	-	-	-
Total Liabilities	**$ 37,454,121**	**$ 41,058,959**	**$ 34,789,673**	**$ 32,181,700**	**$ 31,162,992**
Deferred Inflows of Resources:					
Unavailable Revenue - Property Taxes	$ 2,363,563	$ 2,504,953	$ 2,818,429	$ 2,673,531	$ 1,972,273
Total Deferred Inflows of Resources	**$ 2,363,563**	**$ 2,504,953**	**$ 2,818,429**	**$ 2,673,531**	**$ 1,972,273**
Fund Balances:					
Nonspendable Fund Balance:					
Inventories	$ 160,619	$ 194,871	$ 101,678	$ 133,404	$ 147,268
Prepaid Items	165,473	289,410	239,492	148,867	206,081
Assigned Fund Balance:					
Other Purposes	25,429,850	27,522,800	25,086,894	23,341,620	20,828,849
Unassigned Fund Balance:	82,926,100	80,578,579	77,340,346	78,041,879	70,243,747
Total General Fund Balances (A)	**$ 108,682,042**	**$ 108,585,660**	**$ 102,768,410**	**$ 101,665,770**	**$ 91,425,945**
Total Liabilities, Deferred Inflows of Resources and Fund Balances	**$ 148,499,726**	**$ 152,149,572**	**$ 140,376,512**	**$ 136,521,001**	**$ 124,561,210**

(A) The District estimates that its Total General Fund Balance as of June 30, 2023 will be approximately $96,256,243.
Source: District's Audited Financial Statements and District records.

Table 17
COMPARATIVE STATEMENT OF GENERAL FUND REVENUES AND EXPENDITURES

	Fiscal Years Ending June 30, 2018 - 2022				
	2022	**2021**	**2020**	**2019**	**2018**
Beginning General Fund Balance	**$ 108,585,660**	**$ 102,768,410**	**$ 101,665,770**	**$ 91,425,945**	**$ 84,035,676**
Revenues:					
Local and Intermediate Sources	$ 209,217,170	$ 198,918,044	$ 203,640,656	$ 197,705,598	$ 177,895,545
State Program Revenues	94,002,127	92,415,719	87,099,704	70,869,655	81,829,362
Federal Program Revenues	10,869,757	7,443,507	5,255,575	8,527,066	6,600,853
Total Revenues	**$ 314,089,054**	**$ 298,777,270**	**$ 295,995,935**	**$ 277,102,319**	**$ 266,325,760**
Expenditures:					
Instruction	$ 191,483,133	$ 179,114,014	$ 179,926,103	$ 167,558,607	$ 161,571,851
Instructional Resources and Media Services	4,706,621	4,756,722	4,610,391	4,403,614	4,343,336
Curriculum and Instructional Staff Development	5,836,788	5,804,290	5,013,442	4,452,667	4,341,920
Instructional Leadership	4,179,232	3,562,786	3,714,548	3,836,051	3,274,590
School Leadership	18,224,399	17,008,581	16,346,742	15,264,383	14,507,240
Guidance, Counseling and Evaluation Services	12,980,395	12,095,667	12,001,523	10,678,783	10,155,787
Social Work Services	803,435	713,955	625,083	562,570	527,553
Health Services	3,294,248	3,085,683	2,892,235	2,652,324	2,574,448
Student (Pupil) Transportation	7,554,794	6,489,709	11,218,499	7,239,196	6,623,445
Food Services	554,599	270,542	305,449	209,058	200,317
Extracurricular Activities	7,705,331	6,880,575	7,035,929	6,894,086	6,749,806
General Administration	10,037,092	9,969,135	9,408,437	7,476,919	7,354,133
Facilities Maintenance and Operations	31,366,731	28,737,742	26,910,585	25,708,250	24,720,212
Security and Monitoring Services	1,897,003	1,846,895	1,398,393	1,244,998	1,031,296
Data Processing Services	8,244,986	6,911,610	6,474,101	5,559,196	5,186,937
Community Services	3,381,463	2,519,557	2,402,905	2,260,184	2,160,592
Debt Service	70,218	-	-	-	-
Facilities Acquisition and Construction	780,389	1,521,393	1,000,440	142,653	1,401,742
Payments to Fiscal Agent/Member Districts of SSA	553,400	520,800	532,200	584,600	474,000
Intergovernmental Charges	1,784,910	1,761,715	1,706,090	1,533,633	1,404,293
Total Expenditures	**$ 315,439,167**	**$ 293,571,371**	**$ 293,523,095**	**$ 268,261,772**	**$ 258,603,498**
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ (1,350,113)	$ 5,205,899	$ 2,472,840	$ 8,840,547	$ 7,722,262
Other Resources and (Uses):					
Other Resources	$ 2,257,408	$ 1,810,594	$ 2,142,451	$ 1,852,999	$ 20,371
Other Uses	(4,272,439)	(11,372,496)	(3,507,651)	(453,721)	(349,241)
Total Other Resources (Uses)	**$ (2,015,031)**	**$ (9,561,902)**	**$ (1,365,200)**	**$ 1,399,278**	**$ (328,870)**
Special/Extraordinary Items	**$ 3,663,750**	**$ 10,173,253**	**$ (5,000)**	**$ -**	**$ (3,123)**
Prior Period Adjustment	$ (202,224) [(C)]	$ -	$ -	$ -	$ -
Ending General Fund Balance [(A)(B)]	**$ 108,682,042**	**$ 108,585,660**	**$ 102,768,410**	**$ 101,665,770**	**$ 91,425,945**

[(A)] Ending General Fund Balance includes Nonspendable, Assigned and Unassigned Fund Balance.
[(B)] The District estimates that its Ending General Fund Balance as of June 30, 2023 will be approximately $96,256,243.
[(C)] Prior Period Adjustment for the portion of a state grant recorded as a receivable and revenue in the prior fiscal year but which was ultimately not received.
Source: District's Audited Financial Statements and District records.

Table 18
CHANGE IN NET POSITION [A]

Revenues:	2022	2021	2020	2019	2018
	Fiscal Years Ending June 30, 2018 - 2022				
Program Revenues					
Charges for Services	$ 15,146,134	$ 10,236,290	$ 11,605,485	$ 15,703,650	$ 13,212,126
Operating Grants and Contributions	74,354,051	76,940,288	49,004,122	47,131,086	(3,472,369)
Total Program Revenues	$ 89,500,185	$ 87,176,578	$ 60,609,607	$ 62,834,736	$ 9,739,757
General Revenues					
Maintenance and Operations Taxes	$ 203,695,071	$ 195,923,985	$ 198,469,772	$ 189,411,396	$ 170,646,472
Debt Service Taxes	110,611,653	101,273,736	96,071,515	85,628,999	77,152,046
State Aid - Formula Grants	78,239,148	76,355,595	72,060,766	57,825,379	69,183,586
Grants and Contributions Not Restricted	-	-	32,908	2,975,863	2,375,127
Investment Earnings	974,121	591,139	9,550,994	13,897,337	3,952,532
Miscellaneous Local and Intermediate Revenue	1,070,579	227,014	304,827	416,574	249,530
Gain on Sale of Capital Assets	-	-	963,425	-	-
Total General Revenues	$ 394,590,572	$ 374,371,469	$ 377,454,207	$ 350,155,548	$ 323,559,293
Total Revenues......................................	**$ 484,090,757**	**$ 461,548,047**	**$ 438,063,814**	**$ 412,990,284**	**$ 333,299,050**
Expenses					
Instruction	$ 236,213,495	$ 238,790,511	$ 226,046,466	$ 210,251,592	$ 145,390,038
Instruction Resources and Media Services	5,421,448	5,506,295	5,469,381	5,194,839	4,119,719
Curriculum and Instructional Staff Development	10,306,704	9,948,051	9,307,021	8,355,506	4,628,669
Instructional Leadership	4,897,197	4,290,651	4,617,660	4,710,851	2,989,248
School Leadership	20,744,882	20,945,880	19,621,069	18,187,188	12,315,422
Guidance, Counseling and Evaluation Services	18,203,774	18,264,972	18,325,344	16,426,507	10,930,736
Social Work Services	1,013,466	969,094	852,523	768,493	513,851
Health Services	4,789,811	4,847,576	3,448,496	3,151,049	1,864,404
Student (Pupil) Transportation	8,459,042	6,922,568	7,602,634	7,209,247	4,003,861
Food Services	17,154,898	822,365	2,471,414	272,746	254,236
Extracurricular Activities	9,325,923	8,089,402	9,225,503	9,244,490	6,127,163
General Administration	11,465,984	11,964,555	10,810,255	8,422,323	7,313,243
Facilities Maintenance and Operations	31,287,153	28,682,865	26,802,105	25,395,357	24,353,517
Security and Monitoring Services	1,966,658	2,327,128	1,398,619	1,245,095	1,031,602
Data Processing Services	8,680,070	7,672,193	7,272,216	6,078,489	5,805,429
Community Services	4,561,177	3,072,022	2,791,688	2,606,608	2,122,048
Debt Service - Interest on Long Term Debt	19,784,057	17,005,916	41,605,410	40,137,704	28,241,492
Debt Service - Bond Issuance Cost and Fees	10,330,453	10,297,992	4,742,583	7,194,612	4,390,833
Capital Outlay	6,345,982	2,780,128	4,477,557	2,363,504	4,711,638
Payments Related to Shared Services Arrangements	553,400	520,800	532,200	584,600	474,000
Other Intergovernmental Charges	1,784,910	1,761,715	1,706,090	1,533,633	1,404,293
Business-Type Activities	144,985	12,508,460	12,872,478	11,743,600	9,877,686
Total Expenses......................................	**$ 433,435,469**	**$ 417,991,139**	**$ 421,998,712**	**$ 391,078,033**	**$ 282,863,128**
Increase/(Decrease) in Net Position	$ 50,655,288	$ 43,556,908	$ 16,065,102	$ 21,912,251	$ 50,435,922
Beginning Net Position	2,769,172	(40,787,736)	(56,852,838)	(78,765,089)	38,426,511
Prior Period Adjustment	(202,224)	-	-	-	(167,627,522) [B]
Ending Net Position..................................	**$ 53,222,236**	**$ 2,769,172**	**$ (40,787,736)**	**$ (56,852,838)**	**$ (78,765,089)**

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

APPENDIX B

GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY

GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY

The Denton Independent School District (the "District") is located in North Central Texas at the apex of the Dallas-Fort Worth-Denton industrial triangle approximately 40 miles northwest of Dallas and 38 miles northeast of Fort Worth. The District is comprised of approximately 180 square miles. The District is governed by a seven-member Board of Trustees (the "Board"). Board members are elected at large and serve without compensation. Board policy and decisions are decided by a majority vote of the Board. The Superintendent of Schools is selected by the Board; other District officials are employed as a result of action by the Superintendent and the Board.

The District offers a fully accredited comprehensive EE-12 educational program. While the District is recognized in teaching the fundamentals of reading, writing and mathematics, a comprehensive educational program including fine arts, vocational education, special education, and gifted and advance level programs are available to meet the individual needs of students. The following summarizes the District's current schools in operation:

Alternative Programs and Special Education Facilities	6
Elementary Schools	25
Middle Schools	8
High Schools	4
Total	**43**

DISTRICT ENROLLMENT INFORMATION

SCHOLASTIC ENROLLMENT HISTORY

YEAR	ENROLLMENT	INCREASE/ (DECREASE)	PERCENT CHANGE
2012/13	25,775	930	3.74%
2013/14	26,312	537	2.08%
2014/15	27,020	708	2.69%
2015/16	27,559	539	1.99%
2016/17	28,628	1,069	3.88%
2017/18	29,420	792	2.77%
2018/19	30,169	749	2.55%
2019/20	30,919	750	2.49%
2020/21	30,267	(652)	(2.11%)
2021/22	31,951	1,684	5.56%
2022/23(A)	32,390	439	1.37%

(A) Enrollment as of May 26, 2023.
Source: District records.

PROJECTED STUDENT ENROLLMENT

YEAR	ENROLLMENT	INCREASE/ (DECREASE)	PERCENT CHANGE
2023/24	32,975	585	1.81%
2024/25	33,305	330	1.00%
2025/26	33,638	333	1.00%
2026/27	33,974	336	1.00%
2027/28	34,314	340	1.00%

Source: District projections.

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

YEAR	EE	PK	K	1	2	3	4	5	6	7	8	9	10	11	12	TOTAL
2012/13	165	836	2,121	2,162	2,052	2,065	2,108	2,059	1,929	1,887	1,768	1,819	1,769	1,610	1,425	25,775
2013/14	127	840	2,074	2,164	2,163	2,069	2,104	2,085	2,041	1,919	1,904	1,925	1,708	1,640	1,549	26,312
2014/15	112	951	2,068	2,099	2,178	2,166	2,082	2,133	2,075	2,052	1,973	2,042	1,873	1,665	1,551	27,020
2015/16	114	1,029	1,954	2,143	2,088	2,190	2,152	2,115	2,154	2,128	2,094	2,091	1,985	1,756	1,566	27,559
2016/17	112	1,016	2,066	2,044	2,194	2,181	2,231	2,219	2,159	2,202	2,175	2,293	2,084	1,967	1,685	28,628
2017/18	96	1,048	2,081	2,100	2,119	2,230	2,251	2,300	2,264	2,232	2,203	2,346	2,245	2,018	1,887	29,420
2018/19	78	1,082	2,177	2,117	2,182	2,136	2,274	2,303	2,335	2,328	2,312	2,371	2,313	2,173	1,988	30,169
2019/20	103	1,084	2,157	2,280	2,154	2,225	2,179	2,323	2,333	2,417	2,399	2,548	2,390	2,220	2,107	30,919
2020/21	92	978	2,062	2,115	2,213	2,092	2,198	2,120	2,273	2,319	2,402	2,455	2,402	2,324	2,222	30,267
2021/22	113	1,197	2,343	2,289	2,259	2,376	2,230	2,317	2,223	2,378	2,440	2,599	2,512	2,423	2,252	31,951
2022/23(A)	216	1,281	2,307	2,473	2,383	2,318	2,445	2,345	2,309	2,297	2,427	2,477	2,522	2,379	2,211	32,390

(A) Enrollment as of May 26, 2023.
Source: District records.

STUDENT ENROLLMENT BY SCHOOL TYPE

YEAR	ELEMENTARY SCHOOL (GRADES EE-5)	MIDDLE SCHOOL (GRADES 6-8)	HIGH SCHOOL (GRADES 9-12)	TOTAL ENROLLMENT
2012/13	13,568	5,584	6,623	25,775
2013/14	13,626	5,864	6,822	26,312
2014/15	13,789	6,100	7,131	27,020
2015/16	13,785	6,376	7,398	27,559
2016/17	14,063	6,536	8,029	28,628
2017/18	14,225	6,699	8,496	29,420
2018/19	14,349	6,975	8,845	30,169
2019/20	14,505	7,149	9,265	30,919
2020/21	13,870	6,994	9,403	30,267
2021/22	15,124	7,041	9,786	31,951
2022/23(A)	15,768	7,033	9,589	32,390

(A) Enrollment as of May 26, 2023.
Source: District records.

EMPLOYMENT OF THE DISTRICT

	DISTRICT EMPLOYEES	
STAFF INFORMATION	NUMBER	PERCENTAGE
Teachers	2,527	51.85%
Administrators	380	7.80%
Teacher Aides & Secretaries	820	16.82%
Auxiliary Staff	814	16.70%
Other Professional Support	333	6.83%
Total Number of Employees	**4,874**	**100.00%**

The District employs a staff of approximately 4,874. Beginning with the 2022/23 school year, entry level teachers without advanced degrees earn $58,000 annually. Teachers with longevity or advanced degrees can earn between $58,350 and $80,950 annually. All teachers receive life and health insurance benefits worth approximately $260.98 monthly.

Source: District records.

PRESENT SCHOOL FACILITIES

LOCATION	GRADES SERVED	FUNCTIONAL CAPACITY(A)	PRESENT ENROLLMENT(B)	FUNCTIONAL CAPACITY LESS PRESENT ENROLLMENT
Braswell High School	9 – 12	3,350	2,702	648
Denton High School	9 – 12	2,460	1,936	524
Guyer High School	9 – 12	3,200	2,511	689
Ryan High School	9 – 12	2,340	2,094	246
HIGH SCHOOL TOTAL		**11,350**	**9,243**	**2,107**
Calhoun Middle School	6 – 8	1,268	760	508
Crownover Middle School	6 – 8	1,181	830	351
Harpool Middle School	6 – 8	1,181	813	368
McMath Middle School	6 – 8	1,181	741	440
Myers Middle School	6 – 8	1,323	833	490
Navo Middle School	6 – 8	1,181	1,040	141
Rodriguez Middle School	6 – 8	1,323	956	367
Strickland Middle School	6 – 8	1,334	935	399
MIDDLE SCHOOL TOTAL		**9,972**	**6,908**	**3,064**
Adkins Elementary School	K – 5	740	448	292
Alexander Elementary School	PK – 5	740	582	158
Bell Elementary School	K – 5	740	634	106
Blanton Elementary School	K – 5	740	534	206
Borman Elementary School	PK – 5	740	466	274
Cross Oaks Elementary School	PK – 5	740	683	57
E.P. Rayzor Elementary School	K – 5	740	327	413
Evers Park Elementary School	K – 5	740	664	76
Ginnings Elementary School	K – 5	740	624	116
Hawk Elementary School	K – 5	740	651	89
Hodge Elementary School	K – 5	740	655	85
Houston Elementary School	K – 5	740	514	226
McNair Elementary School	K – 5	740	561	179
Nelson Elementary School	K – 5	740	536	204
Newton Rayzor Elementary School	PK – 5	740	631	109
Paloma Creek Elementary School	PK – 5	740	631	109
Pecan Creek Elementary School	K – 5	740	670	70
Providence Elementary School	K – 5	740	668	72
Rivera Elementary School	PK – 5	740	661	79
Sandbrock Ranch Elementary School	K – 5	740	688	52
Savannah Elementary School	K – 5	740	758	(18)
Shultz Elementary School	K – 5	740	699	41
Stephens Elementary School	PK – 5	740	461	279
Union Park Elementary School	PK – 5	740	720	20
W.S. Ryan Elementary School	PK – 5	740	624	116
ELEMENTARY SCHOOL TOTAL		**18,500**	**15,090**	**3,410**
Gonzalez School For Young Children	EE – PK	740	282	458
Windle School For Young Children	EE – PK	740	317	423
Virtual Academy	K – 8	---	125	(125)
Davis School DAEP	K – 12	60	116	(56)
Joe Dale Sparks Campus	4 – 12	84	71	13
Fred Moore High School	9 – 12	135	32	103
LaGrone Academy	9 – 12	1,250	196	1,054
Juvenile Justice Alternative Education Program	---	---	10	(10)
OTHER PROGRAMS TOTAL		**3,009**	**1,149**	**1,860**
	TOTALS	**42,831**	**32,390**	**10,441**

(A) Includes student capacity of any portable buildings on this campus.
(B) Enrollment as of May 26, 2023.
Source: District records.

SCHOOLS UNDER CONSTRUCTION

NAME OF SCHOOL	PLANNED FUNCTIONAL CAPACITY	GRADES SERVED	ESTIMATED COMPLETION DATE
Cheek Middle School	1,323	6 – 8	August 2023

Source: District records.

THE CITY OF DENTON AND DENTON COUNTY

Denton County (the "County") is located in north central Texas and encompasses an area of 953 square miles. Denton County contains 41 towns and seventeen school districts within its borders. The County is traversed by Interstate Highway 35, United States Highways 77, 377 and 380 and State Highways 114 and 121. The County's 2020 census population provided by the U.S. Census Bureau was 906,422, increasing 36.79% since 2010.

The city of Denton (the "City"), established in 1857, is the county seat for the County. The City is known as the upper most point of the Dallas-Fort Worth-Denton industrial triangle and is located approximately 37 miles and 35 miles from Dallas and Fort Worth, respectively, on Interstate Highway 35. The City's 2020 census population provided by the U.S. Census Bureau was 139,869, increasing 23.36% since 2010.

Government Activity

The City is the site of the first Underground Control Center built by the Federal Government in the United States. It consists of an above ground "frangible" building, for entrance and exit during normal operations, and a two-story underground structure, 142 feet wide and 172 feet long. The structure has its own water well, an infirmary, first aid station, and communication headquarters.

The underground center serves as the Region 6 Headquarters for FEMA and is designed to resist nuclear blast and radiation. Region 6 consists of Texas, Oklahoma, Arkansas, Louisiana and New Mexico.

As an emergency operations center, this is where FEMA monitors events such as hurricanes, tornadoes or severe flooding and starts the initial response to an event. In the event of a presidential disaster declaration, this would be the hub of coordinated FEMA and federal government response prior to the establishment of a Joint Field Office at or near the site of the disaster.

Transportation

The Denton Municipal Airport is located within the City's limits. The city-owned airport, which is controlled by an FAA maintained air traffic control tower, uses a full instrument landing system, Global Positioning System, and VASI. Full aeronautical services are available. In addition, the FAA recently approved plans to add a second runway at the airport.

The City is 22 miles from the Dallas-Fort Worth International Airport, one of the busiest passenger airports in the United States, which offers a variety of flights with direct service to Europe, Mexico, Canada, Central and South America, and Asia. The 2,200-acre Foreign Trade Zone allows goods and materials used in manufacturing to be imported duty free.

Alliance Airport, located in north Fort Worth, is the nation's first industrial airport designed for cargo and corporate aviation. There are multiple corporate tenants located in the Alliance development, including BNSF Railway, which operates an extensive intermodal hub and rail complex, and Federal Express.

Education

The University of North Texas ("UNT") was established in 1890 as Texas Normal College and Teacher Training Institute. Today, the University has an enrollment of more than 42,000. While the majority of UNT's students attend classes on the Denton campus, the University also offers numerous courses at many off-campus sites throughout the Dallas/Fort Worth metroplex. The University currently offers 113 bachelor's, 94 master's and 37 doctoral degree programs.

Texas Woman's University ("TWU") is the nation's largest university primarily serving women. A public university, TWU has approximately 16,000 students in Denton, Dallas and Houston. TWU offers more than 100 undergraduate, master's and doctoral degree programs.

The County's community college, North Central Texas College ("NCTC"), has its main campus in Gainesville, Texas. NCTC offers technical, occupational and vocational classes at its Denton County campus in Corinth.

Another prominent state-supported institution is the Denton State Supported Living Center for the mentally retarded. The school is located on a 189-acre site which was contributed to the State by county residents. Present facilities include dormitories that accommodate more than 650 students and a 30-bed acute hospital with supporting facilities.

Healthcare

The City has become a medical services destination serving the North Texas region with two major hospitals: Texas Health Presbyterian Hospital Denton and Medical City Denton.

The Texas Health Presbyterian Hospital Denton facility consists of 255 all-private rooms. The Texas Health Presbyterian Hospital Denton facility also includes education and community meeting space and four medical office buildings. The Texas Health Presbyterian Hospital Denton employs over 1,000 individuals with a medical staff of more than 300.

Medical City Denton is a full-service hospital that offers the full spectrum of healthcare including advanced open-heart surgery and trauma programs, with over 200 beds and more than 750 employees and 300 physicians.

LABOR FORCE STATISTICS

MAJOR AREA EMPLOYERS – CITY OF DENTON

COMPANY	PRODUCT/SERVICE	EMPLOYEES
University of North Texas	Higher Education	8,891
Denton Independent School District	Public Education System	4,874
Peterbilt Motors - Headquarters & Plant	Diesel Trucks & Division Headquarters	2,000
Denton County	County Government	1,822
Denton State Supported Living Center	MHMR Facility	1,146
City of Denton	Municipal Government	1,104
Texas Presbyterian Hospital	Health Care	1,100
Texas Woman's University	Higher Education	1,077
Sally Beauty Holdings, Inc.	Beauty Supplies/Corporate Office	1,000
Medical City Denton	Health Care	799

Source: District records and City of Denton Annual Comprehensive Financial Report for the Year Ended September 30, 2022.

COMPARATIVE UNEMPLOYMENT RATES

Entity	2018	2019	2020	2021	2022	2023(A)
City of Denton	3.2%	3.0%	6.8%	4.7%	3.3%	3.2%
Denton County	3.2	3.0	6.4	4.4	3.2	3.2
State of Texas	3.9	3.5	7.7	5.6	3.9	3.7
United States of America	3.9	3.7	8.1	5.3	3.6	3.1

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

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

Proposed Form of Opinion of Bond Counsel

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

[Issuance Date]

$949,075,000
DENTON INDEPENDENT SCHOOL DISTRICT
UNLIMITED TAX SCHOOL BUILDING BONDS
SERIES 2023
DATED JULY 15, 2023

AS BOND COUNSEL for the DENTON INDEPENDENT SCHOOL DISTRICT, the Issuer (the "Issuer") of the Bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds, until maturity or prior redemption, at the rates and payable on the dates as stated in the text of the Bonds, and maturing on the dates and subject to redemption as specified in the text of the Bonds, all in accordance with the terms and conditions stated in the text of the Bonds.

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

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

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual or corporate alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on, certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants, regarding the use and investment of the proceeds of the Bonds and the use of the property financed therewith, and the certificate with respect to arbitrage by the Commissioner of Education regarding the allocation and investment of certain investments in the Permanent School Fund. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the Issuer to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

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

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

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the Issuer, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the Issuer as to the current outstanding indebtedness of, and assessed valuation of taxable property within, the Issuer. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

Respectfully,

APPENDIX D

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

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

Members:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC
ACCOUNTANTS
TEXAS SOCIETY OF CERTIFIED
PUBLIC ACCOUNTANTS

HANKINS, EASTUP, DEATON,
TONN & SEAY
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

902 NORTH LOCUST
P.O. BOX 977
DENTON, TX 76202-0977

TEL. (940) 387-8563
FAX (940) 383-4746

Independent Auditor's Report

Denton Independent School District
Denton, Texas

Opinion

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Denton Independent School District as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financials section of our report. We are required to be independent of Denton Independent School District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Denton Independent School District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Denton Independent School District's ability to continue as a going concern for a reasonable period of time.

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

Change in Accounting Principle

As discussed in Note 29 to the financial statements, during the current fiscal year the District determined that recording its food service operations in a special revenue fund rather than an enterprise fund was considered preferable. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 14 and the Teacher Retirement System schedules on page 70 through 78 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Denton Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements, the required TEA schedules listed in the table of contents, and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the required TEA schedules, and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated November 15, 2022 on our consideration of Denton Independent School District's internal control over financial reporting and on our tests of the compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Denton Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Denton Independent School District's internal control over financial reporting and compliance.

Hankins, Eastup, Deaton, Tonn & Seay

Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas
November 15, 2022

DENTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022
(UNAUDITED)

As management of Denton Independent School District, we offer readers of the District's financial statement this narrative overview and analysis of the financial activities of the District for the year ended June 30, 2022. Please read this narrative in conjunction with the independent auditors' report on page 5, and the District's Basic Financial Statements that begin on page 17.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of Denton Independent School District exceeded its liabilities and deferred inflows at the close of the most recent fiscal year resulting in a net position of $53,188,466.

- The District's total net position increased by $50,659,060 during the current fiscal year from the result of current year operations.

- As of the close of the current fiscal period, the District's governmental funds reported combined ending fund balances of $470,669,030. Over 17% of this total amount ($82,917,300) is unassigned and available for use within the District's commitments and assignment policies.

- At the end of the current fiscal period, the unassigned fund balance of the general fund of $82,926,100 was 26.29% of the total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 17 through 19). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 20) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the District. The District has no component units for which it is financially accountable.

The notes to the financial statements (starting on page 35) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. The section labeled Single Audit Section contains data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 17. Its primary purpose is to show whether the financial position of the District is improving or deteriorating as a result of the year's activities. The Statement of Net Position includes all the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources at the end of the year while the Statement of Activities includes all revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting (the basis used by private sector companies).

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the district and grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in them. The District's net position provides one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, we divide the District into two kinds of activities:

- Governmental activities–Most of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.

- Business-type activities–The District charges a fee to "customers" to help it cover all or most of the cost of services it provides in its athletic stadium concessions activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.

The fund financial statements begin on page 20 and provide detailed information about the most significant funds–not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities).

All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- ***Governmental funds.*** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources,* as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities.* The District maintains forty-two governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital projects fund, each of which are considered to be major funds. Data from the other thirty-nine governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report. The District adopts an annual appropriated budget for its general fund, debt service fund and food service fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets. The basic governmental fund financial statements can be found on pages 20 through 25 of this report.

- ***Proprietary funds.*** The District reports the activities for which it charges users (whether outside customers or other units of the District) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. In fact, the District's enterprise funds (one category of proprietary funds) are the business-type activities reported in the government-wide statements but containing more detail and additional information, such as cash flows. The internal service funds (the other category of proprietary funds) report activities that provide supplies and services for the District's other programs and activities–such as the District's self-insurance programs and the print shop.

- ***Fiduciary funds.*** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The District is the trustee, or *fiduciary*, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a separate statement of changes in fiduciary fund net position that can be found on pages 32 and 33. These activities are excluded from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following analysis presents both current and prior year data and discuss significant changes in the accounts. Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental and business-type activities.

Net position of the District's governmental activities increased from $11,072,368 at June 30, 2021 to $53,188,466 at June 30, 2022. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was a deficit of $150,820,601 at June 30, 2022. The current year operating increase was the result of several factors. First, the District's revenues exceeded expenditures by $57,123,317 (as adjusted for the effects of capital outlay and debt service principal payments.) However, the District recorded depreciation expense, which is a non-cash expense that reduces the carrying value of District assets, in the amount of $34,785,274. Also, various adjustments totaling $29,778,264 were posted to revenues and expenses to account for prepaid expenses, interest accruals and tax revenues earned during the period under the full accrual method of accounting. Changes in the net pension and OPEB activity increased net position by $6,883,491, while a prior period adjustment related to the food service fund decreased net position by

In 2022, net position of our business-type activities decreased by $3,772 from the results of current year operations. The business-type activities represent significant services to the community through the athletic stadium concession activities.

Table I
NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2021	2022	2021	2022	2021	2022
Current and other assets	$ 774,319,270	$ 556,196,810	$ 781,672	$ 24,818	$ 775,100,942	$ 556,221,628
Capital assets	1,061,018,126	1,231,473,450	2,715,029	10,489	1,063,733,155	1,231,483,939
Total assets	1,835,337,396	1,787,670,260	3,496,701	35,307	1,838,834,097	1,787,705,567
Deferred outflows of resources	153,690,521	174,610,685	3,230,548	-	156,921,069	174,610,685
Total assets and deferred outflows of resources	1,989,027,917	1,962,280,945	6,727,249	35,307	1,995,755,166	1,962,316,252
Long-term liabilities	1,789,484,031	1,686,713,295	9,962,725	-	1,799,446,756	1,686,713,295
Other liabilities	108,545,467	98,930,823	613,273	1,537	109,158,740	98,932,360
Total liabilities	1,898,029,498	1,785,644,118	10,575,998	1,537	1,908,605,496	1,785,645,655
Deferred inflows of resources	79,926,051	123,448,361	4,454,447	-	84,380,498	123,448,361
Total liabilities and deferred inflows of resources	1,977,955,549	1,909,092,479	15,030,445	1,537	1,992,985,994	1,909,094,016
Net Position:						
Net investments in capital assets	60,883,980	103,791,348	2,715,029	10,489	63,599,009	103,801,837
Restricted	97,510,658	100,217,719	-	-	97,510,658	100,217,719
Unrestricted	(147,322,270)	(150,820,601)	(11,018,225)	23,281	(158,340,495)	(150,797,320)
Total Net Position	$ 11,072,368	$ 53,188,466	$(8,303,196)	$ 33,770	$ 2,769,172	$ 53,222,236

Table II
CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2021	2022	2021	2022	2021	2022
Revenues:						
Program Revenues:						
Charges for services	$ 9,303,023	$ 15,004,921	$ 933,267	$ 141,213	$ 10,236,290	$ 15,146,134
Operating grants and contributioı	67,165,645	74,354,051	9,774,643	-	76,940,288	74,354,051
General Revenues:						
Maintenance and operations taxe:	195,923,985	203,695,071	-	-	195,923,985	203,695,071
Debt service taxes	101,273,736	110,611,653	-	-	101,273,736	110,611,653
State aid - formula grants	76,355,595	78,239,148	-	-	76,355,595	78,239,148
Interest earnings	590,167	974,121	972	-	591,139	974,121
Miscellaneous	227,014	1,070,579	-	-	227,014	1,070,579
Total Revenue	450,839,165	483,949,544	10,708,882	141.213	461.548.047	484,090,757
Expenses:						
Instruction, curriculum and medi services	254,244,857	251,941,647	-	-	254,244,857	251,941,647
Instructional and school leadersh	25,236,531	25,642,079	-	-	25,236,531	25,642,079
Student support services	31,004,210	32,466,093	-	-	31,004,210	32,466,093
Food services	822,365	17,154,898	12,409,888	-	13,232,253	17,154,898
Cocurricular activities	8,089,402	9,325,923	98,572	144,985	8,187,974	9,470,908
General administration	11,964,555	11,465,984	-	-	11,964,555	11,465,984
Plant maintenance, security and data processing	41,462,314	48,279,863	-	-	41,462,314	48,279,863
Community services	3,072,022	4,561,177	-	-	3,072,022	4,561,177
Debt services	27,303,908	30,114,510	-	-	27,303,908	30,114,510
Intergovernmental charges	2,282,515	2,338,310	-	-	2.282,515	2,338,310
Total Expenses	405,482,679	433,290,484	12,508,460	144.985	417.991.139	433,435,469
Increase (Decrease) in Net Positioı	45,356,486	50,659,060	(1,799,578)	(3,772)	43,556,908	50,655,288
Net Position - beginning of year	(34,284,118)	11,072,368	(6,503,618)	(8,303,196)	(40,787,736)	2,769,172
Prior period adjustment	-	(8,542,962)	-	8.340.738	-	(202,224)
Net Position - end of year	$11,072,368	$ 53,188,466	$ (8,303,196)	$ 33,770	$ 2,769,172	$ 53,222,236

The cost of all governmental activities for the current fiscal period was $433,290,484. However, as shown in the Statement of Activities on pages 18 and 19, the amount that our taxpayers ultimately financed for these activities through District taxes was only $314,306,724 because some of the costs were paid by those who directly benefited from the programs ($15,004,921) or by State equalization funding ($78,239,148).

THE DISTRICT'S FUNDS

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of $470,669,030 a decrease of $208,341,956 from the prior year. Approximately 24% of this total amount ($114,618,912) constitutes *committed, assigned and unassigned fund balance*, which is available for spending at the District's discretion. The remainder of fund balance is *nonspendable or restricted* to indicate that it is not available for new spending because it is already restricted to pay debt service ($93,684,814), food service ($3,755,848), or for capital projects ($257,441,118), or already spent on prepaid items ($321,969), inventories ($845,369) or endowment principal ($1,000).

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was $82,926,100, while the total fund balance was $108,682,042. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the total fund expenditures. Unassigned fund balance represents 26.29% of the total general fund expenditures, while the total fund balance represents 34.45% of that same amount.

The fund balance of the District's general fund increased by $96,382 during the current fiscal year, compared to a $5,817,250 increase in the previous year. Key factors related to this change are as follows:

- A $7,599,000 increase in property tax revenues combined with an $1,883,553 increase in state per capita and foundation revenue contributed to a $15,311,784 overall increase in total revenues. However, expenditures increased $21,867,796 due primarily to an $11,886,889 increase in instructional expenditures.

The debt service fund has a total fund balance of $93,684,814, all of which is reserved for the payment of debt service. The net decrease in fund balance during the period in the debt service fund was $3,813,347, compared to an $18,694,869 increase in the previous year. Tax revenues were $9,259,426 higher than the previous year but debt service expenditures were $30,622,126 higher due to higher bond principal payments including a bond defeasance.

Other changes in fund balances should also be noted. The fund balance in the capital projects fund decreased by $208,333,005 due primarily to $209,162,878 spent on construction-related costs. Although these and other capital expenditures reduce available fund balances, they create new assets for the District as reported in the Statement of Net Position and discussed in Note 5 to the financial statements.

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments fall into three categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in June, 2021). The second category includes changes that the Board made during the year to reflect new information regarding revenue sources and expenditure needs. The principal amendment in this case was an increase in the anticipated amount of State funding to be received. The third category involves amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs.

The District's General Fund balance of $108,682,042 reported on page 20 differs from the General Fund's budgetary fund balance of $100,133,949 reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual on page 28. This is principally due to cost savings in all functional expenditure categories.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2022, the District had $1,231,473,450 (net of accumulated depreciation) invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net increase of $170,455,324, or 16.06%, above last year.

This fiscal year's major additions included:

Continuing construction costs on a new high school, paid for with proceeds of general obligation bonds issued in a prior year.	$ 33,840,325
Continuing construction costs on a new middle school, paid for with proceeds of general obligation bonds issued in a prior year.	29,026,230
Continuing construction costs on a new elementary school, paid for with proceeds of general obligation bonds issued in a prior year.	18,579,942
Continuing construction costs on renovations and additions to an existing high school, paid for with proceeds of general obligation bonds.	39,507,920
Initial construction costs on renovations and additions to an existing high school, paid for with proceeds of general obligation bonds.	15,452,720
Initial construction costs on a new transportation facility, paid for with proceeds of general obligation bonds.	8,118,305
Continuing construction costs on renovations and additions to an existing high school, paid for with proceeds of general obligation bonds.	6,903,987
Totaling	$151,429,429

More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

Debt Administration

At year-end, the District had $1,350,157,224 in bonds outstanding (including accreted interest on bonds) versus $1,413,050,041 last year–a decrease of 4.45%. New debt incurred during the fiscal period consisted of the issuance of four refunding bond series. The District's underlying rating for unlimited tax bonds is "AA" by S&P, and "AA-" by Fitch but is considered AAA as a result of guarantees of the Texas Permanent School Fund.

Other obligations include accrued vacation benefits and special termination benefits. More detailed information about the District's long-term liabilities is presented in Note 5 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Board of Trustees approved a maintenance and operation property tax rate of $0.8820 and a debt service rate of $0.48 for the fiscal year 2021-2022, making the total tax rate necessary to fund the 2021-2022 budget $1.3620. This represents a decrease of $0.0456 from the prior year.

This change in the tax rate was due to the implementation of House Bill 3 (HB3) approved during the 86th Legislative Session. Beginning in the 2019 tax year HB3 requires a school district's Tier I M & O tax rate to be the lesser of $1.00 or the total number of cents levied by the district for the M & O rate in 2018 multiplied by the state compression percentage of 93 percent. In 2018, the District's Tier I M & O rate was $1.00, reducing the rate to $0.93. The voter approval tax rate is set to the sum of $0.93 plus: the greater of 4 cents or the district's enrichment tax rate after tax compression. In 2019, the enrichment tax rate was $0.0231. HB 3 made no changes to the calculation of a district's debt service tax rate. The District continues to experience an increase in property values over the prior year. The actual increase in certified and under review values for the 2021 tax year was $1,851,291,959 or 9.62%.

The Board of Trustees of the Denton Independent School District adopted a total tax rate of $1.3446 per $100 of assessed value for 2022-2023. The M & O tax rate will decrease to $.8646, and the debt service tax rate will remain at $0.48 for a total rate of $1.3446. The District's certified values increased $4,245,908,273 or 20.12% for 2022.

State funding for 2022-2023 is projected to be $76,283,918 or 24.19% of the total budget compared to $88,995,552 or 29.60% for 2021-2022.

During the 2012-2013 school year the District worked with TASB to examine pay equity for employees and to determine if pay practices were internally fair and externally competitive. Several adjustments have been implemented since the 2013-2014 school year. The 2022-2023 budget includes approximately $11,205,532 for the Salary Compensation Plan.

With the passage of HB 3 in the last legislative session, the Legislature increased state funding in public education, improved equity, and lowered property tax rates. The new revenue formula approved by the legislature continues to be based on student attendance in the regular classroom and in special settings. Projecting attendance for the 2022-2023 school year was complicated due to the lower than normal attendance experienced in 2021-2022, a result of the COVID-19 pandemic. Furthermore, the new formula restricts overall state foundation and local tax revenue growth to 2.5% unless the District has additional student growth. While, we have seen a setback in average daily attendance due to COVID-19, fortunately for Denton ISD, demographic modeling reflects continued student growth for the foreseeable future. Districts were provided a hold harmless Average Daily Attendance (ADA) in 2021-2022 for the first four six weeks to help sustain their funding level. However, the hold harmless ADA did not extend throughout the remainder of the year; nor does it extend into next fiscal year. Taking into account attendance projections as well as an increase in appraised property value, Denton ISD will receive approximately $12,711,634 less in state funding for 2022-2023 than in the prior year's adopted budget. Property tax collections are expected to increase by $26,112,179.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for funds the District receives. If you have questions about this report or need additional financial information, contact the District's business office, at Denton Independent School District, 1307 North Locust, Denton, Texas 76201, (940) 369-0000.

BASIC FINANCIAL STATEMENTS

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DENTON INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2022

EXHIBIT A-1

Data Control Codes		1 Governmental Activities	2 Business Type Activities	3 Total
		Primary Government		
	ASSETS			
1110	Cash and Cash Equivalents	$ 521,410,836	$ 24,818	$ 521,435,654
1220	Property Taxes - Delinquent	4,885,085	-	4,885,085
1230	Allowance for Uncollectible Taxes	(185,284)	-	(185,284)
1240	Due from Other Governments	28,017,790	-	28,017,790
1290	Other Receivables, Net	896,005	-	896,005
1300	Inventories	850,409	-	850,409
1410	Prepayments	321,969	-	321,969
	Capital Assets:			
1510	Land	72,591,336	-	72,591,336
1520	Buildings, Net	799,974,205	-	799,974,205
1530	Furniture and Equipment, Net	20,089,228	10,489	20,099,717
1580	Construction in Progress	338,818,681	-	338,818,681
1000	Total Assets	1,787,670,260	35,307	1,787,705,567
	DEFERRED OUTFLOWS OF RESOURCES			
1701	Deferred Charge for Refunding	111,696,414	-	111,696,414
1705	Deferred Outflow Related to TRS Pension	34,717,166	-	34,717,166
1706	Deferred Outflow Related to TRS OPEB	28,197,105	-	28,197,105
1700	Total Deferred Outflows of Resources	174,610,685	-	174,610,685
	LIABILITIES			
2110	Accounts Payable	42,021,223	1,537	42,022,760
2150	Payroll Deductions and Withholdings	2,929,244	-	2,929,244
2160	Accrued Wages Payable	31,399,398	-	31,399,398
2200	Accrued Expenses	19,198,585	-	19,198,585
2300	Unearned Revenue	3,382,373	-	3,382,373
	Noncurrent Liabilities:			
2501	Due Within One Year: Loans, Note, Leases, etc.	64,657,087	-	64,657,087
	Due in More than One Year:			
2502	Bonds, Notes, Loans, Leases, etc.	1,477,565,793	-	1,477,565,793
2540	Net Pension Liability (District's Share)	48,773,455	-	48,773,455
2545	Net OPEB Liability (District's Share)	95,716,960	-	95,716,960
2000	Total Liabilities	1,785,644,118	1,537	1,785,645,655
	DEFERRED INFLOWS OF RESOURCES			
2605	Deferred Inflow Related to TRS Pension	56,871,007	-	56,871,007
2606	Deferred Inflow Related to TRS OPEB	66,577,354	-	66,577,354
2600	Total Deferred Inflows of Resources	123,448,361	-	123,448,361
	NET POSITION			
3200	Net Investment in Capital Assets	103,791,348	10,489	103,801,837
	Restricted:			
3820	Restricted for Federal and State Programs	3,755,848	-	3,755,848
3850	Restricted for Debt Service	93,684,814	-	93,684,814
3870	Restricted for Campus Activities	2,777,057	-	2,777,057
3900	Unrestricted	(150,820,601)	23,281	(150,797,320)
3000	Total Net Position	$ 53,188,466	$ 33,770	$ 53,222,236

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

DENTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Data Control Codes		1 Expenses	Program Revenues 3 Charges for Services	Program Revenues 4 Operating Grants and Contributions
Primary Government:				
	GOVERNMENTAL ACTIVITIES:			
11	Instruction	$ 236,213,495	$ 148,176	$ 33,775,215
12	Instructional Resources and Media Services	5,421,448	-	223,858
13	Curriculum and Instructional Staff Development	10,306,704	-	4,332,095
21	Instructional Leadership	4,897,197	-	396,541
23	School Leadership	20,744,882	-	1,631,192
31	Guidance, Counseling, and Evaluation Services	18,203,774	-	4,847,087
32	Social Work Services	1,013,466	-	158,731
33	Health Services	4,789,811	5,907,468	1,353,707
34	Student (Pupil) Transportation	8,459,042	-	2,694,912
35	Food Services	17,154,898	1,188,416	20,623,904
36	Extracurricular Activities	9,325,923	763,208	1,611,035
41	General Administration	11,465,984	3,825,873	279,079
51	Facilities Maintenance and Operations	31,287,153	112,519	477,717
52	Security and Monitoring Services	1,966,658	-	69,655
53	Data Processing Services	8,680,070	-	186,423
61	Community Services	4,561,177	3,059,261	864,216
72	Debt Service - Interest on Long-Term Debt	19,784,057	-	816,700
73	Debt Service - Bond Issuance Cost and Fees	10,330,453	-	-
81	Capital Outlay	6,345,982	-	11,984
93	Payments Related to Shared Services Arrangements	553,400	-	-
99	Other Intergovernmental Charges	1,784,910	-	-
	[TG] Total Governmental Activities:	433,290,484	15,004,921	74,354,051
	BUSINESS-TYPE ACTIVITIES:			
01	Stadium Concessions	144,985	141,213	-
	[TB] Total Business-Type Activities:	144,985	141,213	-
	[TP] TOTAL PRIMARY GOVERNMENT:	$ 433,435,469	$ 15,146,134	$ 74,354,051

Data Control Codes	
	General Revenues:
	Taxes:
MT	Property Taxes, Levied for General Purposes
DT	Property Taxes, Levied for Debt Service
SF	State Aid - Formula Grants
IE	Investment Earnings
MI	Miscellaneous Local and Intermediate Revenue
TR	Total General Revenues
CN	Change in Net Position
NB	Net Position - Beginning
PA	Prior Period Adjustment
NE	Net Position - Ending

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

Net (Expense) Revenue and Changes in Net Position		
6	7	8
Primary Government		
Governmental Activities	Business-type Activities	Total
$ (202,290,104)	$ -	$ (202,290,104)
(5,197,590)	-	(5,197,590)
(5,974,609)	-	(5,974,609)
(4,500,656)	-	(4,500,656)
(19,113,690)	-	(19,113,690)
(13,356,687)	-	(13,356,687)
(854,735)	-	(854,735)
2,471,364	-	2,471,364
(5,764,130)	-	(5,764,130)
4,657,422	-	4,657,422
(6,951,680)	-	(6,951,680)
(7,361,032)	-	(7,361,032)
(30,696,917)	-	(30,696,917)
(1,897,003)	-	(1,897,003)
(8,493,647)	-	(8,493,647)
(637,700)	-	(637,700)
(18,967,357)	-	(18,967,357)
(10,330,453)	-	(10,330,453)
(6,333,998)	-	(6,333,998)
(553,400)	-	(553,400)
(1,784,910)	-	(1,784,910)
(343,931,512)	-	(343,931,512)
-	(3,772)	(3,772)
-	(3,772)	(3,772)
(343,931,512)	(3,772)	(343,935,284)
203,695,071	-	203,695,071
110,611,653	-	110,611,653
78,239,148	-	78,239,148
974,121	-	974,121
1,070,579	-	1,070,579
394,590,572	-	394,590,572
50,659,060	(3,772)	50,655,288
11,072,368	(8,303,196)	2,769,172
(8,542,962)	8,340,738	(202,224)
$ 53,188,466	$ 33,770	$ 53,222,236

DENTON INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects
	ASSETS			
1110	Cash and Cash Equivalents	$ 117,218,617	$ 93,333,113	$ 297,310,122
1220	Property Taxes - Delinquent	3,233,382	1,651,703	-
1230	Allowance for Uncollectible Taxes	(125,563)	(59,721)	-
1240	Due from Other Governments	14,312,753	-	-
1260	Due from Other Funds	13,071,051	-	-
1290	Other Receivables	463,394	-	151,408
1300	Inventories	160,619	-	-
1410	Prepayments	165,473	-	111,500
1000	Total Assets	$ 148,499,726	$ 94,925,095	$ 297,573,030
	LIABILITIES			
2110	Accounts Payable	$ 4,077,606	$ -	$ 37,207,854
2150	Payroll Deductions and Withholdings Payable	2,929,244	-	-
2160	Accrued Wages Payable	29,559,228	-	-
2170	Due to Other Funds	803,736	-	-
2300	Unearned Revenue	84,307	45,822	-
2000	Total Liabilities	37,454,121	45,822	37,207,854
	DEFERRED INFLOWS OF RESOURCES			
2601	Unavailable Revenue - Property Taxes	2,363,563	1,194,459	-
2600	Total Deferred Inflows of Resources	2,363,563	1,194,459	-
	FUND BALANCES			
	Nonspendable Fund Balance:			
3410	Inventories	160,619	-	-
3425	Endowment Principal	-	-	-
3430	Prepaid Items	165,473	-	111,500
	Restricted Fund Balance:			
3450	Federal or State Funds Grant Restriction	-	-	-
3470	Capital Acquisition and Contractural Obligation	-	-	257,441,118
3480	Retirement of Long-Term Debt	-	93,684,814	-
	Committed Fund Balance:			
3545	Other Committed Fund Balance	-	-	-
	Assigned Fund Balance:			
3590	Other Assigned Fund Balance	25,429,850	-	2,812,558
3600	Unassigned Fund Balance	82,926,100	-	-
3000	Total Fund Balances	108,682,042	93,684,814	260,365,176
4000	Total Liabilities, Deferred Inflows & Fund Balances	$ 148,499,726	$ 94,925,095	$ 297,573,030

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

Other Funds	Total Governmental Funds
$ 11,363,354	$ 519,225,206
-	4,885,085
-	(185,284)
13,705,037	28,017,790
802,822	13,873,873
181,412	796,214
684,750	845,369
44,996	321,969
$ 26,782,371	$ 567,780,222
$ 682,833	$ 41,968,293
-	2,929,244
1,840,159	31,399,387
13,070,137	13,873,873
3,252,244	3,382,373
18,845,373	93,553,170
-	3,558,022
-	3,558,022
684,750	845,369
1,000	1,000
44,996	321,969
3,755,848	3,755,848
-	257,441,118
-	93,684,814
3,445,957	3,445,957
13,247	28,255,655
(8,800)	82,917,300
7,936,998	470,669,030
$ 26,782,371	$ 567,780,222

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DENTON INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2022

	Total Fund Balances - Governmental Funds	$ 470,669,030
1	Assets and liabilities of the internal service funds are not included in the fund financial statements.	1,331,252
2	Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the fund financial statements.	1,687,507,473
3	Accumulated depreciation is not reported in the fund financial statements.	(456,034,023)
4	Bonds payable are not reported in the fund financial statements.	(1,308,438,717)
5	Bond premiums and discounts are not recognized in the fund financial statements.	(191,304,975)
6	Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.	(18,292,317)
7	Property tax revenue reported as deferred revenue in the fund financial statements was recognized as revenue in the government-wide financial statements.	3,558,022
8	Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of $48,773,455, a Deferred Resource Inflow related to TRS in the amount of $56,871,007, and a Deferred Resource Outflow related to TRS in the amount of $34,717,166. This amounted to a decrease in Net Position in the amount of $70,927,296.	(70,927,296)
9	Included in the items related to debt is the recognition of the District's proportionate share of the net Other Post-Employment Benefit (OPEB) liability required by GASB 75 in the amount of $95,716,960, a Deferred Resource Inflow related to TRS OPEB in the amount of $66,577,354, and a Deferred Resource Outflow related to TRS OPEB in the amount of $28,197,105. This amounted to a decrease in Net Position in the amount of $134,097,209.	(134,097,209)
10	Accrued vacation benefits have not been recorded in the fund financial statements.	(760,681)
11	Deferred charge on bond refundings is not recognized in the fund financial statements.	111,696,414
12	Accreted interest on capital appreciation bonds has not been recorded in the fund financial statements.	(41,718,507)
19	**Net Position of Governmental Activities**	$ 53,188,466

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

DENTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects
	REVENUES:			
5700	Total Local and Intermediate Sources	$ 209,217,170	$ 110,777,189	$ 569,691
5800	State Program Revenues	94,002,127	695,017	-
5900	Federal Program Revenues	10,869,757	-	-
5020	Total Revenues	314,089,054	111,472,206	569,691
	EXPENDITURES:			
	Current:			
0011	Instruction	191,483,133	-	-
0012	Instructional Resources and Media Services	4,706,621	-	-
0013	Curriculum and Instructional Staff Development	5,836,788	-	-
0021	Instructional Leadership	4,179,232	-	-
0023	School Leadership	18,224,399	-	-
0031	Guidance, Counseling, and Evaluation Services	12,980,395	-	-
0032	Social Work Services	803,435	-	-
0033	Health Services	3,294,248	-	-
0034	Student (Pupil) Transportation	7,554,794	-	-
0035	Food Services	554,599	-	-
0036	Extracurricular Activities	7,705,331	-	-
0041	General Administration	10,037,092	-	-
0051	Facilities Maintenance and Operations	31,366,731	-	-
0052	Security and Monitoring Services	1,897,003	-	-
0053	Data Processing Services	8,244,986	-	19,466
0061	Community Services	3,381,463	-	-
	Debt Service:			
0071	Principal on Long-Term Liabilities	67,733	60,352,371	-
0072	Interest on Long-Term Liabilities	2,485	54,573,431	-
0073	Bond Issuance Cost and Fees	-	1,613,063	-
	Capital Outlay:			
0081	Facilities Acquisition and Construction	780,389	-	209,162,878
	Intergovernmental:			
0093	Payments to Fiscal Agent/Member Districts of SSA	553,400	-	-
0099	Other Intergovernmental Charges	1,784,910	-	-
6030	Total Expenditures	315,439,167	116,538,865	209,182,344
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,350,113)	(5,066,659)	(208,612,653)
	OTHER FINANCING SOURCES (USES):			
7911	Capital Related Debt Issued	-	155,980,000	-
7912	Sale of Real and Personal Property	32,508	-	-
7915	Transfers In	2,224,900	-	804,548
7916	Premium or Discount on Issuance of Bonds	-	24,926,057	-
7949	Other Resources	-	1,214	-
8911	Transfers Out (Use)	(4,272,439)	-	(524,900)
8940	Payment to Bond Refunding Escrow Agent (Use)	-	(179,653,959)	-
7080	Total Other Financing Sources (Uses)	(2,015,031)	1,253,312	279,648
	EXTRAORDINARY ITEMS:			
7919	Extraordinary Item - Resource	3,663,750	-	-
1200	Net Change in Fund Balances	298,606	(3,813,347)	(208,333,005)
0100	Fund Balance - July 1 (Beginning)	108,585,660	97,498,161	468,698,181
1300	Prior Period Adjustment	(202,224)	-	-
3000	Fund Balance - June 30 (Ending)	$ 108,682,042	$ 93,684,814	$ 260,365,176

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

Other Funds	Total Governmental Funds
$ 5,490,188	$ 326,054,238
3,669,058	98,366,202
43,710,030	54,579,787
52,869,276	479,000,227
22,455,184	213,938,317
216,918	4,923,539
3,608,129	9,444,917
238,842	4,418,074
475,050	18,699,449
3,413,249	16,393,644
103,187	906,622
1,134,773	4,429,021
123,398	7,678,192
16,725,993	17,280,592
1,074,275	8,779,606
211,853	10,248,945
286,276	31,653,007
69,655	1,966,658
153,276	8,417,728
789,847	4,171,310
-	60,420,104
-	54,575,916
-	1,613,063
1,558,953	211,502,220
-	553,400
-	1,784,910
52,638,858	693,799,234
230,418	(214,799,007)
-	155,980,000
-	32,508
3,334,809	6,364,257
-	24,926,057
-	1,214
-	(4,797,339)
-	(179,653,959)
3,334,809	2,852,738
-	3,663,750
3,565,227	(208,282,519)
4,228,984	679,010,986
142,787	(59,437)
$ 7,936,998	$ 470,669,030

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Total Net Change in Fund Balances - Governmental Funds	$ (208,282,519)
Current year capital asset additions are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The net effect of reclassifying the current year capital asset additions is to increase net position.	202,538,275
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position in the government-wide financial statements.	(34,785,274)
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.	898,822
Revenues from property taxes are deferred in the fund financial statements until they are considered available to finance current expenditures, but such revenues are recognized when assessed, net of an allowance for uncollectable amounts, in the government-wide financial statements.	(161,201)
Current year amortization of the premium/discount on bonds payable is not recorded in the fund financial statements, but is shown as a change in long-term debt in the government-wide financial statements.	30,402,166
Current year interest accretion on capital appreciation bonds is not recognized in the fund financial statements, but is shown as a change in long-term debt in the government-wide financial statements.	3,555,446
The net profit (loss) of internal service funds is not included in the fund financial statements but is reported with governmental activities in the government-wide financial statements.	(903,488)
Current year principal payments on bonds payable are expenditures in the fund financial statements, but are shown as reductions in long-term debt in the government-wide financial statements.	60,352,371
Current year net decreases in accrued vacation benefit obligations and special termination benefit obligations are shown as expenditures in the fund financial statements but are shown as reductions of long-term debt in the government-wide financial statements.	131,228
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 8/31/2021 caused the ending net position to increase in the amount of $7,749,568. Contributions made before the measurement but during the 2022 FY were also de-expended and recorded as a reduction in the net pension liability for the District. This also caused an increase in the net position in the amount of $1,333,407. These contributions were replaced with the District's pension expense for the year of $5,506,405, which caused a decrease in the change in net position. The impact of all of these is to increase net position by $3,576,570.	3,576,570

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

The implementation of GASB 75 required that certain expenditures be de-expended and recorded as deferred resource outflows. TRS OPEB contributions made during the current fiscal year caused the ending net position to increase in the amount of $2,041,121. These contributions were replaced with the District's OPEB expense for the year, which was $(1,265,800) and caused an increase in net position. The impact of both of these is to increase net position by $3,306,921.		3,306,921
Proceeds from bond sales are recorded as other resources in the fund financial statements but are shown as an increase in long-term debt in the government-wide financial statements.		(155,980,000)
Premium received on bond sales are recorded as other resources in the fund financial statements but are shown as an increase in long-term debt in the government-wide financial statements.		(24,926,057)
Payments to refund bonds payable are shown as other financing uses in the fund financial statements, but are shown as a reduction in long-term debt in the government-wide financial statements.		179,461,327
The basis of capital asset dispositions do not affect the fund financial statements but are shown as a reduction of capital assets in the government-wide financial statements.		(769)
Current year amortization of deferred charge on bond refunding is not recorded in the fund financial statements, but is shown as a reduction of the deferred loss in the government-wide financial statements.		(8,524,758)
Change in Net Position of Governmental Activities	$	50,659,060

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

DENTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 206,356,924	$ 208,693,952	$ 209,217,170	$ 523,218
5800	State Program Revenues	88,995,552	96,177,371	94,002,127	(2,175,244)
5900	Federal Program Revenues	4,850,000	11,414,796	10,869,757	(545,039)
5020	Total Revenues	300,202,476	316,286,119	314,089,054	(2,197,065)
	EXPENDITURES:				
	Current:				
0011	Instruction	187,440,805	193,983,963	191,483,133	2,500,830
0012	Instructional Resources and Media Services	4,717,036	4,930,816	4,706,621	224,195
0013	Curriculum and Instructional Staff Development	5,633,350	6,091,925	5,836,788	255,137
0021	Instructional Leadership	3,778,529	4,371,853	4,179,232	192,621
0023	School Leadership	16,824,547	18,267,436	18,224,399	43,037
0031	Guidance, Counseling, and Evaluation Services	12,541,648	13,133,476	12,980,395	153,081
0032	Social Work Services	721,193	827,292	803,435	23,857
0033	Health Services	3,083,995	3,368,614	3,294,248	74,366
0034	Student (Pupil) Transportation	6,421,756	7,890,944	7,554,794	336,150
0035	Food Services	217,530	562,747	554,599	8,148
0036	Extracurricular Activities	7,979,087	8,002,798	7,705,331	297,467
0041	General Administration	10,559,581	10,876,529	10,037,092	839,437
0051	Facilities Maintenance and Operations	31,579,786	33,419,145	31,366,731	2,052,414
0052	Security and Monitoring Services	1,922,495	2,136,673	1,897,003	239,670
0053	Data Processing Services	7,309,090	8,381,576	8,244,986	136,590
0061	Community Services	4,103,618	4,294,140	3,381,463	912,677
	Debt Service:				
0071	Principal on Long-Term Liabilities	-	66,155	67,733	(1,578)
0072	Interest on Long-Term Liabilities	-	2,500	2,485	15
	Capital Outlay:				
0081	Facilities Acquisition and Construction	-	1,151,135	780,389	370,746
	Intergovernmental:				
0093	Payments to Fiscal Agent/Member Districts of SSA	532,200	553,400	553,400	-
0095	Payments to Juvenile Justice Alternative Ed. Prg.	28,500	3,555	-	3,555
0099	Other Intergovernmental Charges	1,862,136	1,784,910	1,784,910	-
6030	Total Expenditures	307,256,882	324,101,582	315,439,167	8,662,415
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,054,406)	(7,815,463)	(1,350,113)	6,465,350
	OTHER FINANCING SOURCES (USES):				
7912	Sale of Real and Personal Property	-	10,524	32,508	21,984
7915	Transfers In	500,000	500,000	2,224,900	1,724,900
8911	Transfers Out (Use)	-	(4,810,522)	(4,272,439)	538,083
7080	Total Other Financing Sources (Uses)	500,000	(4,299,998)	(2,015,031)	2,284,967
	EXTRAORDINARY ITEMS:				
7919	Extraordinary Item - Resource	-	3,663,750	3,663,750	-
1200	Net Change in Fund Balances	(6,554,406)	(8,451,711)	298,606	8,750,317
0100	Fund Balance - July 1 (Beginning)	108,585,660	108,585,660	108,585,660	-
1300	Prior Period Adjustment	-	-	(202,224)	(202,224)
3000	Fund Balance - June 30 (Ending)	$ 102,031,254	$ 100,133,949	$ 108,682,042	$ 8,548,093

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

EXHIBIT D-1

DENTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2022

	Business-Type Activities - Enterprise Funds			Governmental Activities -
	National Breakfast & Lunch Program	Stadium Concessions	Total Enterprise Funds	Total Internal Service Funds
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ -	$ 24,818	$ 24,818	$ 2,185,630
Other Receivables	-	-	-	99,791
Inventories	-	-	-	5,040
Total Current Assets	-	24,818	24,818	2,290,461
Noncurrent Assets:				
Capital Assets:				
Furniture and Equipment	-	41,691	41,691	26,269
Depreciation on Furniture and Equipment	-	(31,202)	(31,202)	(9,047)
Total Noncurrent Assets	-	10,489	10,489	17,222
Total Assets	-	35,307	35,307	2,307,683
LIABILITIES				
Current Liabilities:				
Accounts Payable	-	1,537	1,537	52,929
Accrued Wages Payable	-	-	-	11
Accrued Expenses	-	-	-	906,269
Total Liabilities	-	1,537	1,537	959,209
NET POSITION				
Net Investment in Capital Assets	-	10,489	10,489	-
Unrestricted Net Position	-	23,281	23,281	1,348,474
Total Net Position	$ -	$ 33,770	$ 33,770	$ 1,348,474

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

DENTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Business-Type Activities - Enterprise Funds			Governmental Activities -
	National Breakfast & Lunch Program	Stadium Concessions	Total Enterprise Funds	Total Internal Service Funds
OPERATING REVENUES:				
Local and Intermediate Sources	$ -	$ 141,213	$ 141,213	$ 1,739,429
Total Operating Revenues	-	141,213	141,213	1,739,429
OPERATING EXPENSES:				
Payroll Costs	-	63,162	63,162	294,112
Professional and Contracted Services	-	12	12	191,040
Supplies and Materials	-	79,497	79,497	157,384
Other Operating Costs	-	867	867	435,406
Depreciation Expense	-	1,447	1,447	-
Total Operating Expenses	-	144,985	144,985	1,077,942
Operating Income (Loss)	-	(3,772)	(3,772)	661,487
NONOPERATING REVENUES (EXPENSES):				
Earnings from Temporary Deposits & Investments	-	-	-	723
Total Nonoperating Revenues (Expenses)	-	-	-	723
Income (Loss) Before Transfers	-	(3,772)	(3,772)	662,210
Transfer In	-	-	-	134,302
Transfers Out	-	-	-	(1,700,000)
Change in Net Position	-	(3,772)	(3,772)	(903,488)
Total Net Position - July 1 (Beginning)	(8,340,738)	37,542	(8,303,196)	2,251,962
Prior Period Adjustment	8,340,738	-	8,340,738	-
Total Net Position - June 30 (Ending)	$ -	$ 33,770	$ 33,770	$ 1,348,474

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

EXHIBIT D-3

DENTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Business-Type Activities			Governmental Activities -
	National Breakfast & Lunch Program	Stadium Concessions	Total Enterprise Funds	Total Internal Service Funds
Cash Flows from Operating Activities:				
Cash Received from District	$ -	$ -	$ -	$ 1,142,860
Cash Received from Charges and Fees	-	141,213	141,213	497,072
Cash Payments for Payroll Costs	-	(63,162)	(63,162)	(293,876)
Cash Payments for Purchased Services	-	(12)	(12)	(191,040)
Cash Payments for Supplies and Materials	-	(81,939)	(81,939)	(182,549)
Cash Payments for Other Expenses	-	(867)	(867)	-
Cash Payments for Claims	-	-	-	(523,877)
Net Cash Provided by (Used for) Operating Activities	-	(4,767)	(4,767)	448,590
Cash Flows from Capital & Related Financing Activities:				
Transfers In (Out)	-	-	-	(1,565,698)
Cash Flows from Investing Activities:				
Interest and Dividends on Investments	-	-	-	723
Net Decrease in Cash and Cash Equivalents	-	(4,767)	(4,767)	(1,116,385)
Cash and Cash Equivalents at Beginning of Year	-	29,585	29,585	3,302,015
Cash and Cash Equivalents at End of Year	$ -	$ 24,818	$ 24,818	$ 2,185,630
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:				
Operating Income (Loss):	$ -	$ (3,772)	$ (3,772)	$ 661,487
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used For) Operating Activities:				
Depreciation	-	1,447	1,447	-
Effect of Increases and Decreases in Current Assets and Liabilities:				
Decrease (increase) in Receivables	-	-	-	(99,497)
Decrease (increase) in Inv./Prepayments	-	-	-	2,983
Increase (decrease) in Accounts Payable	-	(2,442)	(2,442)	(22,993)
Increase (decrease) in Accrued Wages Payable	-	-	-	236
Increase (decrease) in Accrued Expenses	-	-	-	(93,626)
Net Cash Provided by (Used for) Operating Activities	$ -	$ (4,767)	$ (4,767)	$ 448,590

The accompanying notes are an integral part of this statement.

DENTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2022

	Total Custodial Funds
ASSETS	
Cash and Cash Equivalents	$ 256,795
Total Assets	256,795
LIABILITIES	
Accounts Payable	5,069
Accrued Wages Payable	1,642
Total Liabilities	6,711
NET POSITION	
Unrestricted Net Position	250,084
Total Net Position	$ 250,084

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

DENTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Total Custodial Funds
ADDITIONS:	
Received from Student Groups/Other	$ 261,882
Total Additions	261,882
DEDUCTIONS:	
Student Groups/Other	228,220
Total Deductions	228,220
Change in Fiduciary Net Position	33,662
Total Net Position - July 1 (Beginning)	216,422
Total Net Position - June 30 (Ending)	$ 250,084

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

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Denton Independent School District (the "District") is a public educational agency operating under the applicable rules and regulations of the State of Texas. The District's combined financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide (FAR). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

A. REPORTING ENTITY

The Board of Trustees, a seven member group elected by registered voters of the District, has fiscal accountability over all activities related to public elementary and secondary education within the jurisdiction of the District. The board of trustees are elected by the public. The trustees as a body corporate have the exclusive power and duty to govern and oversee the management of the public schools of the district. All powers and duties not specifically delegated by statute to the Texas Education Agency (Agency) or to the State Board of Education are reserved for the trustees, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the trustees. The District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards.

The District's basis financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District

Based on the aforementioned criteria, Denton Independent School District has no component units.

B. BASIS OF PRESENTATION

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Fund Financial Statements:

The District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The District has presented the following major governmental funds:

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

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

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

Additionally, the District reports the following fund types:

1. **Special Revenue Funds** - These funds are established to account for federally financed or expenditures legally restricted for specified purposes. In many special revenue funds, any unused balances are returned to the grantor at the close of specified project periods. For funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds.

2. **Enterprise Fund** - The District utilizes enterprise funds to account for the Districts' activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities. The District uses this fund to account for its athletic stadium concessions, because this program is self-supporting and does not require subsidies from the general fund.

3. **Internal Service Funds** - The District utilizes Internal Service Funds to account for revenues and expenses related to services provided to parties inside the District on a cost reimbursement basis. These funds facilitate distribution of support costs to the users of support services. The District has internal service funds for its health and workers compensation self-insurance plans in addition to its print shop.

4. **Permanent Fund** - The District utilizes a permanent fund to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes to support the District's programs. The District uses this fund to account for the Lewis Price Memorial Fund, the earnings on which are to be used for playground equipment.

5. **Fiduciary Funds -** 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 exist with the explicit approval of, and are subject to revocation by, the Board.

The enterprise funds and internal service funds are proprietary fund types. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting", all proprietary funds will continue to follow Financial Accounting Standards Board (FASB) standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments or earlier pronouncements), or 2) continuing to follow new FASB pronouncements (unless they conflict with GASB guidance). The District has chosen not to apply future FASB standards.

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after year-end. A 90 day availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

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.

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

The revenue susceptible to accrual are property taxes, charges for services, interest income and intergovernmental revenues. All other Governmental Fund Type revenues are recognized when received.

Revenues from state and federal grants are recognized as earned when the related program expenditures are incurred. Funds received but unearned are reflected as unearned revenues, and funds expended but not yet received are shown as receivables.

Revenue from investments, including governmental external investment pool, is based upon fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Most investments are reported at amortized cost when the investments have remaining maturities of one year or less at time of purchase. External investment pools are permitted to report short-term debt investments at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer, or other factors. For that purpose, a pool's short-term investments are those with remaining maturities of up to ninety days.

In accordance with the FAR, the District has adopted and installed an accounting system which exceeds the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure presented in the Accounting Code Section of the FAR.

D. BUDGETARY CONTROL

Formal budgetary accounting is employed for all required Governmental Fund Types, as outlined in TEA's FAR module, and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles. The budget is prepared and controlled at the function level within each organization to which responsibility for controlling operations is assigned.

The official school budget is prepared for adoption for required Governmental Fund Types prior to June 20 of the preceding fiscal year for the subsequent fiscal year beginning July 1. The budget is formally adopted by the Board of Trustees at a public meeting held at least ten days after public notice has been given. The budget is prepared by fund, function, object, and organization. The budget is controlled at the organizational level by the appropriate department head or campus principal within Board allocations. Therefore, organizations may transfer appropriations as necessary without the approval of the board unless the intent is to cross fund, function or increase the overall budget allocations. Control of appropriations by the Board of Trustees is maintained within Fund Groups at the function code level and revenue object code level.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, the Debt Service Fund and the Child Nutrition Fund. The special revenue funds and the Capital Projects Fund adopt project-length budgets which do not correspond to the District's fiscal year. Each annual budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles. The budget is amended throughout the year by the Board of Trustees. Such amendments are reflected in the official minutes of the Board.

A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

	June 30, 2022 Fund Balance
Appropriated Budget Funds	$3,914,740
Nonappropriated Budget Funds	4,008,011
All Special Revenue Funds	$7,922,751

E. ENCUMBRANCE ACCOUNTING

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment of Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent an expenditure for the period, only a commitment to expend resources. Appropriations lapse at June 30 and encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent year's budget.

F. PREPAID ITEMS

Prepaid balances are for payments made by the District in the current fiscal year to provide services occurring in the subsequent fiscal year, and the amount of prepayments has been recognized as nonspendable fund balance to signify that a portion of fund balance is not available for other subsequent expenditures.

G. INVENTORIES

The consumption method is used to account for inventories of food products, school supplies and athletic equipment. Under this method, these items are carried in an inventory account of the respective fund at cost, using the first-in, first-out method of accounting and are subsequently charged to expenditures when consumed. In the General Fund, reported inventories are offset by a fund balance reserve indicating that they are unavailable as current expendable financial resources.

H. INTERFUND RECEIVABLES AND PAYABLES

Short-term amounts owed between funds are classified as "Due to/from other funds". Interfund loans are classified as "Advances to/from other funds" and are offset by a fund balance reserve account. Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances" and "internal advances".

I. CAPITAL ASSETS

Capital assets, which includes property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at acquisition value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

Assets capitalized have an original cost of $5,000 or more and over one-year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	20-40 Years
Furniture and Equipment	5-10 Years

J. COMPENSATED ABSENCES

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

K. CASH EQUIVALENTS

For purposes of the statement of cash flows, investments are considered to be cash equivalents if they are highly liquid with maturity within one year or less.

L. NET POSITION

Net position represents the difference between assets, deferred inflows, deferred outflows and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciations, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

M. LONG-TERM OBLIGATIONS

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

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

N. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows and inflows of resources are reported in the statement of financial position as described below:

A *deferred outflow of resources* is a consumption of a government's net assets (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period. The District has three items that quality for reporting in this category:

Deferred outflows of resources for refunding - Reported in the government-wide statement of net position, the deferred charge on bond refundings results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The amount of deferred outflows reported in the governmental activities for the deferred charge on bond refundings at June 30, 2022 was $111,696,414.

Deferred outflows of resources for pension - Reported in the government-wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of differences between expected and actual actuarial experiences. The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The other pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan which is currently approximately 6.3 years.

A deferred outflow for pension expense results from payments made to the TRS pension plan by the District after the plan's measurement date. The amount of deferred outflows reported in the statement of net position for deferred pension expenses at June 30, 2022 was $34,717,166.

Deferred outflows of resources for OPEB- Reported in the government-wide financial statement of net position, this deferred outflow results from OPEB plan contributions made after the measurement date of the net OPEB liability and the results of differences between expected and actual investment earnings and changes in proportionate share. The deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the next fiscal year. The other OPEB related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with OPEB through the OPEB plan which is currently approximately 9.2 years. The amount of deferred outflows reported in the statement of net position for deferred OPEB expense at June 30, 2022 was $28,197,105.

A *deferred inflow of resources* is an acquisition of a government's net assets (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period. The District has three items that qualify for reporting in this category:

Deferred inflows of resources for unavailable revenues - Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District reported property taxes that are unavailable as deferred inflows of resources in the fund financial statements. The amount of deferred inflows of resources reported in the governmental funds at June 30, 2022 was $3,558,022.

Deferred inflows of resources for pension - Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between projected and actual earnings on pension plan investments. These amounts will be amortized over a closed five year period. In fiscal year 2022, the District reported deferred inflows of resources for pensions in the statement of net position in the amount of $56,871,007.

Deferred inflows of resources for OPEB - Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between expected and actual experience and from changes in assumptions. These amounts will be amortized over the average expected remaining service life (AERSL) of all members (9.2 years for the 2021 measurement year). In fiscal year 2022, the District reported deferred inflows of resources for OPEB in the statement of net position in the amount of $66,577,354.

O. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2022, the district purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

P. ESTIMATES

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

NOTE 2. FUND BALANCE

The District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" which provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent.

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

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

- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the District's bonded debt and are restricted through debt covenants. Capital projects fund resources are to be used for future construction and renovation projects and are restricted through bond orders and constitutional law.

- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District's Board of Trustees. The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This can also be done through adoption and amendment of the budget. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Board of Trustees have committed resources as of June 30, 2022 for campus activities.

- Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Trustees or through the Board of Trustees delegating this responsibility to other individuals in the District. Under the District's adopted policy, the Board of Trustees may assign amounts for specific purposes but it has also delegated authority to assign fund balance to the Superintendent and the Assistant Superintendent of Administrative Services. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The District has assigned fund balance of the General Fund as of June 30, 2022 for several purposes as detailed below.

- Unassigned: This classification includes all amounts not included in other spendable classifications, including the residual fund balance for the General Fund.

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

The Board of Trustees has adopted a fund balance policy that expresses an intent to maintain a level of assigned and unassigned fund balance in the general fund equal to 25 percent of the fund's operating expenditures.

The details of the fund balances are included in the Governmental Funds Balance Sheet (pages 20 and 21) and are described below:

General Fund

The General Fund has unassigned fund balance of $82,926,100 at June 30, 2022. Deferred expenditures (prepaid items) of $165,473 and inventories of $160,619 are considered nonspendable fund balance. The District has assigned general fund fund balance resources for the following purposes as of June 30, 2022:

2022-2023 Projected Deficit Budget	$ 7,547,552
Extended School Day program	4,891,421
Non-bond new campus startup	478,880
Transportation	1,829,069
Per pupil campus allotment	3,245,627
Secondary curriculum	138,005
Career and Technology program	1,266,367
Bilingual program	14,102
Fine Arts program	137,913
Major maintenance projects	666,912
Technology	1,041,733
Athletics	1,917,373
Insurance deductibles	1,500,000
Vehicles/buses/equipment	754,896
	$25,429,850

Other Major Funds

The Debt Service Fund has restricted funds of $93,684,814 at June 30, 2022 consisting primarily of property tax collections that are restricted for debt service payments on bonded debt. The Capital Projects Fund has restricted funds of $257,441,118 at June 30, 2022 consisting of unspent bond funds and $2,812,558 of non-bond funds assigned for future capital replacement projects. Deferred expenditures (prepaid items) of $111,500 are considered nonspendable fund balance.

Other Funds

In the Food Service Fund, deferred expenditures of $8,217 and inventories of $150,675 are considered nonspendable fund balance. The remainder of the Food Service Fund fund balance of $3,755,848 is shown as restricted for food service operations. The fund balance of $2,777,057 of the Campus Activity Fund (a special revenue fund) is shown as committed due to Board policy committing those funds to campus activities. The fund balance of Local Grants (a special revenue fund) consists of funds donated for specific purposes that are committed to those purposes, and the fund balance of COVID-19 Local Activity (a special revenue fund) consists of funds set aside and committed for local COVID-19 expenditures. The Lewis Trust Memorial Fund permanent endowment fund principal of $1,000 is shown as nonspendable at June 30, 2022, while the accumulated unspent earnings of $13,247 are shown as assigned fund balance.

NOTE 3. DEPOSITS AND INVESTMENTS

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

1. Cash Deposits:

   At June 30, 2022, the carrying amount of the District's deposits checking accounts and interest-bearing savings accounts was $10,854,105 and the bank balance was $11,383,856. The District's cash deposits at June 30, 2022 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name, but were under-secured for four days during the current fiscal year.

2. Investments:

   The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

   In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. That policy addresses the following risks:

   a. Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2022, the District's cash balances totaled $11,383,856. This entire amount was either secured by a letter of credit held by the District's financial institution's agent in the District's name or covered by FDIC insurance. Thus, the District's deposits are not exposed to custodial credit risk.

b. Custodial Credit Risk - Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2022, the District held all of its investments in five public funds investment pools (TexPool, Lone Star, Texas Term, Texas Class and TexStar). Investments in external investment pools are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

c. Credit Risk - This is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The credit quality rating for TexPool, Texas Term, Texas Class and TexStar at year-end was AAAm (Standard & Poor's), and the credit quality rating for Lone Star was AAAf (Standard & Poor's).

d. Interest Rate Risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for the TexPool, TexStar, Texas Term, Texas Class and Lone Star investments is less than 60 days.

e. Foreign Currency Risk - This is the risk that exchange rates will adversely affect the fair value of an investment. At June 30, 2022, the District was not exposed to foreign currency risk.

f. Concentration of Credit Risk - This is the risk of loss attributed to the magnitude of the District's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. Investment pools are excluded from the 5 percent disclosure requirement.

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

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

The District's investments at June 30, 2022, are shown below:

Name	Carrying Amount	Fair Value
TexPool	$ 71,220,276	$ 71,220,276
TexStar	36,884,525	36,884,525
Lone Star	147,807,713	147,807,713
Texas Term	91,910,198	91,910,198
Texas Class	162,994,914	162,994,914
Total	$510,817,626	$510,817,626

Fair Value Measurements

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

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

The District's investment in Texpool, TexStar, Texas Term, Texas Class and Lone Star (statewide 2a7-like external investment pools) are not required to be measured at fair value but are measured at amortized cost.

NOTE 4. CAPITAL ASSETS

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

	Balance July 1	Additions/ Completions	Retirement/ Adjustments	Balance June 30
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 70,508,985	$ 2,082,351	$ -	$ 72,591,336
Construction in Progress	330,450,380	148,986,920	(140,618,619)	338,818,681
Total capital assets, not being depreciated	400,959,365	151,069,271	(140,618,619)	411,410,017
Capital assets, being depreciated:				
Buildings and Improvements	1,017,888,615	187,432,674	-	1,205,321,289
Furniture and Equipment	60,349,250	4,654,948	5,771,969	70,776,167
Total capital assets, being depreciated	1,078,237,865	192,087,622	5,771,969	1,276,097,456
Less accumulated depreciation for:				
Buildings and Improvements	(374,076,412)	(31,270,672)	-	(405,347,084)
Furniture and Equipment	(44,102,692)	(3,514,602)	(3,069,645)	(50,686,939)
Total accumulated depreciation	(418,179,104)	(34,785,274)	(3,069,645)	(456,034,023)
Total capital assets being depreciated, net	660,058,761	157,302,348	2,702,324	820,063,433
Governmental activities capital assets, net	$ 1,061,018,126	$ 308,371,619	$ (137,916,295)	$ 1,231,473,450
Business-type activities:				
Furniture and Equipment	$ 6,993,493	$ -	$ (6,951,802)	$ 41,691
Totals at historic cost	6,993,493	-	(6,951,802)	41,691
Less accumulated depreciation for:				
Furniture and Equipment	(4,278,464)	(1,447)	4,248,709	(31,202)
Total accumulated depreciation	(4,278,464)	(1,447)	4,248,709	(31,202)
Business-type activities capital assets, net	$ 2,715,029	$ (1,447)	$ (2,703,093)	$ 10,489

Depreciation expense was charged as direct expense to programs of the District as follows:

Governmental activities:	
Instruction	$24,004,667
Instructional Resources & Media Services	498,572
Curriculum & Instructional Staff Development	931,019
Instructional Leadership	494,204
School Leadership	2,155,995
Guidance, Counseling & Evaluation Services	1,947,248
Social Work Services	112,156
Health Services	381,727
Student (Pupil) Transportation	810,101
Cocurricular/Extracurricular Activities	596,931
General Administration	1,090,014
Plant Maintenance and Operations	720,558
Data Processing Services	645,103
Community Services	396,979
Total depreciation expense-Governmental activities	$34,785,274
Business-type activities:	
Stadium Concessions	$ 1,447
Total depreciation expense Business-type activities	$ 1,447

NOTE 5. LONG-TERM DEBT

Long-term debt includes par bonds, capital appreciation (deep discount) serial bonds, compensated absences, interest rate swap agreements, and special termination benefits. All long-term debt represents transactions in the District's governmental activities. No long-term debt exists in the District's business-type activities.

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

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

Description	Interest Rate Payable	Amount Original Issue	Amounts Outstanding 7/1/2021	Additions	Refunded/ Retired	Amounts Outstanding 6/30/2022	Due Within One Year
Bonded Indebtness:							
2001 Bldg/Refunding	3.64-4.40%	60,920,000	$ 6,100,000	$ -	$ 6,100,000	$ -	$ -
2005A Building	Variable	46,500,000	37,060,000	-	37,060,000	-	-
2006B Building	Variable	30,000,000	30,000,000	-	30,000,000	-	-
2011 Refunding	2.00-5.00%	24,325,000	3,085,000	-	3,085,000	-	-
2012B Refunding	2.00-5.00%	57,210,000	3,750,000	-	505,000	3,245,000	3,245,000
2012C Refunding	2.00-2.50%	24,875,000	3,090,000	-	3,090,000	-	-
2013 Building	2.00%	44,300,000	21,390,000	-	-	21,390,000	-
2014A Building	1.25-5.00%	75,055,000	11,325,000	-	4,085,000	7,240,000	1,670,000
2014B Building	2.00%	69,075,000	67,925,000	-	9,190,000	58,735,000	-
2014C Refunding	2.00-5.00%	14,435,000	3,975,000	-	3,035,000	940,000	940,000
2015 Refunding	3.00-5.00%	118,775,000	105,900,000	-	76,980,000	28,920,000	6,505,000
2015A Building	2.00-5.00%	164,580,000	26,560,000	-	16,860,000	9,700,000	1,900,000
2016 Refunding	2.00-5.00%	117,200,000	116,705,000	-	-	116,705,000	-
2016 Refunding CAB	1.47-2.24%	1,549,104	1,011,088	-	67,371	943,717	453,434
2018 Building	3.00-5.00%	400,125,000	382,430,000	-	940,000	381,490,000	4,515,000
2020 Building	1.75-5.00%	278,025,000	278,025,000	-	20,985,000	257,040,000	16,460,000
2020A Refunding	1.577-5.00%	265,570,000	265,570,000	-	-	265,570,000	-
2020A Refunding CAB	.312-1.391%	3,875,000	3,875,000	-	3,335,000	540,000	330,000
2021 Refunding	1.967-5.00%	87,465,000	-	87,465,000	-	87,465,000	1,750,000
2022A Refunding	4.00-5.00%	34,650,000	-	34,650,000	-	34,650,000	1,855,000
2022B Refunding	3.00-5.00%	26,280,000	-	26,280,000	-	26,280,000	120,000
2022C Refunding	1.25%	7,585,000	-	7,585,000	-	7,585,000	-
Total Bonded Indebtedness			1,367,776,088	155,980,000	215,317,371	1,308,438,717	39,743,434
Accreted Interest	4.10-5.20%		45,273,953	2,638,271	6,193,717	41,718,507	14,601,566
Premiums on Bond Issuance			196,781,084	24,926,057	30,402,166	191,304,975	9,962,087
Accrued Vacation Benefits			891,909	371,925	503,153	760,681	350,000
Total Other Obligations			242,946,946	27,936,253	37,099,036	233,784,163	24,913,653
Total Obligations of District			$ 1,610,723,034	$ 183,916,253	$ 252,416,407	$ 1,542,222,880	$ 64,657,087

The 2016 and 2020 bond series include outstanding capital appreciation bonds in the principal amount of $1,483,717. The bonds mature variously beginning in 2022 through 2031. Interest accrues on these bonds each February 15 and August 15, even though the interest is not paid until maturity.

General Obligation Bonds are direct obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the District. General Obligation Bonds require the District to compute, at the time taxes are levied, the rate of tax required to provide (in each year bonds are outstanding) a fund to pay interest and principal at maturity. The District is in compliance with this requirement.

There are a number of limitations and restrictions contained in the various general obligation bonds indentures. The District is in compliance with all significant limitations and restrictions at June 30, 2022.

Interest Rate Swap Agreements

2005 Swap Agreements

As a means to reduce its borrowing cost in comparison to the issuance of traditional fixed rate bonds at the time of issuance, on January 27, 2005 the District entered into an interest rate swap transaction pursuant to agreements (the "2005 Swap Agreements") with Bear Stearns Financial Products Inc. ("BSFP") and UBS AG ("UBS"), each in an original notional amount of $23,250,000, in order to synthetically fix the interest obligation on the District's $46,500,000 Variable Rate Unlimited Tax School Building Bonds, Series 2005-A (the "Series 2005-A Bonds"). Subsequent to entering into the 2005 Swap Agreements, JPMorgan Chase & Co. purchased and merged with BSFP and as result JPMorgan Chase Bank, N.A. ("JPMCB") was substituted for BSFP as a swap counterparty for the 2005 Swap Agreements.

Under the 2005 Swap Agreements, the District was obligated to make payments to JPMCB and UBS calculated on a notional amount that is equal to the scheduled outstanding principal amount of the Series 2005-A Bonds at a fixed rate of 3.42% per annum and JPMCB and UBS were each obligated to make floating rate payments to the District calculated on a notional amount that is equal to the scheduled outstanding principal amount of the Series 2005-A Bonds at a rate equal to 67% of the one-month London Interbank Offered Rate (LIBOR) for U.S. deposits. The Series 2005-A Bonds and the 2005 Swap Agreements had a stated final maturity date of August 1, 2035.

Interest was calculated at a rate, representing the sum of: (a) the actual fixed payment swap rate of 3.420% pursuant to the 2005 Swap Agreements; (b) the estimated cost of the liquidity facility for the Series 2005-A Bonds (0.550%); (c) the estimated cost of remarketing the Series 2005-A Bonds (0.050%); and (d) 0.350% per year to offset the potential differences between the floating rates payable to the District under the 2005 Swap Agreements and the actual interest rates payable by the District on the Series 2005-A Bonds.

2006 Swap Agreement

As a means to reduce its borrowing cost in comparison to the issuance of traditional fixed rate bonds at the time of issuance, on June 29, 2006 the District entered into an interest rate swap transaction pursuant to an agreement (the "2006 Swap Agreement") with Bear Stearns Financial Products Inc. ("BSFP"), in an original notional amount of $30,000,000, in order to synthetically fix the interest obligation on the District's $30,000,000 Variable Rate Unlimited Tax School Building Bonds, Series 2006-B (the "Series 2006-B Bonds"). Subsequent to entering into the 2006 Swap Agreement, JPMorgan Chase & Co. purchased and merged with BSFP and as a result JPMorgan Chase Bank, N.A. ("JPMCB") was substituted for BSFP as swap counterparty for the 2006 Swap Agreement.

Under the 2006 Swap Agreement, the District was obligated to make payments to JPMCB calculated on a notional amount equal to the scheduled outstanding principal amount of the Series 2006-B Bonds at a fixed rate of 4.077% per annum, and JPMCB was obligated to make floating rate payments to the District calculated on a notional amount this is equal to the scheduled outstanding principal amount of the Series 2006-B Bonds at a rate equal to equal to 62.5% of the 10-year constant maturity swap rate (a reported market fixed rate at which 10-year interest rate swaps for a one-month U.S. dollar LIBOR rate are entered into from time to time). The Series 2006-B Bonds and the 2006 Swap Agreement had a stated final maturity date of August 1, 2035.

Interest was calculated at a rate, representing the sum of: (a) the actual fixed payment swap rate of 4.077% pursuant to the 2006 Swap Agreement; (b) the estimated cost of the liquidity facility for the Series 2006-B Bonds (0.250%); (c) the estimated cost of remarketing the Series 2006-B Bonds (0.060%); and (d) 0.700% per year to offset the potential differences between the floating rates payable to the District under the 2006 Swap Agreement and the actual interest rates payable by the District on the Series 2006-B Bonds.

The Swap Agreements were subject to optional termination by the District at any time over the term of the Swap Agreements at the then prevailing market value.

During the year ended June 30, 2022 the District issued refunding bonds to provide funds to defease the Series 2005-A and Series 2006-B bonds and terminate the Swap Agreements.

NOTE 6. DEBT SERVICE REQUIREMENTS - BONDS

Debt service requirements to maturity are as follows:

Year Ended June 30	Principal	Interest	Total Requirements
2023	$ 39,743,434	$ 62,713,970	$ 102,457,404
2024	36,583,618	65,317,039	101,900,657
2025	29,594,177	64,935,024	94,529,201
2026	33,587,488	60,090,913	93,678,401
2027	42,755,000	50,226,501	92,981,501
2028-2032	259,600,000	185,333,048	444,933,048
2033-2037	276,235,000	132,054,493	408,289,493
2038-2042	261,835,000	86,380,175	348,215,175
2043-2047	228,360,000	41,119,612	269,479,612
2048-2049	100,145,000	4,120,700	104,265,700
	$1,308,438,717	$752,291,475	$2,060,730,192

NOTE 7. DEFEASED BONDS OUTSTANDING

On December 7, 2021, the District issued $87,465,000 (par value) in unlimited tax refunding bonds (current interest bonds) with interest rates ranging from 1.967% to 5.00% to advance refund $89,785,000 of unlimited building and refunding bonds. The unlimited tax refunding bonds were issued at a net premium of $14,591,851, and, after paying issuance costs of $727,843, the net proceeds were $101,329,008. The net proceeds from the issuance of the unlimited tax refunding bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the tax bonds mature. The advance refunding met the requirements of an in-substance debt defeasance and the unlimited tax bonds were removed from the District's long-term liabilities.

As a result of the advance refunding, the District decreased its total debt service requirements by $8,401,015 and resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of $7,367,870.

On February 9, 2022, the District issued $34,650,000 (par value) in unlimited tax refunding bonds (current interest bonds) with interest rates ranging from 4.00% to 5.00% to advance refund $35,180,000 of unlimited building bonds. The unlimited tax refunding bonds were issued at a net premium of $6,299,818, and, after paying issuance costs of $5,740,500, including a swap termination payment, the net proceeds were $35,209,318. The net proceeds from the issuance of the unlimited tax refunding bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the tax bonds mature. The advance refunding met the requirements of an in-substance debt defeasance and the unlimited tax bonds were removed from the District's long-term liabilities.

As a result of the advance refunding, the District decreased its total debt service requirements by $28,987 and resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of $56,044.

On February 9, 2022, the District issued $26,280,000 (par value) in unlimited tax refunding bonds (current interest bonds) with interest rates ranging from 3.00% to 5.00% to advance refund $30,000,000 of unlimited building bonds. The unlimited tax refunding bonds were issued at a net premium of $4,034,388, and, after paying issuance costs of $289,387, the net proceeds were $30,025,000. The net proceeds from the issuance of the unlimited tax building bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the tax bonds mature. The advance refunding met the requirements of an in-substance debt defeasance and the unlimited tax bonds were removed from the District's long-term liabilities.

As a result of the advance refunding, the District decreased its total debt service requirements by $8,803,670 and resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of $7,526,257.

In prior years, the District has defeased various bond issues in a similar manner to that described above.

Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. Although defeased, the refunded debt from those earlier issues will not be actually retired until the call dates have come due or until maturity if they are not callable issues. On June 30, 2022, $472,975,000 of bonds outstanding are considered defeased.

NOTE 8. FRED MOORE DAY NURSERY ACTIVITY

On April 13, 2021 the District and Fred Moore Day Nursery, Inc. (a nonprofit organization) entered into an agreement whereby effective June 1, 2021 the Nursery would cease operations as a separate entity and become part of the District. The District would provide the early childhood daycare services previously provided by the Nursery.

Due to subsequent issues that arose that required the Nursery to remain in existence, a new agreement dated November 16, 2021 was drawn up that replaced the April, 2021 agreement, whereby the Nursery would remain in existence as an entity and the District would subcontract with the Nursery to provide childcare services. The District now owns the building and land at the Nursery's daycare location and is responsible for its costs of operation, maintenance and capital improvements. The building and land have been recorded as capital assets on the District's books.

As part of the agreement between the District and the Nursery, the District also assumed responsibility for an outstanding bank loan of the Nursery. The District recorded the loan as a liability on its books and paid the loan in full during the year ended June 30, 2022. A summary of the loan activity for the year is as follows:

	Balance 6/30/2021	Additions	Payments	Balance 6/30/2022
First State Bank	$ -	$ 67,733	$ 67,733	$ -
Total	$ -	$ 67,733	$ 67,733	$ -

NOTE 9. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

On resignation, retirement or death of certain employees, the District pays any accrued, unused vacation leave in a lump cash payment to such employee or his/her estate. The District's liability is considered a long-term liability and is recorded in the Statement of Net Position as a long-term debt payable.

A summary of changes in the accumulated vacation leave liability is as follows:

Balance, July 1, 2021	$ 891,909
Additions – New Entrants and Salary Increments	371,925
Deductions – Payments to Participants	(503,153)
Balance, June 30, 2022	$ 760,681

On retirement of an employee, the District pays to the employee lump cash payment equal to one-tenth of the employee's annual salary, if the employee has accumulated a minimum amount of unused sick leave. It is impractical to estimate the amount of future liability because of uncertainty of the number of such employees who will remain with the District until retirement. Accordingly, no liability has been recorded in the accompanying financial statements. The District's policy is to recognize the cost of compensated absences when actually paid to employees.

NOTE 10. PROPERTY TAXES

The Texas Legislature in 1979 adopted a comprehensive Property Tax Code which established an appraisal district and an appraisal review board in each county in the State of Texas. Denton Central Appraisal District (DCAD) is responsible for the appraisal of property for all taxing units in Denton County, including the District. Under the terms of a contract for appraisal services, the District paid DCAD $1,784,910 in fiscal year 2022 for appraising property.

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District levies its taxes on October 1 on the assessed (appraised) value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll upon which the levy for the 2021-22 fiscal year was based was $22,989,073,348. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to both penalty and interest charges plus 15 % delinquent collection fees for attorney costs.

The tax rates assessed for the year ended June 30, 2022, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were $0.882 and $0.48 per $100 valuation, respectively, for a total of $1.362 per $ 100 valuation.

Current tax collections for the year ended June 30, 2022 were 99.18% of the year-end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of June 30, 2022, property taxes receivable, net of estimated uncollectible taxes, totaled $3,107,819 and $1,591,982 for the General and Debt Service Funds, respectively.

Property taxes are recorded as receivables and deferred inflows of resources at the time the taxes are assessed. Revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible in time to be a resource for payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with Generally Accepted Accounting Principles have been recognized as revenue.

NOTE 11. DEFINED BENEFIT PENSION PLAN

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

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

Pension Plan Fiduciary Net Position. Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at https://trs.texas.gov/pages/aboutpublications.aspx, by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698, or by calling (512)542-6592.

Benefits Provided. TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, 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 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. Actuarial implications of the funding provided in this manner are determined by the System's actuary.

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. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 thru 2025.

Contribution Rates

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

Denton ISD FY2022 Employer Contributions	$ 9,082,975
Denton ISD FY2022 Member Contributions	$19,427,762
Denton ISD FY2022 NECE On-Behalf Contributions	$12,331,619

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

As the non-employer contributing entity for public education, 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 including public 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 source or a privately sponsored source, from non-educational and general, or local funds.

- When the employing district is a public school, the employer shall contribute 1.5% of covered payroll to the pension fund beginning in fiscal year 2020. The contribution rate called the Public Education Employer Contribution replaced the Non (OASDI) surcharge that was in effect in fiscal year 2019.

In addition to the employer contributions listed above, there are additional surcharges an employer is subject to.

- All public schools must contribute 1.6 percent of the member's salary beginning in fiscal year 2021, gradually increasing to 2 percent in fiscal year 2025.

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

Actuarial Assumptions. The total pension liability in the August 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2020 rolled forward to August 31, 2021
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term expected Investment Rate of Return	7.25%
Municipal Bond Rate as of August 2020	1.95%
Inflation	2.30%
Salary Increases Including Inflation	3.05% to 9.05%
Benefit Changes During the Year	None
Ad hoc Post Employment Benefit Changes	None

The actuarial methods and assumptions are 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 actuarial valuation report dated November 9, 2020.

Discount Rate. A single discount rate of 7.25 percent 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 percent. 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 session. It is assumed that future employer and state contributions will be 8.50 percent of payroll in fiscal year 2020 gradually increasing to 9.55 percent 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 are summarized below:

Asset Class	Target Allocation[1]	Long-Term Expected Arithmetic Real Rate of Return[2]	Expected Contribution To Long-Term Portfolio Returns
Global Equity			
U.S.	18%	3.6%	0.94%
Non-U.S. Developed	13%	4.4%	0.83%
Emerging Markets	9%	4.6%	0.74%
Private Equity	14%	6.3%	1.36%
Stable Value			
Government Bonds	16%	-.2%	0.01%
Stable Value Hedge Funds	5%	2.2%	0.12%
Real Return			
Real Estate	15%	4.5%	1.00%
Energy, Natural Resources	6%	4.7%	0.35%
Risk Parity			
Risk Parity	8%	2.8%	0.28%
Leverage			
Cash	2%	-.7%	-0.01%
Asset Allocation Leverage	-6%	-.5%	0.03%
Inflation Expectation	-		2.20%
Volatility Drag[3]	-		-0.95%
Total	100%		6.90%

Discount Rate Sensitivity Analysis. The following table presents the Net Pension Liability of the plan using the discount rate of 7.25 percent, and what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate.

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
Denton ISD's proportionate share of the net pension liability:	$106,577,737	$48,773,455	$1,876,645

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2022, Denton Independent School District reported a liability of $48,773,455 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Denton Independent School District. The amount recognized by Denton Independent School 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 Denton Independent School District were as follows:

[1] Target allocations are based on the FY21 policy model.
[2] Capital Market Assumptions come from Aon Hewitt (as of 08/31/2021).
[3] The volatility drag results from the conversion between arithmetic and geometric mean returns.

District's Proportionate share of the collective net pension liability	$ 48,773,455
State's proportionate share that is associated with the District	73,589,813
Total	$122,363,268

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 that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2020 thru August 31, 2021.

At June 30, 2022 the employer's proportion of the collective net pension liability was 0.1915203491%, an increase of 5.96% from its proportionate share of 0.1807341403% at August 31, 2021.

Changes Since the Prior Actuarial Valuation – There were no changes in assumptions since the prior measurement date.

For the year ended June 30, 2022, Denton Independent School District recognized pension expense of $294,203 and revenue of $294,203 for support provided by the State.

At June 30, 2022, Denton Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (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	$ 81,621	$ 3,433,690
Changes in actuarial assumptions	17,240,464	7,515,364
Difference between projected and actual investment earnings	3,029,454	43,925,363
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	6,616,059	1,996,590
Contributions paid to TRS subsequent to the measurement date	7,749,568	-
Total	$34,717,166	$56,871,007

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

Year ended June 30:	Pension Expense Amount
2023	$ (4,441,412)
2024	(5,061,385)
2025	(8,961,110)
2026	(11,925,239)
2027	333,213
Thereafter	152,524

NOTE 12. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

Plan Description. The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS- Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan with a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature.

The TRS Board of Trustees administers the TRS-Care program and the related fund in accordance with Texas Insurance Code Chapter 1575. 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. The Board may adopt rules, plans, procedures, and orders reasonably necessary to administer the program, including minimum benefits and financing standards.

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

Benefits Provided. TRS-Care provides 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. There are no automatic post-employment benefit changes; including automatic COLAs.

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

TRS-Care Monthly for Retirees		
	Medicare	Non-Medicare
Retiree*	$ 135	$ 200
Retiree and Spouse	529	689
Retiree* and Children	468	408
Retiree and Family	1,020	999

** or surviving spouse*

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 .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. 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%**

Denton ISD FY22 Employer Contributions	**$2,041,121**
Denton ISD FY22 Member Contributions	**$1,587,930**
Denton ISD FY22 NECE On-behalf Contributions	**$2,597,161**

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 hiring a TRS retiree, employers are required to pay to TRS Care, a monthly surcharge of $535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of $5,520,343 in fiscal year 2021 for consumer protection against medical and health care billing by certain out-of-network providers.

Actuarial Assumptions. The actuarial valuation was performed as of August 31, 2020. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2021.

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. All the demographic assumptions, including rates of retirement, termination, and disability, and most of the economic assumptions, including general inflation and salary increases, used in the OPEB valuation were identical to those used in the respective TRS pension valuation. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.

The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and 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	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Expected Payroll Growth
Rates of Disability	

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females, with full generational mortality using Scale BB. The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using the ultimate improvement rates from the mortality projection scale MP-2018.

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%
Aging Factors	Based on specific plan experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claim costs
Projected Salary Increases	3.05% to 9.05%, including inflation
Election Rates	Normal Retirement: 65% participation prior to age 65 and 40% participation after age 65
Ad hoc post-employment benefit changes	None

Discount Rate. A single discount rate of 1.95% was used to measure the total OPEB liability. There was a decrease of 0.38 percent in the discount rate since the previous year. 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 used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the total OPEB liability.

The source of the municipal bond rate is the Fidelity "20-year Municipal GO AA Index" as of August 31, 2021 using the fixed-income market data/yield curve/data municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

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%)	Current Single Discount Rate (1.95%)	1% Increase in Discount Rate (2.95%)
District's proportionate share of the Net OPEB Liability:	$115,456,712	$95,716,960	$80,181,131

Healthcare Cost Trend Rates Sensitivity Analysis - The following schedule shows the impact of the net OPEB liability if a healthcare trend rate that is one-percentage less than or one-percentage point greater than the health trend rates is assumed.

	1% Decrease in Healthcare Trend Rate	Current Single Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
District's proportionate share of the Net OPEB Liability:	$77,527,573	$95,716,960	$120,122,601

OPEB Liabilities, OPEB Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At June 30, 2022, the District reported a liability of $95,716,960 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District.

The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's Proportionate share of the collective Net OPEB Liability	$ 95,716,960
State's proportionate share that is associated with the District	$128,239,395
Total	$223,956,355

The Net OPEB Liability was measured as of August 31, 2020 and rolled forward to 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 thru August 31, 2021.

At June 30, 2022 the employer's proportion of the collective Net OPEB Liability was 0.2481355249%, an increase of 2.61% compared to the August 31, 2021 proportionate share of 0.2418186896%.

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 percent as of August 31, 2020 to 1.95 percent as of August 31, 2021. This change increased the Total OPEB Liability.

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

The amount of OPEB expense recognized by the District in the reporting period was $(4,733,013).

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 4,121,068	$46,333,705
Changes in actuarial assumptions	10,601,777	20,242,366
Difference between projected and actual investment earnings	105,201	1,283
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	11,644,063	-
Contributions paid to TRS subsequent to the measurement date	1,724,996	-
Total	$28,197,105	$66,577,354

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 OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	OPEB Expense Amount
2023	$ (8,152,487)
2024	(8,154,830)
2025	(8,154,189)
2026	(5,634,662)
2027	(2,223,661)
Thereafter	(7,785,416)

NOTE 13. 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 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. These on-behalf payments are recognized as equal revenues and expenditures/expenses by the District. For the year ended June 30, 2022, the contribution made on behalf of the District was $817,976.

NOTE 14. INTERFUND BALANCES AND TRANSFERS

Interfund balances at June 30, 2022, were as follows:

Fund	Advances to Other Funds	Advances from Other Funds
General Fund:		
Special Revenue Fund	$13,071,051	$ 803,736
Special Revenue Fund:		
General Fund	802,822	13,070,137
TOTAL	$13,873,873	$13,873,873

Interfunds transfers for the year ended June 30, 2022 consisted of the following individual amounts:

Fund	Transfers to Other Funds	Transfers from Other Funds
General Fund:		
Capital Projects Fund	$ 804,548	$ 524,900
Special Revenue Fund	3,333,590	-
Internal Service Fund	134,301	1,700,000
Capital Projects Fund:		
General Fund	524,900	804,548
Special Revenue Fund:		
General Fund	-	3,333,590
Custodial Fund	-	1,220
Internal Service Fund:		
General Fund	1,700,000	134,301
Custodial Fund:		
Special Revenue Fund	1,220	-
TOTAL	$6,498,559	$6,498,559

The purpose of an $804,548 transfer was to transfer local funds from the general fund to the capital projects fund to set them aside for future capital replacement needs. The purpose of the $1,700,000 transfer is to transfer excess funds from the workers compensation internal service fund to the general fund for use in operations. The purpose of a $134,046 transfer from the general fund to the Print Shop internal service fund was to transfer funds to cover the net position deficit in that fund. The purpose of the $524,900 transfer from the capital projects fund to the general fund was to transfer funds for construction fund salaries paid from the general fund. The purpose of the $3,333,590 transfer was to transfer funds from the general fund to the Winter Storm special revenue fund to cover the local costs accumulated and paid for from this fund related to the February, 2021 winter storm damage.

NOTE 15. HEALTH CARE

During the year ended June 30, 2022, employees of Denton Independent School District were covered by a health insurance plan (the Plan). The District contributed $260 per month per employee to the Plan and employees, at their option, authorized payroll withholdings to pay any additional contribution and contributions for dependents. All contributions were paid to a fully-funded plan.

NOTE 16. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at June 30, 2022, were as follows:

	Property Taxes	Other Governments	Due From Other Funds	Other	Total Receivables
Governmental Activities:					
General Fund	$ 3,233,382	$ 14,312,753	$13,071,051	$ 463,394	$ 31,080,580
Debt Service Fund	1,651,703	-	-	-	1,651,703
Capital Projects Fund	-	-	-	151,408	151,408
Special Revenue Fund	-	13,705,037	802,822	181,412	14,689,271
Total - Governmental Activities	$ 4,885,085	$ 28,017,790	$13,873,873	$ 796,214	$ 47,572,962
Amounts not scheduled for collection during the subsequent year	$ 185,284	$ -	$ -	$ -	$ 185,284
Business-type Activities:					
Enterprise Fund	$ -	$ -	$ -	$ -	$ -
Internal Service Fund	-	-	-	99,791	99,791
Total Business-type Activities	$ -	$ -	$ -	$ 99,791	$ 99,791

Payables at June 30, 2022, were as follows:

	Accounts	Salaries and Benefits	Due to Other Funds	Other	Total Payables
Governmental Activities:					
General Fund	$ 4,077,606	$ 32,488,472	$ 803,736	$ -	$ 37,369,814
Capital Projects Fund	37,207,854	-	-	-	37,207,854
Special Revenue Funds	682,833	1,840,159	13,070,137	-	15,593,129
Total - Governmental Activities	$ 41,968,293	$ 34,328,631	$13,873,873	$ -	$ 90,170,797
Amounts not scheduled for payment during the subsequent year	$ -	$ -	$ -	$ -	$ -
Business-type Activities:					
Enterprise Fund	$ 1,537	$ -	$ -	$ -	$ 1,537
Internal Service Fund	52,929	11	-	906,269	959,209
Total Business-type Activities	$ 54,466	$ 11	$ -	$ 906,269	$ 960,746

NOTE 17. SELF-INSURED WORKERS' COMPENSATION

The District has also established a self-funding Workers' Compensation program. Texas Association of School Boards (TASB) through an actuarial review of the self-insurance program, projected an estimated outstanding loss of $906,269 as of June 30, 2022. Claims administration is provided by TASB.

The accrued liability for Workers' Compensation self-insurance of $906,269 includes incurred but not reported claims. This liability reported in the fund at June 30, 2022, 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 a probable that a liability has been incurred as of the date of the financial statements, and the amount of loss can be reasonably estimated. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing the liability does not result necessarily in an exact amount. The liability booked was the present value of the estimate of the actuary. Aggregate stop-loss coverage for 2022 was $500,000.

Changes in the workers' compensation claims liability amounts in fiscal 2021 and 2022 are represented below:

	Year Ended June 30, 2021	Year Ended June 30, 2022
Unpaid claims, beginning of year	$997,051	$999,895
Incurred claims (including IBNR'S)	422,788	336,625
Claim payments	419,944	430,251
Unpaid claims, end of fiscal year	$999,895	$906,269

NOTE 18. DUE FROM OTHER GOVERNMENTS

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

Fund	State Grant & Entitlements	Federal Grants	Local Governments	Total
General	$ 13,763,708	$ 516,284	$ 32,761	$ 14,312,753
Special Revenue	43,978	13,493,167	167,892	13,705,037
Total	$ 13,807,686	$ 14,009,451	$ 200,653	$ 28,017,790

NOTE 19. CONTINGENT LIABILITIES

The Tax Reform Act of 1986 imposed regulations on tax-exempt bond issues. Governmental bonds issued after August 31, 1986 are subject to the rebate provisions of the Tax Reform Act of 1986. The rebate applies to earnings from bond issue proceeds investments which exceed bond issue stated interest rates. The exact amount of liability, if any, is not known until as long as five years from the bond issuance date. At June 30, 2022, the estimated rebate liability on outstanding bond series was $-0-.

NOTE 20. LITIGATION AND CONTINGENCIES

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

Minimum foundation funding received from the Agency is based primarily upon information concerning average daily attendance at the District's schools which is compiled by the District and supplied to the Agency. Federal funding for Food Services under child nutrition programs is based primarily upon the number and type of meals served and on user charges as reported to the USDA. Federal and state funding received related to various grant programs are based upon periodic reports detailing reimbursable expenditures made in compliance with program guidelines to the grantor agencies.

The programs are governed by various statutory rules and regulations of the grantors. Amounts received and receivable under these various funding programs are subject to periodic audit and adjustment by the funding agencies. To the extent, if any, that the District has not complied with all the rules and regulations with respect to performance, financial or otherwise, adjustment to or return of funding monies may be required. In the opinion of the District's administration, there are no significant contingent liabilities relating to matters of compliance and, accordingly, no provision has been made in the accompanying financial statements for such contingencies.

The Denton Central Appraisal District is a defendant in various lawsuits involving the property values assigned to property located within the District's boundaries on which the District assesses property taxes. The District could be required to refund property taxes paid on values which were greater than the ultimate final assessed valuation assigned by the court. Such lawsuits could continue several years into the future.

NOTE 21. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

During the current year, revenues from local and intermediate sources consisted of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
Property taxes	$ 203,067,426	$ -	$ 110,426,262	$ -	$ 313,493,688
Investment income	258,705	856	145,725	569,691	974,977
Food sales	-	1,188,416	-	-	1,188,416
Penalties, interest and other tax related income	769,035	-	205,202	-	974,237
Co-curricular student activities	763,208	2,381,492	-	-	3,144,700
Tuition and fees	3,207,437	1,249,716	-	-	4,457,153
Gifts and bequests	495,353	669,708	-	-	1,165,061
Facilities rentals	95,909	-	-	-	95,909
Insurance recovery	16,610	-	-	-	16,610
GSE Antitrust settlement	319,998	-	-	-	319,998
Other	223,489	-	-	-	223,489
Total	$ 209,217,170	$ 5,490,188	$ 110,777,189	$ 569,691	$ 326,054,238

NOTE 22. UNEARNED REVENUE

Unearned revenue at year-end consisted of the following:

	General Fund	Debt Service Fund	Special Revenue Fund	Total
Tuition	$ 84,307	$ -	$ -	$ 84,307
Lunchroom Receipts	-	-	267,099	267,099
Food Commodities	-	-	35,213	35,213
State Textbook Fund	-	-	2,317,539	2,317,539
ELC Reopening Schools	-	-	14,251	14,251
Summer School LEP	-	-	15,391	15,391
Ready to Read	-	-	716	716
Advanced Placement Incentives	-	-	193,579	193,579
Raising Blended Learners	-	-	67,112	67,112
Deaf Ed Mgmt Board	-	-	341,344	341,344
ADA/ASAHE	-	45,822	-	45,822
Total	$ 84,307	$ 45,822	$ 3,252,244	$ 3,382,373

NOTE 23. GENERAL FUND FEDERAL SOURCE REVENUES

Program or Source	CFDA Number	Amount	Total Grant or Entitlement
General Fund:			
Impact Aid	84.041	$ 121,683	$ 121,683
FEMA-Tx Winter Storms	97.036	147,284	147,284
Excise Tax Reimbursement	N/A	591,802	591,802
Medicaid Reimbursement	N/A	5,907,468	5,907,468
Emergency Connectivity Fund	32.009	10,307	10,307
Junior ROTC	12.000	270,341	270,341
Indirect Costs	N/A	3,820,872	3,820,872
Total for General Fund		$10,869,757	$10,869,757

NOTE 24. EXCESS OF EXPENDITURES OVER APPROPRIATIONS BY FUNCTION

The Texas Education Agency requires the budgets for the Governmental fund types to be filed with the Texas Education Agency. The budget should not be exceeded in any functional category under TEA requirements. Expenditures exceeded appropriations in one functional category for the year ended June 30, 2022.

NOTE 25. SHARED SERVICE ARRANGEMENTS

The District is the fiscal agent for a Shared Services Arrangement ("SSA") which provides a regional day school for the deaf to various member districts. All services are provided by the fiscal agent. The member districts and the State provide the funds to the fiscal agent. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in Special Revenue Funds No. 315, 316, 317, 340, 435 and 446 and such activities have been accounted for using Model 3 in the SSA section of the Resource Guide.

In a manner similar to that described above, the District is also the fiscal agent for an adult education SSA accounted for in Special Revenue Fund No. 309, a vocational education SSA accounted for in Special Revenue Fund No. 331, and a TANF SSA accounted for in Special Revenue Fund No. 312.

The District participates in a shared services arrangement for juvenile justice alternative education services with ten other school districts. Although the District contributes to the shared services arrangement based on its participation, the District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant resources nor fiscal exigencies that would give rise to a future additional benefit or burden to Denton ISD. The fiscal agent manager is responsible for all financial activities of the shared services arrangement. During the year ended June 30, 2022, the District had no students in the program for whom it was required to make contributions.

NOTE 26. SUBSEQUENT EVENT

Management has reviewed events subsequent to June 30, 2022 through November 15, 2022, which is the date the financial statements were available to be issued. No subsequent events were identified that were required to be recorded or disclosed in the financial statements.

NOTE 27. RISKS AND UNCERTAINTIES

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as 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 of Texas. On January 31, 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, which disaster declaration he has subsequently extended. 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 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 issued a series of executive orders relating to COVID-19 preparedness, mitigation and reopening.

On June 3, 2021, TEA issued updated public planning health guidance to address on-campus instruction, administrative activities by teachers, staff or students that occur on school campuses, non-UIL extracurricular sports and activities, and any other activities that teachers, staff, or students must complete. Within the guidance, TEA instructs schools that school systems cannot require students or staff to wear a mask; however, school systems must allow individuals to wear a mask if they choose to do so.

Within the guidance, TEA instructs schools to notify their local health department, in accordance with applicable federal, state, and local laws and regulations, including any applicable confidentiality requirements, of individuals who have been in a school and test-confirmed to have COVID-19. Additionally, upon receipt of information that any teacher, staff member, student, or visitor at a school is test-confirmed to have COVID-19, the school must submit a report to the Texas Department of Health Services via its online portal.

During the 87th Legislative Session, the Texas Legislature failed to pass legislation that would include virtual learning in ADA calculations. 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 allows virtual instruction attendance to be used for ADA funding purposes under certain circumstances. The District does not currently expect that all virtual instruction attendance will qualify for ADA funding. 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 the District does not qualify for the additional hold harmless periods or if students do not take part in the instruction options made available by the District. TEA 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 are considered enrolled, but do not meet the requirements for ADA funding. Further, on March 29, 2022, TEA issued guidance on the calculation of the ADA hold harmless for the 2021-2022 school year, providing that each district will receive an adjustment to ADA such that the total percentage attendance rate for the first four six weeks of the 2021-2022 school year that is equal to the attendance rate for the first four six weeks of the 2019-2020 school year.

The full extent of the ongoing impact of COVID-19 on the District's longer-term operational and financial performance will depend on future developments, many of which are outside of its control, including the effectiveness of the mitigation strategies discussed above, the duration and spread of COVID-19, and future governmental actions, all of which are highly uncertain and cannot be predicted. 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. These negative impacts may reduce or negatively affect property values within the District. The District's bonded debt is 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.

NOTE 28. LEASES

In June 2017, GASB issued Statement No. 87 - Leases. This statement increases the usefulness of governments' financial statements 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. The initial adoption date was postponed to fiscal years beginning after June 15, 2021 (FY2022) by GASB Statement No. 95 - Postponement of the Effective Dates of Certain Authoritative Guidance, which was issued in May of 2020.

Per review of the agreements identified by the District as potential leases, the leases were determined to either not meet the definition of a lease or were immaterial to the financial statements.

NOTE 29. PRIOR PERIOD ADJUSTMENTS

Effective July 1, 2021 the District changed from recording the activity of its food service operations in an enterprise fund to recording the activity in a special revenue fund. The District determined that the use of a special revenue fund was preferable, as the use of an enterprise fund required the recording of a portion of the District's share of the Net Pension Liability and Net OPEB Liability in that fund. The result was a large negative net position that did not reflect a realistic picture of the financial position of the food service operations. The use of a special revenue fund enables the District to show more clearly the profitability of the food service operations.

As a result of the change, the capital assets, net pension liability and net OPEB liability previously recorded in the food service enterprise fund have been moved to the governmental activities statement of net position, and the remainder of the assets and liabilities previously recorded in the food service enterprise fund have been moved to fund balance in the special revenue fund. The following illustrates the effect of the prior period adjustments:

Beginning food service enterprise fund net position (deficit) - as originally presented	$(8,340,738)
Portion of food service enterprise fund net position reclassified to governmental activities statement of net position	8,197,951
Portion of food service enterprise fund net position reclassified to fund balance in special revenue fund	142,787
Beginning food service enterprise fund net position - as restated	$ -0-

In addition, prior period adjustment includes a general fund reduction of $202,224 for the portion of a state grant recorded as a receivable and revenue in the prior fiscal year but which was ultimately not received.

APPENDIX E

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

This disclosure statement provides information relating to the program (the "Guarantee Program") administered by the Texas Education Agency (the "TEA") with respect to the Texas Permanent School Fund guarantee of tax-supported bonds issued by Texas school districts and the guarantee of revenue bonds issued by or for the benefit of Texas charter districts. The Guarantee Program was authorized by an amendment to the Texas Constitution in 1983 and is governed by Subchapter C of Chapter 45 of the Texas Education Code, as amended (the "Act"). While the Guarantee Program applies to bonds issued by or for both school districts and charter districts, as described below, the Act and the program rules for the two types of districts have some distinctions. For convenience of description and reference, those aspects of the Guarantee Program that are applicable to school district bonds and to charter district bonds are referred to herein as the "School District Bond Guarantee Program" and the "Charter District Bond Guarantee Program," respectively.

Some of the information contained in this Section may include projections or other forward-looking statements regarding future events or the future financial performance of the Texas Permanent School Fund (the "PSF" or the "Fund"). Actual results may differ materially from those contained in any such projections or forward-looking statements.

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

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

History and Purpose

The PSF supports the State's public school system in two major ways: distributions to the constitutionally established Available School Fund (the "ASF"), as described below, and the guarantee of school district and charter district issued bonds through the Guarantee Program. The PSF was created in 1845 and received its first significant funding with a $2,000,000 appropriation by the Legislature in 1854 expressly for the benefit of the public schools of Texas, with the sole purpose of assisting in the funding of public education for present and future generations. The Constitution of 1876 described that the PSF would be "permanent," and stipulated that certain lands and all proceeds from the sale of these lands should also constitute the PSF. Additional acts later gave more public domain land and rights to the PSF. In 1953, the U.S. Congress passed the Submerged Lands Act that relinquished to coastal states all rights of the U.S. navigable waters within state boundaries. If the state, by law, had set a larger boundary prior to or at the time of admission to the Union, or if the boundary had been approved by Congress, then the larger boundary applied. After three years of litigation (1957-1960), the U. S. Supreme Court on May 31, 1960, affirmed Texas' historic three marine leagues (10.35 miles) seaward boundary. Texas proved its submerged lands property rights to three leagues into the Gulf of Mexico by citing historic laws and treaties dating back to 1836. All lands lying within that limit belong to the PSF. The proceeds from the sale and the mineral-related rental of these lands, including bonuses, delay rentals and royalty payments, become the corpus of the Fund. Prior to the approval by the voters of the State of an amendment to the constitutional provision under which the Fund is established and administered, which occurred on September 13, 2003 (the "Total Return Constitutional Amendment"), and which is further described below, only the income produced by the PSF could be used to complement taxes in financing public education, which primarily consisted of income from securities, capital gains from securities transactions and royalties from the sale of oil and natural gas. The Total Return Constitutional Amendment provides that interest and dividends produced by Fund investments will be additional revenue to the PSF.

On November 8, 1983, the voters of the State approved a constitutional amendment that provides for the guarantee by the PSF of bonds issued by school districts. On approval by the State Commissioner of Education (the "Education Commissioner"), bonds properly issued by a school district are fully guaranteed by the PSF. See "The School District Bond Guarantee Program."

In 2011, legislation was enacted that established the Charter District Bond Guarantee Program as a new component of the Guarantee Program. That legislation authorized the use of the PSF to guarantee revenue bonds issued by or for the benefit of certain open-enrollment charter schools that are designated as "charter districts" by the Education Commissioner. On approval by the Education Commissioner, bonds properly issued by a charter district participating in the Guarantee Program are fully guaranteed by the PSF. The Charter District Bond Guarantee Program became effective on March 3, 2014. See "The Charter District Bond Guarantee Program."

State law also permits charter schools to be chartered and operated by school districts and other political subdivisions, but bond financing of facilities for school district-operated charter schools is subject to the School District Bond Guarantee Program, not the Charter District Bond Guarantee Program.

While the School District Bond Guarantee Program and the Charter District Bond Guarantee Program relate to different types of bonds issued for different types of Texas public schools, and have different program regulations and requirements, a bond guaranteed under either part of the Guarantee Program has the same effect with respect to the guarantee obligation of the Fund thereto, and all guaranteed bonds are aggregated for purposes of determining the capacity of the Guarantee Program (see "Capacity Limits for the Guarantee Program"). The Charter District Bond Guarantee Program as enacted by State law has not been reviewed by any court, nor has the Texas Attorney General (the "Attorney General") been requested to issue an opinion, with respect to its constitutional validity.

Audited financial information for the PSF is provided annually through the PSF Comprehensive Annual Financial Report (the "Annual Report"), which is filed with the Municipal Securities Rulemaking Board ("MSRB"). The SLB's land and real assets investment operations, which are part of the PSF as described below, are also included in the annual financial report of the Texas General Land Office (the "GLO") that is included in the comprehensive annual report of the State of Texas. The Annual Report includes the Message of the Executive Administrator of the Fund (the "Message") and the Management's Discussion and Analysis ("MD&A"). The Annual Report for the year ended August 31, 2022, as filed with the MSRB in accordance with the PSF undertaking and agreement made in accordance with Rule 15c2-12 ("Rule 15c2-12") of the 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, 2022 is derived from the audited financial statements of the PSF, which are included in the Annual Report as it is filed and posted. Reference is made to the Annual Report for the complete Message and MD&A for the year ended August 31, 2022 and for a description of the financial results of the PSF for the year ended August 31, 2022, the most recent year for which audited financial information regarding the Fund is available. The 2022 Annual Report speaks only as of its date and the TEA has not obligated itself to update the 2022 Annual Report or any other Annual Report. The TEA posts (i) each Annual Report, which includes statistical data regarding the Fund as of the close of each fiscal year, (ii) the most recent disclosure for the Guarantee Program, (iii) the PSF Corporation's Investment Policy Statement (the "IPS"), and (iv) monthly updates with respect to the capacity of the Guarantee Program (collectively, the "Web Site Materials") on the TEA web site at http://tea.texas.gov/Finance_and_Grants/Permanent_School_Fund/ and with the MSRB at www.emma.msrb.org. Such monthly updates regarding the Guarantee Program are also incorporated herein and made a part hereof for all purposes. In addition to the Web Site Materials, the Fund is required to make quarterly filings with the SEC under Section 13(f) of the Securities Exchange Act of 1934. Such filings, which consist of a list of the Fund's holdings of securities specified in Section 13(f), including exchange-traded (e.g., NYSE) or NASDAQ-quoted stocks, equity options and warrants, shares of closed-end investment companies and certain convertible debt securities, is available from the SEC at www.sec.gov/edgar. A list of the Fund's equity and fixed income holdings as of August 31 of each year is posted to the TEA web site and filed with the MSRB. Such list excludes holdings in the Fund's securities lending program. Such list, as filed, is incorporated herein and made a part hereof for all purposes. See "Management Transition to the PSF Corporation" for a discussion of the PSF Corporation audit. At its November 2022 quarterly board meeting, the SBOE considered new regulations for the administration of the Bond Guarantee Program. Two readings and a publication period are required for modifications to the Texas Administrative Code, and such process (the "Regulatory Recodification") was completed in February 2023, with the new regulations becoming effective March 1, 2023. The Regulatory Recodification was taken as an acknowledgment of the new role and powers that are delegated to the PSF Corporation. Among other regulations affecting the Fund that were restructured include the Statement of Investment Objectives, Policies and Guidelines of the Texas Permanent School Fund, which is codified at 19 Texas Administrative Code, Chapter 33 (recodified in part and replaced in part by the IPS).

Management and Administration of the Fund

The following discussion describes some legal and management aspects of the structure of the Fund prior to full implementation of SB 1232. SB 1232 is being implemented in phases. See "Management Transition to the PSF Corporation" for summaries of certain laws applicable to the Fund pursuant to the Texas Constitution and SB 1232 as well as certain prior actions and the ongoing changes in the management structure of the Fund.

The Texas Constitution and applicable statutes delegate to the SBOE the authority and responsibility for investment of the PSF's financial assets, but SB 1232 authorized the SBOE to delegate management of the Fund to the Corporation, which, as noted above, has been done. The SBOE consists of 15 members who are elected by territorial districts in the State to four year terms of office.

The Texas Constitution provides that the Fund shall be managed though the exercise of the judgment and care under the circumstances then prevailing which persons of ordinary prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income therefrom as well as the probable safety of their capital (the "Prudent Person Standard").

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

By law, the Education Commissioner is appointed by the Governor, with Senate confirmation, and assists the SBOE, but the Education Commissioner can neither be hired nor dismissed by the SBOE. The PSF Corporation has also engaged outside counsel to advise it as to its duties with respect to the Fund, including specific actions regarding the investment of the PSF to ensure compliance with fiduciary standards, and to provide transactional advice in connection with the investment of Fund assets in non-traditional investments. TEA's General Counsel provides legal advice to the SBOE but will not provide legal advice directly to the PSF Corporation.

The Total Return Constitutional Amendment shifted administrative costs of the Fund from the ASF to the PSF, providing that expenses of managing the PSF are to be paid "by appropriation" from the PSF. In January 2005, the Attorney General issued a legal opinion, Op. Tex. Att'y Gen. No. GA-0293 (2005), stating that the Total Return Constitutional Amendment does not require the SBOE to pay from such appropriated PSF funds the indirect management costs deducted from the assets of a mutual fund or other investment company in which PSF funds have been invested.

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

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

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

Management Transition to the PSF Corporation

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

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

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

At the inaugural meeting of the PSFC Board in January 2022, the PSFC Board appointed the Executive Administrator of the Fund as the interim chief executive officer of the PSF Corporation and in April 2022 the Executive Administrator of the Fund was confirmed as the chief executive officer of the PSF Corporation. The PSFC Board adopted bylaws governing how it will manage its affairs and conduct business. The chief executive officer reports to the PSFC Board. Any amendments to the PSF Corporation's articles of formation and bylaws will be adopted by the PSFC Board but are subject to approval by the SBOE. At its March 2023 meeting, the PSFC Board approved its securities lending policy.

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

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

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

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

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

The Total Return Constitutional Amendment

The Total Return Constitutional Amendment approved a fundamental change in the way that distributions are made to the ASF from the PSF. Prior to the adoption of the Total Return Constitutional Amendment, all interest and dividend income produced by Fund investments flowed into the ASF, where they were distributed to local school districts and open-enrollment charter schools based on average daily attendance, any net gains from investments of the Fund were reflected in the value of the PSF, and costs of administering the PSF were allocated to the ASF. The Total Return Constitutional Amendment requires that PSF distributions to the ASF be determined using a "total-return-based" formula instead of the "current-income-based" formula, which was used from 1964 to the end of the 2003 fiscal year. The Total Return Constitutional Amendment provides that the total amount distributed from the Fund to the ASF: (1) in each year of a State fiscal biennium must be an amount that is not more than 6% of the average of the market value of the Fund, excluding real property (the "Distribution Rate"), on the last day of each of the sixteen State fiscal quarters preceding the Regular Session of the Legislature that begins before that State fiscal biennium, in accordance with the rate adopted by: (a) a vote of two-thirds of the total membership of the SBOE, taken before the Regular Session of the Legislature convenes or (b) the Legislature by general law or appropriation, if the SBOE does not adopt a rate as provided by clause (a); and (2) over the ten-year period consisting of the current State fiscal year and the nine preceding state fiscal years may not exceed the total return on all investment assets of the Fund over the same ten-year period (the "Ten Year Total Return"). In April 2009, the Attorney General issued a legal opinion, Op. Tex. Att'y Gen. No. GA-0707 (2009) ("GA-0707"), with regard to certain matters pertaining to the Distribution Rate and the determination of the Ten Year Total Return. In GA-0707 the Attorney General opined, among other advice, that (i) the Ten Year Total Return should be calculated on an annual basis, (ii) a contingency plan adopted by the SBOE, to permit monthly transfers equal in aggregate to the annual Distribution Rate to be halted and subsequently made up if such transfers temporarily exceed the Ten Year Total Return, is not prohibited by State law, provided that such contingency plan applies only within a fiscal year time basis, not on a biennium basis, and (iii) that the amount distributed from the Fund in a fiscal year may not exceed 6% of the average of the market value of the Fund or the Ten Year Total Return. In accordance with GA-0707, in the event that the Ten Year Total Return is exceeded during a fiscal year, transfers to the ASF will be halted. However, if the Ten Year Total Return subsequently increases during that biennium, transfers may be resumed, if the SBOE has provided for that contingency, and made in full during the remaining period of the biennium, subject to the limit of 6%

in any one fiscal year. Any shortfall in the transfer that results from such events from one biennium may not be paid over to the ASF in a subsequent biennium as the SBOE would make a separate payout determination for that subsequent biennium.

In determining the Distribution Rate, the SBOE has adopted the goal of maximizing the amount distributed from the Fund in a manner designed to preserve "intergenerational equity." The definition of intergenerational equity that the SBOE has generally followed is the maintenance of purchasing power to ensure that endowment spending keeps pace with inflation, with the ultimate goal being to ensure that current and future generations are given equal levels of purchasing power in real terms. In making this determination, the SBOE takes into account various considerations, and relies upon the PSF Corporation and TEA staff and external investment consultants, which undertake analysis for long-term projection periods that includes certain assumptions. Among the assumptions used in the analysis are a projected rate of growth of student enrollment State-wide, the projected contributions and expenses of the Fund, projected returns in the capital markets and a projected inflation rate.

On November 8, 2011, a referendum was held in the State at which voters of the State approved amendments that effected an increase to the base amount used in calculating the Distribution Rate from the Fund to the ASF and authorized the SLB to make direct transfers to the ASF, as described below.

The November 8, 2011 referendum included an increase to the base used to calculate the Distribution Rate by adding to the calculation base certain discretionary real assets and cash in the Fund that is managed by entities other than the SBOE (at present, by the SLB). The value of those assets was already included in the value of the Fund for purposes of the Guarantee Program, but prior to the amendment had not been included in the calculation base for purposes of making transfers from the Fund to the ASF. While the amendment provided for an increase in the base for the calculation of approximately $2 billion, no new resources were provided for deposit to the Fund. As described under "The Total Return Constitutional Amendment" the SBOE is prevented from approving a Distribution Rate or making a pay out from the Fund if the amount distributed would exceed 6% of the average of the market value of the Fund, excluding real property in the Fund, but including discretionary real asset investments on the last day of each of the sixteen State fiscal quarters preceding the Regular Session of the Legislature that begins before that State fiscal biennium or if such pay out would exceed the Ten Year Total Return.

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

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

Annual Distributions to the Available School Fund[1]

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

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

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

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

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

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

Asset Allocation of Fund Portfolios

With respect to the management of the Fund's financial assets portfolio, the single most significant change made to date as a result of the Total Return Constitutional Amendment has been new asset allocation policies adopted from time to time by the SBOE. The SBOE historically reviewed the asset allocations during its summer meeting in even-numbered years. The first asset allocation policy adopted by the SBOE following the Total Return Constitutional Amendment was in February 2004, and the policy was reviewed and modified or reaffirmed in the summers of each even-numbered year, most recently in June 2022. The IPS (effective January 1, 2023) provides for minimum and maximum ranges among the components of each of the asset classifications: equities, fixed income, and alternatives. The alternatives category includes absolute return, private equity, real estate, emerging manager program, real return, natural resources, and infrastructure components. Alternative asset classes diversify the managed assets of the PSF and are not as correlated to traditional asset classes, which is intended to increase investment returns over the long run while reducing risk and return volatility of the portfolio. Given the greater weighting in the overall portfolio of traditional investments, it is expected that the Fund will reflect the general performance returns of the markets in which the Fund is invested.

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

PSF 2022 Strategic Asset Allocations

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

PSF Corporation 2023 Strategic Asset Allocation

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

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

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

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

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

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

Comparative Investment Schedule – PSF(SBOE)[(1)]

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

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

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

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

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

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

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

Comparative Investment Schedule – PSF(SLB)

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

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

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

The School District Bond Guarantee Program

The School District Bond Guarantee Program requires an application be made by a school district to the Education Commissioner for a guarantee of its bonds. If the conditions for the School District Bond Guarantee Program are satisfied, the guarantee becomes effective upon approval of the bonds by the Attorney General and remains in effect until the guaranteed bonds are paid or defeased, by a refunding or otherwise.

In the event of default, holders of guaranteed school district bonds will receive all payments due from the corpus of the PSF. Following a determination that a school district will be or is unable to pay maturing or matured principal or interest on any guaranteed bond, the Act requires the school district to notify the Education Commissioner not later than the fifth day before the stated maturity date of such bond or interest payment. Immediately following receipt of such notice, the Education Commissioner must cause to be transferred from the appropriate account in the PSF to the Paying Agent/Registrar an amount necessary to pay the maturing or matured principal and interest. Upon receipt of funds for payment of such principal or interest, the Paying Agent/Registrar must pay the amount due and forward the canceled bond or evidence of payment of the interest to the State Comptroller of Public Accounts (the "Comptroller"). The Education Commissioner will instruct the Comptroller to withhold the amount paid, plus interest, from the first State money payable to the school district. The amount withheld pursuant to this funding "intercept" feature will be deposited to the credit of the PSF. The Comptroller must hold such canceled bond or evidence of payment of the interest on behalf of the PSF. Following full reimbursement of such payment by the school district to the PSF with interest, the Comptroller will cancel the bond or evidence of payment of the interest and forward it to the school district. The Act permits the Education Commissioner to order a school district to set a tax rate sufficient to reimburse the PSF for any payments made with respect to guaranteed bonds, and also sufficient to pay future payments on guaranteed bonds, and provides certain enforcement mechanisms to the Education Commissioner, including the appointment of a board of managers or annexation of a defaulting school district to another school district.

If a school district fails to pay principal or interest on a bond as it is stated to mature, other amounts not due and payable are not accelerated and do not become due and payable by virtue of the district's default. The School District Bond Guarantee Program does not apply to the payment of principal and interest upon redemption of bonds, except upon mandatory sinking fund redemption, and does not apply to the obligation, if any, of a school district to pay a redemption premium on its guaranteed bonds. The guarantee applies to all matured interest on guaranteed school district bonds, whether the bonds were issued with a fixed or variable interest rate and whether the interest rate changes as a result of an interest reset provision or other bond order provision requiring an interest rate change. The guarantee does not extend to any obligation of a school district under any agreement with a third party relating to guaranteed bonds that is defined or described in State law as a "bond enhancement agreement" or a "credit agreement," unless the right to payment of such third party is directly as a result of such third party being a bondholder.

In the event that two or more payments are made from the PSF on behalf of a district, the Education Commissioner shall request the Attorney General to institute legal action to compel the district and its officers, agents and employees to comply with the duties required of them by law in respect to the payment of guaranteed bonds.

Generally, the regulations that govern the School District Bond Guarantee Program (the "SDBGP Rules") limit guarantees to certain types of notes and bonds, including, with respect to refunding bonds issued by school districts, a requirement that the bonds produce debt service savings, and that bonds issued for capital facilities of school districts must have been voted as unlimited tax debt of the issuing district. The Guarantee Program Rules include certain accreditation criteria for districts applying for a guarantee of their bonds, and limit guarantees to districts that have less than the amount of annual debt service per average daily attendance that represents the 90th percentile of annual debt service per average daily attendance for all school districts, but such limitation will not apply to school districts that have enrollment growth of at least 25% over the previous five school years. As noted, above, in connection with the Regulatory Recodification, the SDBGP Rules are now codified in the Texas Administrative Code at 19 TAC section 33.6 and are available at https://tea.texas.gov/sites/default/files/ch033a.pdf.

The Charter District Bond Guarantee Program

The Charter District Bond Guarantee Program became effective March 3, 2014. The SBOE published final regulations in the Texas Register that provide for the administration of the Charter District Bond Guarantee Program (the "CDBGP Rules"). As noted, above, in connection with the Regulatory Recodification, the CDBGP Rules are now codified at 19 TAC section 33.7 and are available at https://tea.texas.gov/sites/default/files/ch033a.pdf.

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

As of March 2023 (the most recent date for which data is available), the percentage of students enrolled in open-enrollment charter schools (excluding charter schools authorized by school districts) to the total State scholastic census was approximately 7.36%. At March 20, 2023, there were 188 active open-enrollment charter schools in the State and there were 1,095 charter school campuses authorized under such charters, though as of such date, 190 of such campuses are not currently serving students for various reasons; therefore, there are 905 charter school campuses actively serving students in Texas. Section 12.101, Texas Education Code, limits the number of charters that the Education Commissioner may grant to a total number of 305 charters. While legislation limits the number of charters that may be granted, it does not limit the number of campuses that may operate under a particular charter. For information regarding the capacity of the Guarantee Program, see "Capacity Limits for the Guarantee Program." The Act provides that the Education Commissioner may not approve the guarantee of refunding or refinanced bonds under the Charter District Bond Guarantee Program in a total amount that exceeds one-half of the total amount available for the guarantee of charter district bonds under the Charter District Bond Guarantee Program.

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

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

In the event of default, holders of guaranteed charter district bonds will receive all payments due from the corpus of the PSF. Following a determination that a charter district will be or is unable to pay maturing or matured principal or interest on any guaranteed bond, the Act requires a charter district to notify the Education Commissioner not later than the fifth day before the stated maturity date of such bond or interest payment and provides that immediately following receipt of notice that a charter district will be or is unable to pay maturing or matured principal or interest on a guaranteed bond, the Education Commissioner is required to instruct the Comptroller to transfer from the Charter District Reserve Fund to the district's paying agent an amount necessary to pay the maturing or matured principal or interest. If money in the Charter District Reserve Fund is insufficient to pay the amount due on a bond for which a notice of default has been received, the Education Commissioner is required to instruct the Comptroller to transfer from the PSF to the district's paying agent the amount necessary to pay the balance of the unpaid maturing or matured principal or interest. If a total of two or more payments are made under the Charter District Bond Guarantee Program on charter district bonds and the Education Commissioner determines that the charter district is acting in bad faith under the program, the Education Commissioner may request the Attorney General to institute appropriate legal action to compel the charter district and its officers, agents, and employees to comply with the duties required of them by law in regard to the guaranteed bonds. As is the case with the School District Bond Guarantee Program, the Act provides a funding "intercept" feature that obligates the Education Commissioner to instruct the Comptroller to withhold the amount paid with respect to the Charter District Bond Guarantee Program, plus interest, from the first State money payable to a charter district that fails to make a guaranteed payment on its bonds. The amount withheld will be deposited, first, to the credit of the PSF, and then to restore any amount drawn from the Charter District Reserve Fund as a result of the non-payment.

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

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

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

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

Capacity Limits for the Guarantee Program

The capacity of the Fund to guarantee bonds under the Guarantee Program is limited to the lesser of that imposed by State law (the "State Capacity Limit") and that imposed by regulations and a notice issued by the IRS (the "IRS Limit", with the limit in effect at any given time being the "Capacity Limit"). From 2005 through 2009, the Guarantee Program twice reached capacity under the IRS Limit, and in each instance the Guarantee Program was closed to new bond guarantee applications until relief was obtained from the IRS. The most recent closure of the Guarantee Program commenced in March 2009 and the Guarantee Program reopened in February 2010 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. That limitation was a dynamic number that depended in large part on the market value of the Fund from time to time. 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 (a static number). 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 principal amount of guaranteed bonds outstanding.

The State Capacity Limit increased from $135,449,634,408 on August 31, 2021 to $148,789,725,175 on August 31, 2022 (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 March 1, 2023, the Act, as amended through the Regulatory Recodification, provides that the SBOE may establish a percentage of the Capacity Limit to be reserved from use in guaranteeing bonds (the "Capacity Reserve"). The SDBGP Rules provide for a maximum Capacity Reserve for the overall Guarantee Program of 5% and provide that the amount of the Capacity Reserve may be increased or decreased by a majority vote of the SBOE based on changes in the cost value, asset allocation, and risk in the portfolio, or may be increased or decreased by the Education Commissioner as necessary to prudently manage fund capacity and preserve the AAA credit rating of the Guarantee Program (subject to ratification or rejection by the SBOE at the next meeting for which an item can be posted). The CDBGP Rules provide for an additional reserve of CDBGP Capacity determined by calculating an equal percentage as established by the SBOE for the Capacity Reserve, applied to the CDBGP Capacity. Effective March 1, 2023, the Capacity Reserve is 0.25%. The Capacity Reserve is noted in the monthly updates with respect to the capacity of the Guarantee Program on the TEA web site at http://tea.texas.gov/Finance_and_Grants/Permanent_School_Fund/, which are also filed with the MSRB.

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

As of January 2023, the monthly updates with respect to the capacity of the Guarantee Program on the TEA web site projected a remaining capacity under the IRS Limit of $194.1 million out of the approximately $117.3 billion of authorized capacity. Effective March 1, 2023, the change in the Capacity Reserve from 5% to 0.25%, as discussed above, freed up approximately $5.9 billion in Guarantee Program capacity. No representation is made as to how quickly the additional capacity from changing the Capacity Reserve will remain available, and the capacity of the Guarantee Program is subject to change due to a number of factors, including changes in bond issuance volume throughout the State and some bonds receiving guarantee approvals may not close. Additional capacity could become available for new applicants from time to time, through, among other measures, the principal retirement of outstanding guaranteed bonds. As the amount of guaranteed bonds approaches the IRS Limit, the SBOE continues to seek changes to the existing federal tax law requirements regarding the Guarantee Program with the objective of obtaining an increase in the IRS Limit. Such changes include regulatory modifications and implementation of federal legislation, and no assurances can be given as to the timing of the foregoing or the SBOE's success in that undertaking.

2017 Legislative Changes to the Charter District Bond Guarantee Program

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

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

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

Since the initial authorization of the Charter District Bond Guarantee Program, the Act has established a bond guarantee reserve fund in the State treasury (the "Charter District Reserve Fund"). Formerly, the Act provided that each charter district that has a bond guaranteed must annually remit to the Education Commissioner, for deposit in the Charter District Reserve Fund, an amount equal to 10% of the savings to the charter district that is a result of the lower interest rate on its bonds due to the guarantee by the PSF. SB 1480 modified the Act insofar as it pertains to the Charter District Reserve Fund. Effective September 1, 2017, the Act provides that a charter district that has a bond guaranteed must remit to the Education Commissioner, for deposit in the Charter District Reserve Fund, an amount equal to 20% of the savings to the charter district that is a result of the lower interest rate on the bond due to the guarantee by the PSF. The amount due shall be paid on receipt by the charter district of the bond proceeds. However, the deposit requirement will not apply if the balance of the Charter District Reserve Fund is at least equal to 3.00% of the total amount of outstanding guaranteed bonds issued by charter districts. At March 17, 2023, the Charter District Reserve Fund contained $85,259,403, which represented approximately 2.18% of the guaranteed charter district bonds. The Reserve Fund is held and invested as a non-commingled fund under the administration of the PSF Corporation staff.

Charter District Risk Factors

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

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

As a general rule, the operation of a charter school involves fewer State requirements and regulations for charter holders as compared to other public schools, but the maintenance of a State-granted charter is dependent upon on-going compliance with State law and regulations, which are monitored by TEA. TEA has a broad range of enforcement and remedial actions that it can take as corrective measures, and such actions may include the loss of the State charter, the appointment of a new board of directors to govern a charter district, the assignment of operations to another charter operator, or, as a last resort, the dissolution of an open-enrollment charter school. Charter holders are governed by a private board of directors, as compared to the elected boards of trustees that govern school districts.

As described above, the Act includes a funding "intercept" function that applies to both the School District Bond Guarantee Program and the Charter District Bond Guarantee Program. However, school districts are viewed as the "educator of last resort" for students residing in the geographical territory of the district, which makes it unlikely that State funding for those school districts would be discontinued, although the TEA can require the dissolution and merger into another school district if necessary to ensure sound education and financial management of a school district. That is not the case with a charter district, however, and open-enrollment charter schools in the State have been dissolved by TEA from time to time. If a charter district that has bonds outstanding that are guaranteed by the Charter District Bond Guarantee Program should be dissolved, debt service on guaranteed bonds of the district would continue to be paid to bondholders in accordance with the Charter District Bond Guarantee Program, but there would be no funding available for reimbursement of the PSF by the Comptroller for such payments. As described under "The Charter District Bond Guarantee Program," the Act established the Charter District Reserve Fund, to serve as a reimbursement resource for the PSF.

Infectious Disease Outbreak

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

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

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

Ratings of Bonds Guaranteed Under the Guarantee Program

Moody's Investors Service, Inc., S&P Global Ratings, a division of Standard & Poor's Financial Services LLC, and Fitch Ratings, Inc. rate bonds guaranteed by the PSF "Aaa," "AAA" and "AAA," respectively. Not all districts apply for multiple ratings on their bonds, however. See "RATINGS" in the Official Statement.

Valuation of the PSF and Guaranteed Bonds

Permanent School Fund Valuations

Fiscal Year Ended 8/31	Book Value[1]	Market Value[1]
2018	$ 33,860,358,647	$ 44,074,197,940
2019	35,288,344,219	46,464,447,981
2020	36,642,000,738	46,764,059,745
2021	38,699,895,545	55,582,252,097
2022[2]	42,511,350,050	56,754,515,757

[1] SLB managed assets are included in the market value and book value of the Fund. In determining the market value of the PSF from time to time during a fiscal year, the current, unaudited values for PSF investment portfolios and cash held by the SLB are used. With respect to SLB managed assets shown in the table above, market values of land and mineral interests, internally managed real estate, investments in externally managed real estate funds and cash are based upon information reported to the PSF Corporation by the SLB. The SLB reports that information to the PSF Corporation on a quarterly basis. The valuation of such assets at any point in time is dependent upon a variety of factors, including economic conditions in the State and nation in general, and the values of these assets, and, in particular, the valuation of mineral holdings administered by the SLB, can be volatile and subject to material changes from period to period.

[2] At August 31, 2022, mineral assets, sovereign and other lands and discretionary internal investments, investments with external managers, and cash managed by the SLB had book values of approximately $13.4 million, $180.6 million, $5,433.0 million, and $1,257.5 million, respectively, and market values of approximately $5,622.2 million, $699.8 million, $6,262.5 million, and $1,257.52 million, respectively.

Permanent School Fund Guaranteed Bonds

At 8/31	Principal Amount[1]
2018	$ 79,080,901,069
2019	84,397,900,203
2020	90,336,680,245
2021	95,259,161,922
2022	103,239,495,929[2]

[1] Represents original principal amount; does not reflect any subsequent accretions in value for compound interest bonds (zero coupon securities). The amount shown excludes bonds that have been refunded and released from the Guarantee Program. The TEA does not maintain records of the accreted value of capital appreciation bonds that are guaranteed under the Guarantee Program.

[2] At August 31, 2022 (the most recent date for which such data is available), the TEA expected that the principal and interest to be paid by school districts and charter districts over the remaining life of the bonds guaranteed by the Guarantee Program was $156,825,227,335, of which $53,585,731,406 represents interest to be paid. As shown in the table above, at August 31, 2022, there were $103,239,495,929 in principal amount of bonds guaranteed under the Guarantee Program. Using the IRS Limit of $117,318,653,038 (the IRS Limit is currently the Capacity Limit), net of the Capacity Reserve, as of March 17, 2023, 7.36% of the Guarantee Program's capacity was available to the Charter District Bond Guarantee Program. As of March 17, 2023, the amount of outstanding bond guarantees represented 89.46% of the Capacity Limit (which is currently the IRS Limit). March 17, 2023 values are based on unaudited data, which is subject to adjustment.

Permanent School Fund Guaranteed Bonds by Category[1]

	School District Bonds		Charter District Bonds		Totals	
Fiscal Year Ended 8/31	Number of Issues	Principal Amount	Number of Issues	Principal Amount	Number of Issues	Principal Amount
2018	3,249	$ 77,647,966,069	44	$ 1,432,935,000	3,293	$ 79,080,901,069
2019	3,297	82,537,755,203	49	1,860,145,000	3,346	84,397,900,203
2020	3,296	87,800,478,245	64	2,536,202,000	3,360	90,336,680,245
2021	3,346	91,951,175,922	83	3,307,986,000	3,429	95,259,161,922
2022[2]	3,348	99,528,099,929	94	3,711,396,000	3,442	103,239,495,929

[1] Represents original principal amount; does not reflect any subsequent accretions in value for compound interest bonds (zero coupon securities). The amount shown excludes bonds that have been refunded and released from the Guarantee Program.
[2] At March 17, 2023 (based on unaudited data, which is subject to adjustment), there were $104,953,879,666 in principal amount of bonds guaranteed under the Guarantee Program, representing 3,296 school district issues, aggregating $101,038,728,666 in principal amount and 99 charter district issues, aggregating $3,915,151,000 in principal amount. At March 17, 2023 the projected guarantee capacity available was $5,413,975,055 (based on unaudited data, which is subject to adjustment).

Discussion and Analysis Pertaining to Fiscal Year Ended August 31, 2022

The following discussion is derived from the Annual Report for the year ended August 31, 2022, including the Message of the Executive Administrator of the Fund and the Management's Discussion and Analysis contained therein. Reference is made to the Annual Report, as filed with the MSRB, for the complete Message and MD&A. Investment assets managed by the fifteen member SBOE are referred to throughout this MD&A as the PSF(SBOE) and, with respect to the Liquid Account, Liquid(SBOE) assets. As of August 31, 2022, the Fund's land, mineral rights and certain real assets are managed by the five-member SLB and these assets are referred to throughout as the PSF(SLB) assets. The current PSF(SBOE) asset allocation policy includes an allocation for real estate investments, and as such investments are made, and become a part of the PSF(SBOE) investment portfolio, those investments will be managed by the SBOE and not the SLB.

At the end of fiscal 2022, the Fund balance was $56.8 billion, an increase of $1.2 billion from the prior year. This increase is primarily due to overall net increases in value of the various asset classes in which the Fund is invested. During the year, the SBOE continued implementing the long-term strategic asset allocation, diversifying the PSF(SBOE) to strengthen the Fund. The asset allocation is projected to increase returns over the long run while reducing risk and portfolio return volatility. The PSF(SBOE) annual rates of return for the one-year, five-year, and ten-year periods ending August 31, 2022, net of fees, were -6.80%, 6.54% and 7.33%, respectively, and the Liquid(SBOE) annual rate of return for the one-year and three-year periods ending August 31, 2022, net of fees, was -10.24% and -1.23% (total return takes into consideration the change in the market value of the Fund during the year as well as the interest and dividend income generated by the Fund's investments). In addition, the SLB continued its shift into externally managed real asset investment funds, and the one-year, five-year, and ten-year annualized total returns for the PSF(SLB) externally managed real assets, net of fees and including cash, were 32.29%, 8.42%, and 7.40%, respectively.

The Fund is invested in global markets and experiences volatility commensurate with the related indices. The Fund is broadly diversified and benefits from the cost structure of its investment program. Changes continue to be researched, crafted and implemented to make the cost structure more effective and efficient. See "Comparative Investment Schedule - PSF(SBOE)" for the PSF(SBOE) holdings as of August 31, 2022.

As of August 31, 2022, the SBOE has approved, and the Fund made capital commitments to, externally managed real estate investment funds in a total amount of $7.3 billion and capital commitments to private equity limited partnerships for a total of $10.1 billion. Unfunded commitments at August 31, 2022, totaled $2.4 billion in real estate investments and $2.9 billion in private equity investments.

PSF Returns Fiscal Year Ended 8-31-2022[1]

Portfolio	Return	Benchmark Return[2]
Total PSF(SBOE) Portfolio	-6.80%	-6.37%
Domestic Large Cap Equities(SBOE)	-11.08	-11.23
Domestic Small/Mid Cap Equities(SBOE)	-10.96	-10.90
International Equities(SBOE)	-19.72	-19.52
Emerging Market Equity(SBOE)	-22.85	-21.80
Fixed Income(SBOE)	-12.16	-11.52
Treasuries	-22.82	-22.64
Absolute Return(SBOE)	-0.55	-5.66
Real Estate(SBOE)	23.31	20.56
Private Equity(SBOE)	3.17	8.43
Real Return(SBOE)	2.98	3.09
Emerging Market Debt(SBOE)	-17.95	-19.43
Liquid Large Cap Equity(SBOE)	-10.39	-11.23
Liquid Small Cap Equity(SBOE)	-10.63	-10.90
Liquid International Equity(SBOE)	-19.34	-19.52
Liquid Short-Term Fixed Income(SBOE)	-4.27	-4.01
Liquid Core Bonds(SBOE)	-11.30	-11.52
Liquid TIPS(SBOE)	-5.78	-5.98
Liquid Transition Cash Reserves(SBOE)	1.65	0.38
Liquid Combined(SBOE)	-10.24	-10.88
PSF(SLB)	-32.29	N/A

(1) Time weighted rates of return adjusted for cash flows for the PSF(SBOE) investment assets. Does not include GLO managed real estate or real assets. Returns are net of fees. Source: PSF Annual Report for year ended August 31, 2022.
(2) Benchmarks are as set forth in the PSF Annual Report for year ended August 31, 2022.

The PSF(SLB) portfolio is generally characterized by three broad categories: (1) discretionary real assets investments, (2) sovereign and other lands, and (3) mineral interests. Discretionary real assets investments consist of externally managed real estate, infrastructure, and energy/minerals investment funds; internally managed direct real estate investments, and cash. Sovereign and other lands consist primarily of the lands set aside to the PSF when it was created. Mineral interests consist of all of the minerals that are associated with PSF lands. The investment focus of PSF(SLB) discretionary real assets investments has shifted from internally managed direct real estate investments to externally managed real assets investment funds. The PSF(SLB) makes investments in certain limited partnerships that legally commit it to possible future capital contributions. At August 31, 2022, the remaining commitments totaled approximately $1.94 billion.

For fiscal year 2022, total revenues, inclusive of unrealized gains and losses and net of security lending rebates and fees, totaled $3.5 billion, a decrease of $7.3 billion from fiscal year 2021 earnings of $10.8 billion. The total change in the fair value of the Fund investments is consistent with the change in value of the markets in which those investments were made. In fiscal year 2022, revenues earned by the Fund included gains realized on the sale of land and real estate owned by the Fund; lease payments, bonuses and royalty income received from oil, gas and mineral leases; lease payments from commercial real estate; surface lease and easement revenues; revenues from the resale of natural and liquid gas supplies; dividends, interest, and securities lending revenues; the net change in the fair value of the investment portfolio and externally managed real assets investment funds; and other miscellaneous fees and income.

Expenditures are paid from the Fund before distributions are made under the total return formula. Such expenditures include the costs incurred by the SLB to manage the land endowment, as well as operational costs of the Fund, including external management fees paid from appropriated funds. Total operating expenditures, net of security lending rebates and fees, increased 3.0% for the fiscal year ending August 31, 2022. This increase is primarily attributable to an increase in PSF(SLB) quantities of purchased gas for resale in the State Energy Management Program, which is administered by the SLB as part of the Fund, as well as increases in operational costs.

The Fund directly supports the public school system in the State by distributing a predetermined percentage of its asset value to the ASF. For fiscal years 2021 and 2022, the distribution from the SBOE to the ASF totaled $1.1 billion and $1.7 billion, respectively. Distributions from the SLB to the ASF for fiscal years 2021 and 2022 totaled $600 and $415 million, respectively.

At the end of the 2022 fiscal year, PSF assets guaranteed $103.2 billion in bonds issued by 898 local school districts and charter districts, the latter of which entered into the Guarantee Program during the 2014 fiscal year. Since its inception in 1983, the Fund has guaranteed 8,554 school district and charter district bond issues totaling $239.7 billion in principal amount. During the 2022 fiscal year, the number of outstanding issues guaranteed under the Guarantee Program totaled 3,442. The dollar amount of guaranteed school and charter bond issues outstanding increased by $7.98 billion or 8.4%. The State Capacity Limit increased by $13.3 billion, or 9.8%, during fiscal year 2022 due to continued growth in the cost basis of the Fund used to calculate that Program capacity limit. The effective capacity of the Guarantee Program did not increase during fiscal year 2022 as the IRS Limit was reached in a prior fiscal year, and it is the lower of the two capacity limits for the Guarantee Program.

Other Events and Disclosures

The State Investment Ethics Code governs the ethics and disclosure requirements for financial advisors and other service providers who advise certain State governmental entities, including the PSF. The SBOE code of ethics provides ethical standards for SBOE members, the Education Commissioner, TEA staff, and persons who provide services to the SBOE relating to the Fund. As part of the Regulatory Recodification, the PSF Corporation developed its own ethics policy as required by SB 1232, which provides basic ethical principles, guidelines, and standards of conduct relating to the management and investment of the Fund in accordance with the requirements of §43.058 of the Texas Education Code, as amended. The SBOE code of ethics is codified in the Texas Administrative Code at 19 TAC sections 33.4 et seq. and is available on the TEA web site at https://tea.texas.gov/sites/default/files/ch033a.pdf. The PSF Corporation's ethics policy is posted to the PSF Corporation's website at texaspsf.org.

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

As of August 31, 2022, certain lawsuits were pending against the State and/or the GLO, which challenge the Fund's title to certain real property and/or past or future mineral income from that property, and other litigation arising in the normal course of the investment activities of the PSF. Reference is made to the Annual Report, when filed, for a description of such lawsuits that are pending, which may represent contingent liabilities of the Fund.

PSF Continuing Disclosure Undertaking

The Regulatory Recodification included the codification of the TEA's undertaking pursuant to Rule 15c2-12 (the "TEA Undertaking") pertaining to the PSF and the Guarantee Program. As of March 1, 2023, the TEA Undertaking is codified at 19 TAC 33.8, which relates to the Guarantee Program and is available at available at https://tea.texas.gov/sites/default/files/ch033a.pdf.

Through the codification of the TEA Undertaking and its commitment to guarantee bonds, the TEA has made the following agreement for the benefit of the issuers, holders and beneficial owners of guaranteed bonds. The TEA (or its successor with respect to the management of the Guarantee Program) is required to observe the agreement for so long as it remains an "obligated person," within the meaning of Rule 15c2-12, with respect to guaranteed bonds. Nothing in the TEA Undertaking obligates the TEA to make any filings or disclosures with respect to guaranteed bonds, as the obligations of the TEA under the TEA Undertaking pertain solely to the Guarantee Program. The issuer or an "obligated person" of the guaranteed bonds has assumed the applicable obligation under Rule 15c2-12 to make all disclosures and filings relating directly to guaranteed bonds, and the TEA takes no responsibility with respect to such undertakings. Under the TEA Undertaking, the TEA will be obligated to provide annually certain updated financial information and operating data, and timely notice of specified material events, to the MSRB.

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

Annual Reports

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

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

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

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

Event Notices

The TEA will also provide timely notices of certain events to the MSRB. Such notices will be provided not more than ten business days after the occurrence of the event. The TEA will provide notice of any of the following events with respect to the Guarantee Program: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if such event is material within the meaning of the federal securities laws; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Guarantee Program, or other material events affecting the tax status of the Guarantee Program; (7) modifications to rights of holders of bonds guaranteed by the Guarantee Program, if such event is material within the meaning of the federal securities laws; (8) bond calls, if such event is material within the meaning of the federal securities laws, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of bonds guaranteed by the Guarantee Program, if such event is material within the meaning of the federal securities laws; (11) rating changes of the Guarantee Program; (12) bankruptcy, insolvency, receivership, or similar event of the Guarantee Program (which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Guarantee Program in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Guarantee Program, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Guarantee Program); (13) the consummation of a merger, consolidation, or acquisition involving the Guarantee Program or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if such event is material within the meaning of the federal securities laws; (14) the appointment of a successor or additional trustee with respect to the Guarantee Program or the change of name of a trustee, if such event is material within the meaning of the federal securities laws; (15) the incurrence of a financial obligation of the Guarantee Program, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Guarantee Program, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Guarantee Program, any of which reflect financial difficulties. (Neither the Act nor any other law, regulation or instrument pertaining to the Guarantee Program make any provision with respect to the Guarantee Program for bond calls, debt service reserves, credit enhancement, liquidity enhancement, early redemption or the appointment of a trustee with respect to the Guarantee Program.) In addition, the TEA will provide timely notice of any failure by the TEA to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information

The TEA has agreed to provide the foregoing information only to the MSRB and to transmit such information electronically to the MSRB in such format and accompanied by such identifying information as prescribed by the MSRB. The information is available from the MSRB to the public without charge at www.emma.msrb.org.

Limitations and Amendments

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

The continuing disclosure agreement of the TEA is made only with respect to the PSF and the Guarantee Program. The issuer of guaranteed bonds or an obligated person with respect to guaranteed bonds may make a continuing disclosure undertaking in accordance with Rule 15c2-12 with respect to its obligations arising under Rule 15c2-12 pertaining to financial information and operating data concerning such entity and events notices relating to such guaranteed bonds. A description of such undertaking, if any, is included elsewhere in the Official Statement.

This continuing disclosure agreement may be amended by the TEA from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the TEA, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell guaranteed bonds in the primary offering of such bonds in compliance with Rule 15c2-12, taking into account any amendments or interpretations of Rule 15c2-12 since such offering as well as such changed circumstances and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding bonds guaranteed by the Guarantee Program consent to such amendment or (b) a person that is unaffiliated with the TEA (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interest of the holders and beneficial owners of the bonds guaranteed by the Guarantee Program. The TEA may also amend or repeal the provisions of its continuing disclosure agreement if the SEC amends or repeals the applicable provision of Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of Rule 15c2-12 are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling bonds guaranteed by the Guarantee Program in the primary offering of such bonds.

Compliance with Prior Undertakings

Except as stated below, during the last five years, the TEA has not failed to substantially comply with its previous continuing disclosure agreements in accordance with Rule 15c2-12. On April 28, 2022, TEA became aware that it had not timely filed its 2021 Annual Report with EMMA due to an administrative oversight. TEA took corrective action and filed the 2021 Annual Report with EMMA on April 28, 2022, followed by a notice of late filing made with EMMA on April 29, 2022. TEA notes that the 2021 Annual Report was timely filed on the TEA website by the required filing date and that website posting has been incorporated by reference into TEA's Bond Guarantee Program disclosures that are included in school district and charter district offering documents.

SEC Exemptive Relief

On February 9, 1996, the TEA received a letter from the Chief Counsel of the SEC that pertains to the availability of the "small issuer exemption" set forth in paragraph (d)(2) of Rule 15c2-12. The letter provides that Texas school districts which offer municipal securities that are guaranteed under the Guarantee Program may undertake to comply with the provisions of paragraph (d)(2) of Rule 15c2-12 if their offerings otherwise qualify for such exemption, notwithstanding the guarantee of the school district securities under the Guarantee Program. Among other requirements established by Rule 15c2-12, a school district offering may qualify for the small issuer exemption if, upon issuance of the proposed series of securities, the school district will have no more than $10 million of outstanding municipal securities.