NEW ISSUE: BOOK-ENTRY-ONLY

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

OFFICIAL STATEMENT
June 28, 2022

In the opinion of Bond Counsel interest on the Bonds is 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.

$84,240,000
TYLER INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Smith County, Texas)
UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2022

Dated Date: June 15, 2022 (Interest will accrue from the Delivery Date) **Due: February 15, as shown on page ii**

The Tyler Independent School District (the "District") is issuing its $84,240,000 Unlimited Tax School Building Bonds, Series 2022 (the "Bonds") in accordance with the Constitution and general laws of the State of Texas, including, particularly, Chapter 45, Texas Education Code, as amended, Chapter 1371, Texas Government Code, as amended, an order adopted by the Board of Trustees of the District (the "Bond Order") on June 20, 2022 authorizing the issuance of the Bonds and delegating authority to certain officers of the District to complete the sale of the Bonds through the execution of a pricing certificate (the "Pricing Certificate"), and an election held within the District on May 7, 2022 (the "Election"). The Bond Order and the Pricing Certificate are collectively referred to herein as the "Order". The Pricing Certificate was executed on June 28, 2022 by an authorized District official. 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, as provided in the Order.

Interest on the Bonds will accrue from the Delivery Date (defined herein), and will be payable on February 15 and August 15 each year, commencing February 15, 2023 until stated maturity or prior redemption. The Bonds will be issued as fully registered obligations in principal denominations of $5,000 or any integral multiple thereof within a stated maturity. Interest accruing on the Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months. (See "THE BONDS – General Description.")

The District has received conditional approval from the Texas Education Agency for the payment of principal of and interest on the Bonds to be guaranteed under the Permanent School Fund Guarantee Program which will automatically become effective when the Attorney General of Texas approves the Bonds (see "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").

The District intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York ("DTC"), but reserves the right on its behalf or on behalf of DTC to discontinue such system. The principal of and interest on the Bonds will be payable to Cede & Co., as nominee for DTC, by U.S. Bank Trust Company, National Association, 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 owners thereof. Such Book-Entry-Only System will affect the method and timing of payment and the method of transfer (see "BOOK-ENTRY-ONLY SYSTEM").

The District reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2032, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2031 or any date thereafter, at par value thereof plus accrued interest to the date of redemption. (See "THE BONDS – Redemption Provisions").

Proceeds from the sale of the Bonds will be used for: (i) the construction, acquisition, renovation and equipment of school buildings in the District including the renovation, expansion and/or improvement of (1) Hubbard Middle School, and (2) Early College High School, and (ii) the payment of costs of issuance for the Bonds. (See "THE BONDS – Authorization and Purpose").

MATURITY SCHEDULE ON INSIDE COVER

The Bonds are offered when, as and if issued, and accepted by the underwriters named bellow (the "Underwriters"), subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by Bickerstaff Heath Delgado Acosta LLP, Austin, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their co-counsel, McCall, Parkhurst & Horton L.L.P., and Cantu Harden LLP, both of San Antonio, Texas. The Bonds are expected to be available for initial delivery through the services of DTC on or about July 26, 2022 (the "Delivery Date").

FHN FINANCIAL CAPITAL MARKETS

BAIRD **HUNTINGTON CAPITAL MARKETS**

PIPER SANDLER & CO. **STEPHENS INC.**

MATURITY SCHEDULE

$84,240,000
UNLIMITED TAX SCHOOL BUILDING BONDS,
SERIES 2022

Base CUSIP No: 902273[(1)]

Maturity Date (2/15)	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix No. [(1)]	Maturity Date (2/15)	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix No. [(1)]
2023	$ 6,015,000	5.000%	1.620%	YR6	2033	$ 3,690,000	5.000%	3.170%[(2)]	ZB0
2024	8,585,000	5.000	1.990	YS4	2034	3,880,000	5.000	3.290[(2)]	ZC8
2025	2,470,000	5.000	2.220	YT2	2035	4,075,000	5.000	3.390[(2)]	ZD6
2026	2,600,000	5.000	2.350	YU9	2036	4,285,000	5.000	3.450[(2)]	ZE4
2027	2,730,000	5.000	2.420	YV7	2037	4,505,000	5.000	3.480[(2)]	ZF1
2028	2,875,000	5.000	2.560	YW5	2038	4,710,000	3.875	3.930[(2)]	ZG9
2029	3,020,000	5.000	2.700	YX3	2039	4,895,000	3.875	3.970[(2)]	ZH7
2030	3,175,000	5.000	2.840	YY1	2040	5,090,000	3.875	4.020[(2)]	ZJ3
2031	3,340,000	5.000	2.940	YZ8	2041	5,290,000	3.875	4.050[(2)]	ZK0
2032	3,510,000	5.000	3.050[(2)]	ZA2	2042	5,500,000	3.875	4.060[(2)]	ZL8

(Interest to accrue from the Delivery Date)

REDEMPTION PROVISIONS…. The District reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2032, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2031 or any date thereafter, at par value thereof plus accrued interest to the date of redemption. (See "THE BONDS –Redemption Provisions").

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(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems, Inc. on behalf of The American Bankers Association and are included solely for the convenience of owners of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. None of the District, the Financial Advisor, or the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers set forth herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part.

(2) Yield calculated based on the assumption that the Bonds denoted and sold at a premium will be redeemed on February 15, 2031, the first optional call date for such Bonds, at a redemption price of par plus accrued interest to the date of redemption.

TYLER INDEPENDENT SCHOOL DISTRICT

ELECTED OFFICIALS

Name	Position	Service Since	Term Expires
R. Wade Washmon President	District 1	2013	2025
Aaron D. Martinez Vice President	District 5	2015	2024
Artis Newsome Trustee	District 2	2020	2023
Yvonne Atkins Trustee	District 3	2020	2025
Dr. Patricia Nation Trustee	District 4	2014	2023
Lindsey Harrison Trustee	District 6	2021	2025
Andy Bergfeld Trustee	District 7	2012	2024

CERTAIN DISTRICT OFFICIALS

Dr. Marty Crawford	Superintendent
Tosha Bjork	Deputy Superintendent/Chief Financial Officer
Gina Orr	Secretary to the Board

CONSULTANTS AND ADVISORS

Certified Public Accountants	Prothro, Wilhelmi and Company, PLLC Tyler, Texas
Bond Counsel	Bickerstaff Heath Delgado Acosta LLP Austin, Texas
Financial Advisor	RBC Capital Markets, LLC San Antonio, Texas

For additional information regarding the District, please contact:

Ms. Tosha Bjork Deputy Superintendent/ Chief Financial Officer Tyler Independent School District 1319 Earl Campbell Parkway Tyler, Texas 75701 (903) 262-1095 tosha.bjork@tylerisd.org	Mr. R. Dustin Traylor RBC Capital Markets, LLC 303 Pearl Parkway Suite 220 San Antonio, Texas 78215 (210) 805-1117 robert.d.traylor@rbccm.com

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

This Official Statement contains, in part, estimates and matters of opinion and certain forward-looking statements which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

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

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM - PSF Continuing Disclosure Undertaking" and "CONTINUING DISCLOSURE OF INFORMATION" for a description of the undertakings of the Texas Education Agency (the "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 THEREOF.

IN CONNECTION WITH THE OFFERING OF THE BONDS, 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 make any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company ("DTC") or its Book-Entry-Only System or the affairs of the TEA described under "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" as such information has been provided by DTC and TEA, respectively.

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

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES AND 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.

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	The District is a political subdivision of the State of Texas (the "State") located in Smith County. The District is approximately 209 square miles in area. (See "APPENDIX B – General Information Regarding the District and its Economy" herein.)
The Bonds	The $84,240,000 Tyler Independent School District Unlimited Tax School Building Bonds, Series 2022 (the "Bonds") shall mature on the dates and in the amounts set forth on page ii of this Official Statement. The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas, including, particularly, Chapter 45, Texas Education Code, as amended, Chapter 1371, Texas Government Code, as amended, an order adopted on June 20, 2022 by the Board of Trustees of the District (the "Order") authorizing the issuance of the Bonds and delegating authority to certain officers of the District to complete the sale of the Bonds through the execution of a pricing certificate" (the "Pricing Certificate"), and an election held within the District on May 7, 2022 (the "Election"). The Pricing Certificate was executed on June 28, 2022 by an authorized District official (see "THE BONDS – Authorization and Purpose" herein).
Payment of Interest	Interest on the Bonds will accrue from the Delivery Date, and will be payable on February 15 and August 15 each year, commencing February 15, 2023 until stated maturity or prior redemption. (See "THE BONDS – General Description").
Paying Agent/Registrar	The initial Paying Agent/Registrar for the Bonds is U.S. Bank Trust Company, National Association, Dallas, Texas (see "REGISTRATION, TRANSFER AND EXCHANGE – Paying Agent/Registrar" herein). Initially, the District intends to use the Book-Entry-Only System of The Depository Trust Company (see "BOOK-ENTRY-ONLY SYSTEM").
Security	The Bonds constitute direct obligations of the District, payable as to principal and interest from a continuing and direct ad valorem tax levied by the District 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 Texas.
Permanent School Fund Guarantee Program	In connection with the sale of the Bonds, the District has received conditional approval from the Commissioner of Education of the Texas Education Agency for the Bonds to be guaranteed by the corpus of the Permanent School Fund of the State of Texas under the Guarantee Program for School District Bonds (Chapter 45, Subchapter C, of the Texas Education Code, as amended). (See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM.")
Use of Proceeds	Proceeds from the sale of the Bonds will be used for (i) the construction, acquisition, renovation and equipment of school buildings in the District including the renovation, expansion and/or improvement of (1) Hubbard Middle School, and (2) Early College High School, and (ii) payment of costs of issuance for the Bonds. (See "THE BONDS – Authorization and Purpose").
Redemption	The District reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2032, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2031 or any date thereafter, at par value thereof plus accrued interest to the date of redemption (see "THE BONDS – Redemption Provisions.")
Ratings	The Bonds have been assigned ratings of "AAA" by S&P Global Ratings, a division of S&P Global Inc. ("S&P"), and "AAA" by Fitch Ratings, Inc. ("Fitch") by virtue of the guarantee of the Texas Permanent School Fund. The presently outstanding unenhanced tax-supported debt of the District is rated "AA" by S&P and "AA+" by Fitch (see "RATINGS" and "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").

Tax Matters	In the opinion of Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and is not a specific preference item for purposes of the alternative minimum tax. See "TAX MATTERS" for a discussion of the opinion of Bond Counsel.
Book-Entry-Only System	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 in principal amount or integral multiples thereof. No physical delivery of the Bonds will be made to the purchasers thereof (the "Beneficial Owners"). The principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM").
Payment Record	The District has never defaulted on the payment of its bonded indebtedness.
Legal Opinion	Delivery of the Bonds is subject to the approval by the Attorney General of the State of Texas and the approval of certain legal matters by Bickerstaff Heath Delgado Acosta LLP, Austin, Texas, Bond Counsel (see "LEGAL MATTERS" and "Form of Bond Counsel's Opinion" attached hereto as Appendix D).
Delivery	When issued, anticipated on or about July 26, 2022.

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OFFICIAL STATEMENT RELATING TO

$84,240,000
TYLER INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Smith County, Texas)
UNLIMITED TAX SCHOOL BUIILDING BONDS, SERIES 2022

INTRODUCTORY STATEMENT

This Official Statement, including Appendices A, B and C hereto, have been prepared by Tyler Independent School District located in Smith County, Texas (the "District") in connection with the offering by the District of its Unlimited Tax School Building Bonds, Series 2022 (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 Tyler Independent School District, 1319 Earl Campbell Parkway, Tyler, Texas 75701, and, during the offering period, from the District's Financial Advisor, RBC Capital Markets, LLC, 303 Pearl Parkway, Suite 220, San Antonio, Texas 78215, by electronic mail or upon payment of reasonable handling, mailing and delivery charges.

This Official Statement speaks only as of its date and the information contained herein is subject to change. A copy of the Official Statement will be deposited with the Municipal Securities Rulemaking Board, through its Electronic Municipal Market Access ("EMMA") system. See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM - PSF Continuing Disclosure Undertaking" and "CONTINUING DISCLOSURE OF INFORMATION" for a description of the undertakings of the Texas Education Agency (the "TEA") and the District, respectively, to provide certain information on a continuing basis.

THE BONDS

Authorization and Purpose

The Bonds are being issued in accordance with the Constitution and general laws of the State of Texas, including, particularly, Chapter 45, Texas Education Code, as amended, Chapter 1371, Texas Government Code, as amended, an order adopted on June 20, 2022 by the Board of Trustees of the District (the "Bond Order") authorizing the issuance of the Bonds and delegating authority to certain officers of the District to complete the sale of the Bonds through the execution of a pricing certificate (the "Pricing Certificate", and together with the Bond Order, the "Order"), and an election held within the District on May 7, 2022 (the "Election"). The Pricing Certificate was executed on June 28, 2022 by an authorized District official. Capitalized terms used herein have the same meanings assigned to such terms in the Order, except as otherwise indicated.

Proceeds from the sale of the Bonds will be used for (i) the construction, acquisition, renovation and equipment of school buildings in the District including the renovation, expansion and/or improvement of (1) Hubbard Middle School, and (2) Early College High School, and (ii) payment of costs of issuance for the Bonds.

General Description

The Bonds will be dated June 15, 2022. Interest on the Bonds will accrue from the Delivery Date, will be calculated on the basis of a 360-day year consisting of twelve 30-day months, and will be payable on February 15 and August 15 each year, commencing February 15, 2023 until stated maturity or prior redemption. The Bonds mature on the dates and in the principal amounts shown on page ii hereof. The Bonds will be issued as fully registered obligations in principal denominations of $5,000 or any integral multiple thereof within a stated maturity. The paying agent/registrar for the Bonds is initially U.S. Bank Trust Company, National Association, 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. Principal of, and interest on the Bonds 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" herein for a more complete description of such system.

In the event the Bonds are no longer held in the Book-Entry-Only System, interest on the Bonds shall 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 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. If the date for any payment on the Bonds shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the designated corporate office of the Paying Agent/Registrar is located is authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due. The principal of the Bonds is payable at maturity or, upon prior redemption, upon their presentation and surrender to 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.

Redemption Provisions

Optional Redemption of Bonds . . . The District reserves the right, at its sole option, to redeem Bonds having stated maturities on and after February 15, 2032, in whole or in part thereof, in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2031, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption.

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

Notice of Redemption. . . Not less than thirty (30) days prior to a redemption date for the Bonds, the District shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds to be redeemed at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice.

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

DTC Redemption Provisions . . . The Paying Agent/Registrar and the District, so long as a book-entry system is used for the Bonds, will send any notice of redemption, or other notices with respect to the Bonds only to DTC (or any successor securities depository for the Bonds). Any failure by DTC to advise any Direct Participant (defined herein), or of any Direct Participant or Indirect Participant (defined herein) to notify the Beneficial Owner (defined herein), will 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 Direct Participants in accordance with its rules or other agreements with Direct Participants and then Direct 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 Paying Agent/Registrar. Neither the District nor the Paying Agent/Registrar will have any responsibility to Direct Participants, Indirect Participants, or the persons for whom Direct Participants act as nominees, with respect to the payments on the Bonds or the providing of notice to Direct Participants, Indirect Participants, or Beneficial Owners of the selection of portions of the Bonds for redemption. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Security

The Bonds are direct obligations of the District and are payable as to principal and interest from the proceeds of a direct and continuing ad valorem tax levied annually 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 for the payment of the Bonds to be guaranteed by the corpus of the Texas Permanent School Fund (see "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS", "CURRENT PUBLIC SCHOOL FINANCE SYSTEM", "TAX RATE LIMITATIONS", and "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").

Permanent School Fund Guarantee

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

Legality

The Bonds are offered when, as and if issued, and subject to the approving opinion of the Attorney General of the State of Texas and the opinion of Bickerstaff Heath Delgado Acosta LLP, Austin, Texas, Bond Counsel (see "LEGAL MATTERS" and "Appendix D – Form of Bond Counsel's Opinion").

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 and that the District may discharge, redeem or refund all or any portion of the Bonds only by irrevocably depositing, in trust, with the Paying Agent/Registrar or other legally authorized escrow agent: (1) lawful money of the United States of America sufficient to pay the Defeasance Requirements (as defined below), (2) Defeasance Securities (as defined below) that mature in such amounts and at such times to provide, without reinvestment, money sufficient to pay the Defeasance Requirements, or (3) a combination of money and Defeasance Securities sufficient to pay the Defeasance Requirements.

"Defeasance Requirements" means the principal of, premium, if any, and all unpaid interest to the redemption date on the Bonds to be discharged, defeased, redeemed or refunded, as such principal or redemption price, premium, if any, and interest become due.

"Defeasance Securities" means (a) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America; or (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of their acquisition or purchase by the District, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent.

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.

Upon such deposit as described above, such Bonds being defeased shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds to be defeased have been made, as described above, all rights of the District to initiate proceedings to call those defeased Bonds for redemption or take any other action amending the terms of those defeased Bonds are extinguished; provided, however, that the right to call such Bonds for redemption is not extinguished, if the District (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call such Bonds for redemption, (ii) gives notice of the reservation of that right to the owners of such Bonds immediately following the making of the firm banking and financial arrangements, and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

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, without the consent of or notice to any registered owners, from time to time and at any time, to amend the Order in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein.

In addition, the District may, with the consent of registered owners who own a majority of the aggregate principal amount of the Bonds then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Order; provided that, without the consent of all registered owners of Bonds affected, no such amendment, addition, or rescission shall (i) make any change in the maturity of any of the outstanding Bonds; (ii) reduce the rate of interest borne by any of the outstanding Bonds; (iii) reduce the amount of the principal, or redemption premium, if any, payable on any outstanding Bonds; (iv) modify the terms of payment of principal, interest, or redemption premium on outstanding Bonds, or impose any condition with respect to such payment; or (v) change the minimum percentage of the principal amount of the Bonds necessary for consent to such amendment.

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	$84,240,000.00
	Net Reoffering Premium on the Bonds	5,508,943.95
	Total Source of Funds	**$89,748,943.95**
Uses:		
	Deposit to the Project Fund	$89,000,000.00
	Costs of Issuance and Underwriters' Discount	748,943.95
	Total Uses of Funds	**$89,748,943.95**

REGISTERED OWNERS' REMEDIES

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or the State fails to honor the Permanent School Fund Guarantee as hereinafter discussed, or the District defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Order, the registered owners may have, as their sole remedy, to seek a writ of mandamus to compel the District or District officials to carry out the legally imposed duties with respect to the Bonds if there is no other available remedy at law to compel performance of the Bonds or the Order and the District's obligations are not uncertain or disputed, as well as to enforce the rights of payment under the Permanent School Fund Guarantee. The issuance of a writ of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Order does not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the District to perform in accordance with the terms of the Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners.

On June 30, 2006, the Texas Supreme Court (the "Court") ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) ("Tooke") that a waiver of sovereign immunity by a government unit such as the District against a suit must be provided for by statute in "clear and unambiguous" language. In so ruling, the Court declared that statutory language such as "sue and be sued", in and of itself, did not constitute a clear and unambiguous waiver of sovereign immunity. The Legislature has, in Chapter 1371, as amended, of the Texas Government Code, expressly granted some bond issuers entering credit agreements the authority to waive sovereign immunity from suit or liability for the purpose of adjudicating a claim to enforce the credit agreement or obligation or for damages for breach of the credit agreement or obligation. No such waiver authority has been granted to school districts generally in their issuance of unlimited tax bonds.

In Tooke, the Court took note of the enactment in 2005 of sections 271.151- .160, Texas Local Government Code (the "Local Government Immunity Waiver Act"), which, according to the Court, waives "immunity from suit for contract claims against most local governmental entities in certain circumstances." The Local Government Immunity Waiver Act covers school districts and relates to contracts entered into by school districts for the purchase of goods or services. Tooke did not construe the Local Government Immunity Waiver Act in the context of whether contractual undertakings of local governments that relate to their borrowing powers are contracts covered by the Act. The recovery of money damages for breach of contract, the remedy of mandamus or any other type of injunctive relief were not at issue in Tooke, and it is unclear whether Tooke will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts and herein described. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally-imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract).

Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein for a description of the procedure to be followed for payment of the Bonds by the Permanent School Fund in the event the District fails to make payment on the Bonds when due. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors and by general principles of equity which permit the exercise of judicial discretion.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by 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 take no responsibility for the accuracy or completeness thereof.

None of the District, the Financial Advisor, or the Underwriters can and in fact 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 (defined herein), (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners (defined herein), or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC, New York, New York, 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 Bond certificate will be issued for each stated maturity of the Bonds, each in the aggregate principal amount of such maturity and will be deposited with DTC.

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

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

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

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

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

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

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with 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 nor its nominee, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. All payments on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities 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, the Bonds 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.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District, the Financial Advisor and the Underwriters believe to be reliable, but the District, the Financial Advisor and the Underwriters take no responsibility for the accuracy thereof.

So long as Cede & Co. is the registered owner of the Bonds, the District will have no obligation or responsibility to DTC, Participants or Indirect Participants, or the persons for which they act as nominees, with respect to payment to or providing of notice to such Participants, or the persons for which they act as nominees.

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

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 Book-Entry-Only form, 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, payment or notices that are to be given to registered owners under the Order will be given only to DTC.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

U.S. Bank Trust Company, National Association, 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 commercial bank; a trust company organized under the applicable law; or other entity 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.

Future Registration

In the event the Book-Entry-Only System is discontinued, printed Bond certificates will be delivered to the Beneficial 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. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar in lieu of the Bond being transferred or exchanged at the designated office of the Paying Agent/Registrar, or sent by United States registered mail to the new Registered Owner at the Registered Owner's request, risk and expense. 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" herein 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 ("Record Date") for determining the party to whom the interest on a Bond is payable on any interest payment date for the Bonds means the close of business on the last business day of the month next preceding such interest payment date. 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 (the "Special Payment Date" which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each 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

Neither the District nor the Paying Agent/Registrar are required (1) to make any transfer or exchange during a period beginning at the opening of business 45 days before the day of the first mailing of a notice of redemption of Bonds and ending at the close of business on the day of such mailing, or (2) to transfer or exchange any Bonds so selected for redemption when such redemption is scheduled to occur within 45 calendar days; provided however, that such limitation of transfer is not 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 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 District and 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 taxes, governmental charges and other expenses as the Paying Agent/Registrar may incur in connection therewith.

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 Smith County 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 of the appraised value of all homesteads (effective for the 2022 tax year), (2) a $10,000 exemption of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled, and (3) various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

On May 7, 2022, a constitutional referendum was presented to the voters of the State, to increase the exemption of the appraised value of all homestead from $25,000 to $40,000. This constitutional amendment was approved by the voters at an election held on May 7, 2022, and the increased exemption amount will be 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 makes 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.

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. For tax years beginning prior to January 1, 2022, 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. For tax years beginning on or after January 1, 2022, 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, as amended.

Tax Increment Reinvestment Zones

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

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

Tax Limitation Agreements

The Texas Economic Development Act (Chapter 313, Texas Tax Code, as amended), allows school districts to grant limitations on appraised property values to certain corporations and limited liability companies to encourage economic development within the school district. Generally, during the last eight (8) years of the ten-year term of a tax limitation agreement, a school district may only levy and collect M&O taxes on the agreed-to limited appraised property value. For the purposes of calculating its Tier One and Tier Two entitlements, the portion of a school district's property that is not fully taxable is excluded from the school district's taxable property values. Therefore, a school district will not be subject to a reduction in Tier One or Tier Two State funds as a result of lost M&O tax revenues due to entering into a tax limitation agreement (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts").

The 87th Texas Legislature did not vote to extend this tax limitation program, which is now scheduled to expire by its terms effective December 31, 2022.

For a discussion of how the various exemptions described above are applied by the District, see " – District Application of the Property Tax Code" below.

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 $50 million for the 2020 tax year, $50.6 million for the 2021 tax year, $52.9 million for the 2022 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

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

Levy and Collection of Taxes

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and generally 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, which additional penalty may only be used to pay the fees of a delinquent tax collection attorney. 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 – 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.

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 & Student Fairness Coal.,* 490 S.W.3d 826 (Tex. 2016) ("Morath"). The plaintiffs and intervenors in the case had alleged that the Finance System, as modified by the 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" herein).

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 Legislative Session. The State Legislature meets in regular session in odd-numbered years, for 140 days. The 87th Texas Legislature convened on January 12, 2021 and concluded on May 31, 2021 ("87th Regular Session"). When the Legislature is not in regular session, the Governor may call one or more special session, at the Governors direction, each lasting no more than thirty (30) days, and for which the Governor sets the agenda. The Governor has so far called three special sessions, with the third special session concluding October 18, 2021.

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. However, during the Third Called Session of the 87th State Legislature, the State Legislature passed Senate Bill 1 ("SB 1"), which, among other things changed the resident homestead exemption from $25,000 to $40,000, as approved by voters at the May 7, 2022 uniform election. As a result of the increased exemption, additional changes to the education finance system will be implemented, including "hold harmless" allotments, to provide funding to school districts who have less revenue (including revenues specifically to serve 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.

The District can make no representations or predictions regarding this legislation or any legislation that may be passed during any session.

Local Funding for School Districts

A school district's M&O tax rate into 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. The 2019 Legislation amended formulas for the State Compression Percentage and Maximum Compressed Tax Rate (each as described below) 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" (the "SCP") is a statutorily-defined percentage of the rate of $1.00 per $100 that is used to determine a school district's maximum compressed tax rate ("MCR"). 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%.

Maximum Compressed Tax Rate. The MCR is the tax rate per $100 of valuation of taxable property at which a school district must levy its Tier One Tax Rate to receive the full amount of the Tier One funding to which the school district is entitled. The MCR is equal to the lesser of two alternative calculations: (1) the "SCP" (as discussed above) multiplied by 100; or (2) a percentage determined by formula if the school district experienced a year-over-year increase in property value of at least 2.5% (if the increase in property value is less than 2.5%, then MCR is equal to the prior year MCR). However, each year the TEA shall evaluate the MCR for each school district in the State, and for any given year, if a school district's MCR is calculated to be less than 90% of any other school district's MCR for the current year, then the school district's MCR is instead equal to the maximum statewide MCR multiplied by 90%, so that the difference between the school district's MCR and any other school district's MCR is not more than 10%. These compression formulas are intended to more closely equalize local generation of Tier One funding among districts with disparate tax bases and generally reduce the Tier One Tax Rates of school districts as property values increase. During the 2021 Legislative Session, a provision of the general appropriations act reduced the maximum MCR for the 2021-2022 school year. It established $0.9134 as the maximum rate and $0.8220 as the floor.

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

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

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

State Funding for School Districts

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

The first level of funding, Tier One, is the basic level of funding guaranteed to all school districts based on a school district's Tier One Tax Rate. Tier One funding may then be "enriched" with Tier Two funding. Tier Two provides a guaranteed entitlement for each cent of a school district's Enrichment Tax Rate, allowing a school district 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 programmatic 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, the demographics of students in ADA, and the educational programs the students are being served in, to make up most of a school district's Tier One entitlement under the Foundation School Program. 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 for a school district with a Tier One Tax Rate equal to the school district's MCR, is $6,160 (or a greater amount as may be provided by appropriation) for each student in ADA and is revised downward for a school district with a Tier One Tax Rate lower than the school district's MCR. The Basic Allotment is then supplemented for all school districts by various weights to account for differences among school districts and their student populations. Such additional allotments include, but are not limited to, increased funds for students in ADA who: (i) attend a qualified special education program, (ii) are diagnosed with dyslexia or a related disorder, (iii) are economically disadvantaged, or (iv) have limited English language proficiency. Additional allotments to mitigate differences among school districts include, but are not limited to: (i) a transportation allotment for mileage associated with transporting students who reside two miles or more from their home campus, (ii) a fast growth allotment, and (iii) a college, career and military readiness allotment to further Texas' goal of increasing the number of students who attain a post-secondary education or workforce credential, and (iv) a teacher incentive allotment to increase teacher compensation retention in disadvantaged or rural school districts. A school district's total Tier One funding less the allotments that are not derived by a weighted formula, divided by $6,160, is a school district's measure of students in "Weighted Average Daily Attendance" ("WADA"), which serves to calculate Tier Two funding. For the 2021-2022 school year, the fast growth allotment weight is 0.45 for districts in the top 40% of school districts for growth, 0.30 for districts in the middle 30% of school districts for growth and 0.15 for districts in the bottom 30% of school districts for growth. After the 2021-2022 school year, the fast growth allotment weights change to 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

$270 million for the 2021-2022 school year, $310 million for the 2022-2023 school year and $315 million for the 2023-2024 school year.

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

Existing Debt Allotment, Instructional 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 adjust a school district's funding entitlement if the funding formulas used to determine the school district's entitlement result in an unanticipated loss or gain for a school district. Any such adjustment requires preliminary approval from the Legislative Budget Board and the office of the Governor, and such adjustments may only be made through the 2022-2023 school year.

Additionally, 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. Notwithstanding the foregoing, beginning with the 2021-2022 school year, if the total amount of allotments to which school districts and open enrollment charter schools are entitled for a school year exceeds $400 million, the Commissioner shall proportionately reduce each district's or school's allotment. The reduction in the amount to which a district or school is entitled may not result in an amount that is less than zero.

Local Revenue Level in Excess of Entitlement

A school district that has sufficient property wealth to generate local revenues in excess of the school district's Tier One State and local entitlement and whose Copper Pennies generate local funds in excess of the school district's Tier Two guarantee as previously discussed (a "Chapter 49 school district"), is subject to the local revenue reduction provisions contained in Chapter 49 of 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 and they may continue to receive State funds for certain competitive grants and certain programs that remain outside the Foundation School Program.

Recapture is now 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 2021-22 fiscal year, the District was not designated as an "excess local revenue" district by the TEA. Accordingly, the District has not been required to exercise one of the wealth equalization options permitted under applicable State law. As a district with local revenue less than the maximum permitted level, the District may benefit in the future by agreeing to accept taxable property or funding assistance from, or agreeing to consolidate with, a property-rich district to enable such district to reduce its wealth per student to the permitted level.

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 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.

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 December 8, 1956 in accordance with the provisions of Article 2784e-1, Texas Revised Civil Statutes Annotated, as amended.

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

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

I&S Tax Rate Limitations

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

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

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

The information below concerning the Texas Permanent School Fund and the Guarantee Program has been provided by the TEA and is not guaranteed as to accuracy or completeness by, and should not be construed as a representation by, the District.

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

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

During the 87th Regular Session of the Texas Legislature (the "87th Regular Session"), which concluded on May 31, 2021, Senate Bill 1232 ("SB 1232" or "the bill") was enacted, and the bill became effective on September 1, 2021. SB 1232 provides for a variety of changes to the operations and management of the Fund, including the creation of the Permanent School Fund Corporation (the "PSF Corporation"), and the delegation of responsibility to manage the portion of the Fund previously under the management supervision of the State Board of Education (the "SBOE") to the PSF Corporation. SB 1232 also requires changes with respect to the management of certain investments previously made at the discretion of the Texas School Land Board ("the "SLB"), including limiting the types of investments that may be made by the SLB and mandating the transfer of cash and certain other investment properties from the SLB to the PSF Corporation once the PSF Corporation is created. Certain of the authorizations of SB 1232, including the creation of the PSF Corporation have occurred, but other authorized changes are expected to be implemented in phases, generally from the first quarter of calendar year 2022 through the end of calendar year 2023. See "Management Transition to the PSF Corporation" for a summary of SB 1232 and its expected impact on the management and operations of the Fund.

History and Purpose

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

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

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

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

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

Audited financial information for the SBOE financial portfolios of the PSF is provided annually through the PSF Comprehensive Annual Financial Report (the "Annual Report"), which is filed with the Municipal Securities Rulemaking Board ("MSRB"). The SLB's land and real assets investment operations, which are part of the PSF as described below, are included in the annual financial report of the Texas General Land Office (the "GLO") that is included in the comprehensive annual report of the State of Texas. The Annual Report includes the Message of the Executive Administrator of the Fund (the "Message") and the Management's Discussion and Analysis ("MD&A"). The Annual Report for the year ended August 31, 2021, when filed with the MSRB in accordance with the PSF undertaking and agreement made in accordance with Rule 15c2-12 ("Rule 15c2-12") of the federal Securities and Exchange Commission (the "SEC"), as described below, is hereby incorporated by reference into this disclosure. Information included herein for the year ended August 31, 2021 is derived from the audited financial statements of the PSF, which are included in the Annual Report when and as it is filed and posted. Reference is made to the Annual Report for the complete Message and MD&A for the year ended August 31, 2021 and for a description of the financial results of the PSF for the year ended August 31, 2021, the most recent year for which audited financial information regarding the Fund is available. The 2021 Annual Report speaks only as of its date and the TEA has not obligated itself to update the 2021 Annual Report or any other Annual Report. The TEA posts (i) each Annual Report, which includes statistical data regarding the Fund as of the close of each fiscal year, (ii) the most recent disclosure for the Guarantee Program, (iii) the Statement of Investment Objectives, Policies and Guidelines of the Texas Permanent School Fund, which is codified at 19 Texas Administrative Code, Chapter 33 (the "Investment Policy"), and (iv) monthly updates with respect to the capacity of the Guarantee Program (collectively, the "Web Site Materials") on the TEA web site at http://tea.texas.gov/Finance_and_Grants/Permanent_School_Fund/ and with the MSRB at www.emma.msrb.org. Such monthly updates regarding the Guarantee Program are also incorporated herein and made a part hereof for all purposes. In addition to the Web Site Materials, the Fund is required to make quarterly filings with the SEC under Section 13(f) of the Securities Exchange Act of 1934. Such filings, which consist of a list of the Fund's holdings of securities specified in Section 13(f), including exchange-traded (e.g., NYSE) or NASDAQ-quoted stocks, equity options and warrants, shares of closed-end investment companies and certain convertible debt securities, is available from the SEC at www.sec.gov/edgar.shtml. A list of the Fund's equity and fixed income holdings as of August 31 of each year is posted to the TEA web site and filed with the MSRB. Such list excludes holdings in the Fund's securities lending program. Such list, as filed, is incorporated herein and made a part hereof for all purposes. See "Management Transition to the PSF Corporation" for ongoing changes in the management structure of the Fund that may result in changes to the annual audit prepared with respect to the Fund.

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

The following discussion describes the legal and management structure of the Fund prior to full implementation of SB 1232, which has begun and is expected to continue in phases over an approximately two year period. See "Management Transition to the PSF Corporation" for summaries of certain laws applicable to the Fund pursuant to the Texas Constitution and SB 1232 and the ongoing changes in the management structure of the Fund.

The Texas Constitution and applicable statutes delegate to the SBOE the authority and responsibility for investment of the PSF's financial assets. The SBOE consists of 15 members who are elected by territorial districts in the State to four year terms of office.

The Texas Constitution provides that the Fund shall be managed though the exercise of the judgment and care under the circumstances then prevailing which persons of ordinary prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income therefrom as well as the probable safety of their capital (the "Prudent Person Standard"). The SBOE has adopted a "Statement of Investment Objectives, Policies, and Guidelines of the Texas Permanent School Fund," which is codified in the Texas Administrative Code beginning at 19 TAC section 33.1.

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

By law, the Education Commissioner is appointed by the Governor, with Senate confirmation, and assists the SBOE, but the Education Commissioner can neither be hired nor dismissed by the SBOE. The Executive Administrator of the Fund is hired by and reports to the Education Commissioner. Moreover, although the Fund's Executive Administrator and the PSF staff at TEA implement the decisions of and provide information to the School Finance/PSF Committee of the SBOE (the "PSF Committee of the SBOE") and the full SBOE, the SBOE can neither select nor dismiss the Executive Administrator. TEA's General Counsel provides legal advice to the Executive Administrator and to the SBOE. The SBOE has also engaged outside counsel to advise it as to its duties over the Fund, including specific actions regarding the investment of the PSF to ensure compliance with fiduciary standards, and to provide transactional advice in connection with the investment of Fund assets in non-traditional investments.

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

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

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

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

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

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

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

•Mineral interests associated with Fund lands.

At August 31, 2021, the SLB managed approximately 15% of the PSF, as reflected in the fund balance of the PSF at that date. See "Management Transition to the PSF Corporation" for a summary of SB 1232 and its expected impact on the management and operations of the Fund.

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

Management Transition to the PSF Corporation

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

The description of SB 1232 that follows summarizes some key provisions of the bill. The full text of the bill can be found at https://capitol.texas.gov/BillLookup/Text.aspx?LegSess=87R&Bill=SB1232. SB 1232 provides for various transition dates relating to implementation of the bill, with the latest dates generally occurring in calendar year 2023. As a result, the full implementation of SB 1232 will necessarily evolve over time with the timing of certain aspects of its implementation yet to be determined.

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

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

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

The SLB's investments in real estate investment funds and real asset investment funds will transfer to the PSF Corporation. Beginning December 31, 2022, the SLB will no longer be authorized to make investments into funds; however, the SLB will still be able to invest in land, mineral and royalty interests, and direct real estate holdings; the SLB will also be required to send PSF mineral revenue to the PSF Corporation for investment, subject to designation via the appropriations process to cover GLO expenses of managing the minerals. Tentatively, the transfer of SLB assets to the management of the PSF Corporation is expected to occur in late 2022 or early 2023, but exceptions could be made for specific investments.

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

Not less than once each year, the Board must submit an audit report to the Legislative Budget Board ("LBB") regarding the operations of the PSF Corporation. The PSF Corporation may contract with a certified public accountant or the State Auditor to conduct an independent audit of the operations of the PSF Corporation, but such authorization does not affect the State Auditor's authority to conduct an audit of the PSF Corporation in accordance with other State laws.

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

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

The Total Return Constitutional Amendment

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

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

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

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

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

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

Annual Distributions to the Available School Fund[1]

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

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

In November 2020, the SBOE approved a projected \$3.4 billion distribution to the ASF for State fiscal biennium 2022-2023. In making its determination of the 2022-2023 Distribution Rate, the SBOE took into account the announced planned distribution to the ASF by the SLB of \$875 million for the biennium.

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

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

[1] Includes only distributions made to the ASF by the SBOE; see the immediately preceding table for amounts of direct SLB distributions to the ASF.

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

Asset Allocation of Fund Portfolios

With respect to the management of the Fund's financial assets portfolio, the single most significant change made to date as a result of the Total Return Constitutional Amendment has been new asset allocation policies adopted from time to time by the SBOE. The SBOE generally reviews the asset allocations during its summer meeting in even-numbered years. The first asset allocation policy adopted by the SBOE following the Total Return Constitutional Amendment was in February 2004, and the policy was reviewed and modified or reaffirmed in the summers of each even-numbered year, most recently in July 2020. The Fund's Investment Policy provides for minimum and maximum ranges among the components of each of the asset classifications: equities, fixed income and alternative asset investments. The alternative asset allocation category includes real estate, real return, absolute return and private equity components. Alternative asset classes diversify the SBOE-managed assets and are not as correlated to traditional asset classes, which is intended to increase investment returns over the long run while reducing risk and return volatility of the portfolio. Given the greater weighting in the overall portfolio of passively managed investments, it is expected that the Fund will reflect the general performance returns of the markets in which the Fund is invested.

The most recent asset allocation of the PSF(SBOE), approved by the SBOE in July 2020, is set forth below, along with the current asset allocations of the PSF(SLB) and the asset allocation of the Liquid Account (the Liquid Account asset allocation was most recently revised in November 2021). The next scheduled review of the PSF(SBOE) asset allocation is June 2022. See "Management Transition to the PSF Corporation" for a discussion of planned changes in the management of the Fund that could affect the responsibility for review of the asset allocation and the timing of asset allocation review, as well as elimination of the Liquid Account.

PSF Strategic Asset Allocations

	PSF Total	PSF(SBOE)	PSF(SLB)	Liquid Account
Equity Total	47%	52%	0%	60%
Public Equity Total	34%	37%	0%	60%
Large Cap US Equity	13%	14%	0%	30%
Small/Mid Cap US Equity	5%	6%	0%	7%
International Equities	13%	14%	0%	23%
Emerging Markets Equity	2%	3%	0%	0%
Private Equity	13%	15%	0%	0%
Fixed Income Total	27%	25%	0%	38%
Core Bonds	11%	12%	0%	10%
High Yield	2%	3%	0%	0%
Emerging Markets Debt	6%	7%	0%	0%
Treasuries	2%	3%	0%	0%
TIPS	3%	0%	0%	5%
Short Duration	2%	0%	0%	23%
Alternative Investments Total	25%	22%	100%	0%
Absolute Return	6%	7%	0%	0%
Real Estate	12%	11%	33%	0%
Real Return	1%	4%	0%	0%
Energy	3%	0%	35%	0%
Infrastructure	3%	0%	32%	0%
Emerging Manager Program	0%	1%	0%	0%
Cash	2%	0%	0%	2%

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

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

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Comparative Investment Schedule - PSF(SBOE)[1]

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

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

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

In accordance with legislation enacted during 2019, the PSF has established the Liquid Account for purposes of investing cash received from the SLB to be invested in liquid assets and managed by the SBOE in the same manner it manages the PSF. That cash was previously included in the PSF valuation but was held and invested by the State Comptroller. In July 2020, the SBOE adopted an asset allocation policy for the Liquid Account and that policy was revised in November 2021 (the current allocation is as shown in the table "PSF Strategic Asset Allocations" above). As so amended, the Liquid Account asset allocation is expected to be fully implemented in the first calendar quarter of calendar year 2022. See "Management Transition to the PSF Corporation" for a discussion of planned changes in the management of the Fund that could result in the dissolution of the Liquid Account and a blending of assets held in the Liquidity Account into the general investment portfolio of the Fund.
The table below sets forth the investments of the Liquid Account for the year ended August 31, 2021.

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

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

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

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

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

Comparative Investment Schedule - PSF(SLB)

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

[1] The fair values of externally managed real assets investment funds, separate accounts, and co-investment vehicles are estimated using the most recent valuations available, adjusted for subsequent contributions and withdrawals.

[2] Cash at State Treasury represents amounts that have been deposited in the State Treasury and temporarily invested in short-term investments until called for investment by the external real assets investment funds, separate accounts, and co-investment vehicles to which PSF(SLB) has made capital commitments. Prior to September 1, 2019, PSF(SLB) was required by statute to deposit cash designated by the SLB for investment in real assets in the State Treasury until it is drawn for investment. After September 1, 2019, that cash was moved to the Liquid Account to be invested by the SBOE.

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

The School District Bond Guarantee Program

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

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

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

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

Generally, the regulations that govern the School District Bond Guarantee Program (the "SDBGP Rules") limit guarantees to certain types of notes and bonds, including, with respect to refunding bonds issued by school districts, a requirement that the bonds produce debt service savings, and that bonds issued for capital facilities of school districts must have been voted as unlimited tax debt of the issuing district. The Guarantee Program Rules include certain accreditation criteria for districts applying for a guarantee of their bonds, and limit guarantees to districts that have less than the amount of annual debt service per average daily attendance that represents the 90th percentile of annual debt service per average daily attendance for all school districts, but such limitation will not apply to school districts that have enrollment growth of at least 25% over the previous five school years. The SDBGP Rules are codified in the Texas Administrative Code at 19 TAC section 33.65 and are available at https://tea.texas.gov/sites/default/files/ch033a.pdf.

The Charter District Bond Guarantee Program

The Charter District Bond Guarantee Program became effective March 3, 2014. The SBOE published final regulations in the Texas Register that provide for the administration of the Charter District Bond Guarantee Program (the "CDBGP Rules"). The CDBGP Rules are codified at 19 TAC section 33.67 and are available at https://tea.texas.gov/sites/default/files/ch033a.pdf.

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

As of March 2022 (the most recent date for which data is available), the percentage of students enrolled in open-enrollment charter schools (excluding charter schools authorized by school districts) to the total State scholastic census was approximately 6.98%. At April 29, 2022, there were 191 active open-enrollment charter schools in the State and there were 908 charter school campuses active under such charters (though as of such date, 25 of such campuses are not currently serving students for various reasons). Section 12.101, Texas Education Code, as amended by the Legislature in 2013, limits the number of charters that the Education Commissioner may grant to 215 charters as of the end of fiscal year 2014, with the number increasing in each fiscal year thereafter through 2019 to a total number of 305 charters. While legislation limits the number of charters that may be granted, it does not limit the number of campuses that may operate under a particular charter. For information regarding the capacity of the Guarantee Program, see "Capacity Limits for the Guarantee Program." The Act provides that the Education Commissioner may not approve the guarantee of refunding or refinanced bonds under the Charter District Bond Guarantee Program in a total amount that exceeds one-half of the total amount available for the guarantee of charter district bonds under the Charter District Bond Guarantee Program.

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

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

The Act provides that immediately following receipt of notice that a charter district will be or is unable to pay maturing or matured principal or interest on a guaranteed bond, the Education Commissioner is required to instruct the Comptroller to transfer from the Charter District Reserve Fund to the district's paying agent an amount necessary to pay the maturing or matured principal or interest. If money in the Charter District Reserve Fund is insufficient to pay the amount due on a bond for which a notice of default has been received, the Education Commissioner is required to instruct the Comptroller to transfer from the PSF to the district's paying agent the amount necessary to pay the balance of the unpaid maturing or matured principal or interest. If a total of two or more payments are made under the Charter District Bond Guarantee Program on charter district bonds and the Education Commissioner determines that the charter district is acting in bad faith under the program, the Education Commissioner may request the Attorney General to institute appropriate legal action to compel the charter district and its officers, agents, and employees to comply with the duties required of them by law in regard to the guaranteed bonds. As is the case with the School District Bond Guarantee Program, the Act provides a funding "intercept" feature that obligates the Education Commissioner to instruct the Comptroller to withhold the amount paid with respect to the Charter District Bond Guarantee Program, plus interest, from the first State money payable to a charter district that fails to make a guaranteed payment on its bonds. The amount withheld will be deposited, first, to the credit of the PSF, and then to restore any amount drawn from the Charter District Reserve Fund as a result of the non-payment.

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

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

From time to time, TEA has limited new guarantees under the Charter District Bond Guarantee Program to conform to capacity limits specified by the Act. Legislation enacted during the Legislature's 2017 regular session modified the manner of calculating the capacity of the Charter District Bond Guarantee Program (the "CDBGP Capacity"), which further increased the amount of the CDBGP Capacity, beginning with State fiscal year 2018, but that provision of the law does not increase overall Program capacity, it merely makes available to the Charter District Bond Guarantee Program a greater share of capacity in the Guarantee Program. The CDBGP Capacity is made available from the capacity of the Guarantee Program but is not reserved exclusively for the Charter District Bond Guarantee Program. See "Capacity Limits for the Guarantee Program" and "2017 Legislative Changes to the Charter District Bond Guarantee Program." Other factors that could increase the CDBGP Capacity include Fund investment performance, future increases in the Guarantee Program multiplier, changes in State law that govern the calculation of the CDBGP Capacity, as described below, changes in State or federal law or regulations related to the Guarantee Program limit, growth in the relative percentage of students enrolled in open-enrollment charter schools to the total State scholastic census, legislative and administrative changes in funding for charter districts, changes in level of school district or charter district participation in the Guarantee Program, or a combination of such circumstances.

Capacity Limits for the Guarantee Program

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

Prior to 2007, various legislation was enacted modifying the calculation of the State Capacity limit; however, in 2007, Senate Bill 389 ("SB 389") was enacted, providing for increases in the capacity of the Guarantee Program, and specifically providing that the SBOE may by rule increase the capacity of the Guarantee Program from two and one-half times the cost value of the PSF to an amount not to exceed five times the cost value of the PSF, provided that the increased limit does not violate federal law and regulations and does not prevent bonds guaranteed by the Guarantee Program from receiving the highest available credit rating, as determined by the SBOE. SB 389 further provided that the SBOE shall at least annually consider whether to change the capacity of the Guarantee Program. Additionally, on May 21, 2010, the SBOE modified the SDBGP Rules, and increased the State Capacity Limit to an amount equal to three times the cost value of the PSF. Such modified regulations, including the revised capacity rule, became effective on July 1, 2010. The SDBGP Rules provide that the Education Commissioner may reduce the multiplier to maintain the AAA credit rating of the Guarantee Program but also provide that any changes to the multiplier made by the Education Commissioner are to be ratified or rejected by the SBOE at the next meeting following the change. See "Valuation of the PSF and Guaranteed Bonds" below.

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

Changes in SBOE-determined multiplier for State Capacity Limit

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

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

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

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

In September 2015, the SBOE also approved a new 5% capacity reserve for the Charter District Bond Guarantee Program. The State Capacity Limit increased from $128,247,002,583 on August 31, 2020 to $135,449,634,408 on August 31, 2021 (but at such date the IRS Limit ($117,318,653,038) remained the lower of the two, so it is the current Capacity Limit for the Fund).

Since July 1991, when the SBOE amended the Guarantee Program Rules to broaden the range of bonds that are eligible for guarantee under the Guarantee Program to encompass most Texas school district bonds, the principal amount of bonds guaranteed under the Guarantee Program has increased sharply. In addition, in recent years a number of factors have caused an increase in the amount of bonds issued by school districts in the State. See the table "Permanent School Fund Guaranteed Bonds" below. Effective September 1, 2009, the Act provides that the SBOE may annually establish a percentage of the cost value of the Fund to be reserved from use in guaranteeing bonds (the "Capacity Reserve"). The SDBGP Rules provide for a minimum Capacity Reserve for the overall Guarantee Program of no less than 5% and provide that the amount of the Capacity Reserve may be increased by a majority vote of the SBOE. The CDBGP Rules provide for an additional 5% reserve of CDBGP Capacity. The Education Commissioner is authorized to change the Capacity Reserve, which decision must be ratified or rejected by the SBOE at its next meeting following any change made by the Education Commissioner. The current Capacity Reserve is noted in the monthly updates with respect to the capacity of the Guarantee Program on the TEA web site at http://tea.texas.gov/Finance_and_Grants/Permanent_School_Fund/, which are also filed with the MSRB.

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

Limit, the SBOE is seeking changes to the existing federal tax law requirements regarding the Guarantee Program with the objective of obtaining an increase in the IRS Limit, but no assurances can be given that the SBOE will be successful in that undertaking. The implementation of the Charter School Bond Guarantee Program has also increased the total amount of guaranteed bonds.

2017 Legislative Changes to the Charter District Bond Guarantee Program

The CDBGP Capacity is established by the Act. During the 85th Texas Legislature, which concluded on May 29, 2017, Senate Bill 1480 ("SB 1480") was enacted. SB 1480 amended the Act to modify how the CDBGP Capacity is established effective as of September 1, 2017 and made other substantive changes to the Charter District Bond Guarantee Program. Prior to the enactment of SB 1480, the CDBGP Capacity was calculated as the Capacity Limit 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. SB 1480 provided for the implementation of the new method of calculating the CDBGP Capacity to begin with the State fiscal year that commences September 1, 2021 (the State's fiscal year 2022) but authorized the SBOE discretion to increase the CDBGP Capacity incrementally in the intervening four fiscal years, beginning with fiscal year 2018 by up to a cumulative 20% in each fiscal year (for a total maximum increase of 80% in fiscal year 2021) as compared to the capacity figure calculated under the Act as of January 1, 2017, which it has done.

The percentage of the charter district scholastic population to the overall public school scholastic population has grown from 3.53% in September 2012 to 6.83% in March 2021. TEA is unable to predict how the ratio of charter district students to the total State scholastic population will change over time.

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

Since the initial authorization of the Charter District Bond Guarantee Program, the Act has established a bond guarantee reserve fund in the State treasury (the "Charter District Reserve Fund"). Formerly, the Act provided that each charter district that has a bond guaranteed must annually remit to the Education Commissioner, for deposit in the Charter District Reserve Fund, an amount equal to 10% of the savings to the charter district that is a result of the lower interest rate on its bonds due to the guarantee by the PSF. SB 1480 modified the Act insofar as it pertains to the Charter District Reserve Fund. Effective September 1, 2017, the Act provides that a charter district that has a bond guaranteed must remit to the Education Commissioner, for deposit in the Charter District Reserve Fund, an amount equal to 20% of the savings to the charter district that is a result of the lower interest rate on the bond due to the guarantee by the PSF. The amount due shall be paid on receipt by the charter district of the bond proceeds. However, the deposit requirement will not apply if the balance of the Charter District Reserve Fund is at least equal to 3.00% of the total amount of outstanding guaranteed bonds issued by charter districts. At March 31, 2022, the Charter District Reserve Fund contained $75,612,752, which represented approximately 2.1% of the guaranteed charter district bonds. The Reserve Fund is held and invested as a non-commingled fund under the administration of the PSF staff.

Charter District Risk Factors

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

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

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

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

Infectious Disease Outbreak

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

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

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

TEA cannot predict whether any school or charter district may experience short- or longer-term cash flow emergencies as a direct or indirect effect of COVID-19 that would require a payment from the PSF to be made to a paying agent for a guaranteed bond. However, through the end of December 2021, no school district or charter district had failed to perform with respect to making required payments on their guaranteed bonds. Information regarding the respective financial operations of the issuer of bonds guaranteed, or to be guaranteed, by the PSF is provided by such issuers in their respective bond offering documents and the TEA takes no responsibility for the respective information, as it is provided by the respective issuers.

For information on the September 2020 special, one-time transfer of $300 million from the portion of the PSF managed by the SBOE to the portion of the PSF managed by the SLB, that was made in light of the public health and economic circumstances resulting from the COVID-19 pandemic and its impact on the school children of Texas, see "The Total Return Constitutional Amendment."

Ratings of Bonds Guaranteed Under the Guarantee Program

Moody's Investors Service Inc., S&P Global Ratings 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" herein.

Valuation of the PSF and Guaranteed Bonds

Permanent School Fund Valuations

Fiscal Year Ended 8/31	Book Value[1]	Market Value[1]
2017	$31,870,581,428	$41,438,672,573
2018	33,860,358,647	44,074,197,940
2019	35,288,344,219	46,464,447,981
2020	36,642,000,738	46,764,059,745
2021[2]	38,699,045,012	55,581,401,632

[1] SLB managed assets are included in the market value and book value of the Fund. In determining the market value of the PSF from time to time during a fiscal year, the TEA uses current, unaudited values for TEA managed investment portfolios and cash held by the SLB. With respect to SLB managed assets shown in the table above, market values of land and mineral interests, internally managed real estate, investments in externally managed real estate funds and cash are based upon information reported to the PSF by the SLB. The SLB reports that information to the PSF on a quarterly basis. The valuation of such assets at any point in time is dependent upon a variety of factors, including economic conditions in the State and nation in general, and the values of these assets, and, in particular, the valuation of mineral holdings administered by the SLB, can be volatile and subject to material changes from period to period.
[2] At August 31, 2021, mineral assets, sovereign and other lands and internally managed discretionary real estate, external discretionary real estate investments, domestic equities, and cash managed by the SLB had book values of approximately $13.4 million, $183.7 million, $4,655.9 million, $4.7 million, and $699.2 million, respectively, and market values of approximately $2,720.4 million, $629.3 million, $4,636.6 million, $1.8 million, and $699.2 million, respectively. At March 31, 2022, the PSF had a book value of $40,697,026,320 and a market value of $54,743,079,871. March 31, 2022 values are based on unaudited data, which is subject to adjustment.

Permanent School Fund Guaranteed Bonds

At 8/31	Principal Amount[1]
2017	$74,266,090,023
2018	79,080,901,069
2019	84,397,900,203
2020	90,336,680,245
2021	95,259,161,922[2]

[1] Represents original principal amount; does not reflect any subsequent accretions in value for compound interest bonds (zero coupon securities). The amount shown excludes bonds that have been refunded and released from the Guarantee Program. The TEA does not maintain records of the accreted value of capital appreciation bonds that are guaranteed under the Guarantee Program.
[2] At August 31, 2021 (the most recent date for which such data is available), the TEA expected that the principal and interest to be paid by school districts and charter districts over the remaining life of the bonds guaranteed by the Guarantee Program was $144,196,223,433, of which $48,937,061,511 represents interest to be paid. As shown in the table above, at August 31, 2021, there were $95,259,161,922 in principal amount of bonds guaranteed under the Guarantee Program. Using the IRS Limit of $117,318,653,038 (the IRS Limit is currently the Capacity Limit), net of the Capacity Reserve, as of March 31, 2022, 6.98% of the Guarantee Program's capacity was available to the Charter District Bond Guarantee Program. As of March 31, 2022, the amount of outstanding bond guarantees represented 83.27% of the Capacity Limit (which is currently the IRS Limit). March 31, 2022 values are based on unaudited data, which is subject to adjustment.

Permanent School Fund Guaranteed Bonds by Category[1]

	School District Bonds		Charter District Bonds		Totals	
Fiscal Year Ended 8/31	No. of Issues	Principal Amount	No. of Issues	Principal Amount	No. of Issues	Principal Amount
2017	3,253	$72,884,480,023	40	$1,381,610,000	3,293	$74,266,090,023
2018	3,249	77,647,966,069	44	1,432,935,000	3,293	79,080,901,069
2019	3,297	82,537,755,203	49	1,860,145,000	3,346	84,397,900,203
2020	3,296	87,800,478,245	64	2,536,202,000	3,360	90,336,680,245
2021[2]	3,346	91,951,175,922	83	3,307,986,000	3,429	95,259,161,922

[(1)] Represents original principal amount; does not reflect any subsequent accretions in value for compound interest bonds (zero coupon securities). The amount shown excludes bonds that have been refunded and released from the Guarantee Program.
[(2)] At March 31, 2022 (based on unaudited data, which is subject to adjustment), there were $97,691,155,818 of bonds guaranteed under the Guarantee Program, representing 3,341 school district issues, aggregating $94,160,444,818 in principal amount and 91 charter district issues, aggregating $3,530,711,000 in principal amount. At March 31, 2022, the CDBGP Capacity was $7,779,399,883 (based on unaudited data, which is subject to adjustment).

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

The following discussion is derived from the Annual Report for the year ended August 31, 2021, including the Message of the Executive Administrator of the Fund and the Management's Discussion and Analysis contained therein. Reference is made to the Annual Report, as filed with the MSRB, for the complete Message and MD&A. Investment assets managed by the fifteen member SBOE are referred to throughout this MD&A as the PSF(SBOE) and, with respect to the Liquid Account, Liquid(SBOE) assets. As of August 31, 2021, the Fund's land, mineral rights and certain real assets are managed by the five-member SLB and these assets are referred to throughout as the PSF(SLB) assets. The current PSF(SBOE) asset allocation policy includes an allocation for real estate investments, and as such investments are made, and become a part of the PSF(SBOE) investment portfolio, those investments will be managed by the SBOE and not the SLB.

At the end of fiscal 2021, the Fund balance was $55.6 billion, an increase of $8.9 billion from the prior year. This increase is primarily due to overall net increases in value of the asset classes in which the Fund is invested. During the year, the SBOE continued implementing the long-term strategic asset allocation, diversifying the PSF(SBOE) to strengthen the Fund. The asset allocation is projected to increase returns over the long run while reducing risk and portfolio return volatility. The PSF(SBOE) annual rates of return for the one-year, five-year, and ten-year periods ending August 31, 2021, net of fees, were 22.97%, 10.49% and 9.05%, respectively, and the Liquid(SBOE) annual rate of return for the one-year period ending August 31, 2021, net of fees, was 4.90% (total return takes into consideration the change in the market value of the Fund during the year as well as the interest and dividend income generated by the Fund's investments). In addition, the SLB continued its shift into externally managed real asset investment funds, and the one-year, five-year, and ten-year annualized total returns for the PSF(SLB) externally managed real assets, net of fees and including cash, were 12.81%, 1.56%, and 4.18%, respectively.

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

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

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

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

[1] Time weighted rates of return adjusted for cash flows for the PSF(SBOE) investment assets. Does not include GLO managed real estate or real assets. Returns are net of fees. Source: PSF Annual Report for year ended August 31, 2021.
[2] Benchmarks are as set forth in the PSF Annual Report for year ended August 31, 2021.

The PSF(SLB) portfolio is generally characterized by three broad categories: (1) discretionary real assets investments, (2) sovereign and other lands, and (3) mineral interests. Discretionary real assets investments consist of externally managed real estate, infrastructure, and energy/minerals investment funds; internally managed direct real estate investments, and cash. Sovereign and other lands consist primarily of the lands set aside to the PSF when it was created. Mineral interests consist of all of the minerals that are associated with PSF lands. The investment focus of PSF(SLB) discretionary real assets investments has shifted from internally managed direct real estate investments to externally managed real assets investment funds. The PSF(SLB) makes investments in certain limited partnerships that legally commit it to possible future capital contributions. At August 31, 2021, the remaining commitments totaled approximately $2.24 billion.

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

Expenditures are paid from the Fund before distributions are made under the total return formula. Such expenditures include the costs incurred by the SLB to manage the land endowment, as well as operational costs of the Fund, including external management fees paid from appropriated funds. Total operating expenditures, net of security lending rebates and fees, increased 42.5% for the fiscal year ending August 31, 2021. This increase is primarily attributable to an increase in PSF(SLB) quantities of purchased gas for resale in the State Energy Management Program, which is administered by the SLB as part of the Fund.

The Fund directly supports the public school system in the State by distributing a predetermined percentage of its asset value to the ASF. For fiscal years 2020 and 2021, the distribution from the SBOE to the ASF totaled $1.1 billion and $1.1 billion, respectively. Distributions from the SLB to the ASF for fiscal years 2020 and 2021 totaled $600 and $600 million, respectively.

At the end of the 2021 fiscal year, PSF assets guaranteed $95.3 billion in bonds issued by 880 local school districts and charter districts, the latter of which entered into the Guarantee Program during the 2014 fiscal year. Since its inception in 1983, the Fund has guaranteed 8,203 school district and charter district bond issues totaling $220.2 billion in principal amount. During the 2021 fiscal year, the number of outstanding issues guaranteed under the Guarantee Program totaled 3,429. The dollar amount of guaranteed school and charter bond issues outstanding increased by $4.9 billion or 5.4%. The State Capacity Limit increased by $7.2 billion, or 5.6%, during fiscal year 2021 due to continued growth in the cost basis of the Fund used to calculate that Program capacity limit. The effective capacity of the Guarantee Program did not increase during fiscal year 2021 as the IRS Limit was reached in a prior fiscal year, and it is the lower of the two State and federal capacity limits for the Guarantee Program.

Other Events and Disclosures

The State Investment Ethics Code governs the ethics and disclosure requirements for financial advisors and other service providers who advise certain State governmental entities, including the PSF. In accordance with the provisions of the State Investment Ethics Code, the SBOE periodically modifies its code of ethics, which occurred most recently in April 2018. The SBOE code of ethics includes prohibitions on sharing confidential information, avoiding conflict of interests and requiring disclosure filings with respect to contributions made or received in connection with the operation or management of the Fund. The code of ethics applies to members of the SBOE as well as to persons who are responsible by contract or by virtue of being a TEA PSF staff member for managing, investing, executing brokerage transactions, providing consultant services, or acting as a custodian of the PSF, and persons who provide investment and management advice to a member of the SBOE, with or without compensation under certain circumstances. The code of ethics is codified in the Texas Administrative Code at 19 TAC sections 33.5 et seq. and is available on the TEA web site at https://tea.texas.gov/sites/default/files/ch033a.pdf.

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

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

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

PSF Continuing Disclosure Undertaking

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

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

Annual Reports

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

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

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

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

Event Notices

The TEA will also provide timely notices of certain events to the MSRB. Such notices will be provided not more than ten business days after the occurrence of the event. The TEA will provide notice of any of the following events with respect to the Guarantee Program: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if such event is material within the meaning of the federal securities laws; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Guarantee Program, or other material events affecting the tax status of the Guarantee Program; (7) modifications to rights of holders of bonds guaranteed by the Guarantee Program, if such event is material within the meaning of the federal securities laws; (8) bond calls, if such event is material within the meaning of the federal securities laws, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of bonds guaranteed by the Guarantee Program, if such event is material within the meaning of the federal securities laws; (11) rating changes of the Guarantee Program; (12) bankruptcy, insolvency, receivership, or similar event of the Guarantee Program (which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Guarantee Program in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Guarantee Program, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Guarantee Program); (13) the consummation of a merger, consolidation, or acquisition involving the Guarantee Program or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if such event is material within the meaning of the federal securities laws; (14) the appointment of a successor or additional trustee with respect to the Guarantee Program or the change of name of a trustee, if such event is material within the meaning of the federal securities laws; (15) the incurrence of a financial obligation of the Guarantee Program, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Guarantee Program, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Guarantee Program, any of which reflect financial difficulties. (Neither the Act nor any other law, regulation or instrument pertaining to the Guarantee Program make any provision with respect to the Guarantee Program for bond calls, debt service reserves, credit enhancement, liquidity enhancement, early redemption or the appointment of a trustee with respect to the Guarantee Program.) In addition, the TEA will provide timely notice of any failure by the TEA to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information

The TEA has agreed to provide the foregoing information only to the MSRB and to transmit such information electronically to the MSRB in such format and accompanied by such identifying information as prescribed by the MSRB. The information is available from the MSRB to the public without charge at www.emma.msrb.org.

Limitations and Amendments

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

The continuing disclosure agreement of the TEA is made only with respect to the PSF and the Guarantee Program. The issuer of guaranteed bonds or an obligated person with respect to guaranteed bonds may make a continuing disclosure undertaking in accordance with Rule 15c2-12 with respect to its obligations arising under Rule 15c2-12 pertaining to financial information and operating data concerning such entity and events notices relating to such guaranteed bonds. A description of such undertaking, if any, is included elsewhere in the Official Statement.

This continuing disclosure agreement may be amended by the TEA from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the TEA, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell guaranteed bonds in the primary offering of such bonds in compliance with Rule 15c2-12, taking into account any amendments or interpretations of Rule 15c2-12 since such offering as well as such changed circumstances and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding bonds guaranteed by the Guarantee Program consent to such amendment or (b) a person that is unaffiliated with the TEA (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interest of the holders and beneficial owners of the bonds guaranteed by the Guarantee Program. The TEA may also amend or repeal the provisions of its continuing disclosure agreement if the SEC amends or repeals the applicable provision of Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of Rule 15c2-12 are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling bonds guaranteed by the Guarantee Program in the primary offering of such bonds.

Compliance with Prior Undertakings

Except as stated below, during the last five years, the TEA has not failed to substantially comply with its previous continuing disclosure agreements in accordance with Rule 15c2-12. On April 28, 2022 TEA became aware that it had not timely filed its 2021 Annual Report with EMMA due to an administrative oversight. TEA took corrective action and filed the 2021 Annual Report with EMMA on April 28, 2022, followed by a notice of late filing made with EMMA on April 29, 2022. TEA notes that the 2021 Annual Report was timely filed on the TEA website by the required filing date and that website posting has been incorporated by reference into TEA's Bond Guarantee Program disclosures that are included in school district and charter district offering documents.

SEC Exemptive Relief

On February 9, 1996, the TEA received a letter from the Chief Counsel of the SEC that pertains to the availability of the "small issuer exemption" set forth in paragraph (d)(2) of Rule 15c2-12. The letter provides that Texas school districts which offer municipal securities that are guaranteed under the Guarantee Program may undertake to comply with the provisions of paragraph (d)(2) of Rule 15c2-12 if their offerings otherwise qualify for such exemption, notwithstanding the guarantee of the school district securities under the Guarantee Program. Among other requirements established by Rule 15c2-12, a school district offering may qualify for the small issuer exemption if, upon issuance of the proposed series of securities, the school district will have no more than $10 million of outstanding municipal securities.

EMPLOYEES BENEFIT PLAN AND OTHER POST-EMPLOYMENT BENEFITS

The District's employees participate in a retirement plan with the State of Texas (the "Plan"). The Plan is administered by the Teacher Retirement System of Texas ("TRS"). The TRS is a cost-sharing, multiple-employer defined benefit pension plan. See "Note M – Defined Benefit Pension Plan" in the audited financial statements of the District for the year ended August 31, 2021 as set forth in APPENDIX C hereto.

The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRSCare), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. See "Note N - Defined Other Post-Employment Benefit Plans" in the audited financial statements of the District for the year ended August 31, 2021 as set forth in APPENDIX C hereto.

In June 2012, the Government Accounting Standards Board ("GASB") issued Statement No. 68 Accounting and Financial Reporting for Pensions, which was later amended by Statement No. 71 Pension Transition for Contributions Made Subsequent to the Measurement Date, to improve accounting and financial reporting by state and local governments related to pensions. GASB Statement No. 68 requires reporting entities, such as the District, to recognize their proportionate share of the net pension liability and operating statement activity related to changes in collective pension liability. Reporting entities, such as the District, that contribute to the TRS pension plan will report a liability on the face of their government-wide financial statements. Such reporting began with the District's fiscal year ending August 31, 2015. GASB Statement No. 68 applies only to pension benefits and does not apply to OPB or TRS-Care related liabilities. At the conclusion of the 2020-21 fiscal year, the District had a net pension liability of $49,404,697.

RATINGS

The Bonds have been assigned ratings of "AAA" by S&P Global Ratings, a division of S&P Global Inc. ("S&P") and "AAA" by Fitch Ratings, Inc. ("Fitch") by virtue of the Guarantee of the Texas Permanent School Fund. The presently outstanding unenhanced tax-supported debt of the District is rated "AA" by S&P and "AA+" by Fitch. (See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").

An explanation of the significance of such ratings may be obtained from S&P and Fitch. The ratings of the Bonds by S&P and Fitch reflect only the views of S&P and Fitch at the time the ratings are given, and the District makes no representations as to the appropriateness of the ratings. There is no assurance that the ratings will continue for any given period of time, or that the ratings will not be revised downward or withdrawn entirely by S&P or Fitch if, in the judgment of S&P or Fitch, circumstances so warrant.

LEGAL MATTERS

Legal Opinions

The District will furnish the Underwriters a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the initial Bond is a valid and legally binding obligation of the District, and based upon examination of such transcript of proceedings, and the legal opinion of Bond Counsel, to like effect.

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 the issuance of the Bonds. Except as noted below, Bond Counsel did not take part in the preparation of this 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, Bickerstaff Heath Delgado Acosta LLP, Austin, Texas, has reviewed the information under the captions and subcaptions "THE BONDS" (except for the subcaptions "Permanent School Fund Guarantee", "Payment Record" and "Sources and Uses of Funds" as to which no opinion is expressed), "REGISTRATION, TRANSFER AND EXCHANGE", "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS", "CURRENT PUBLIC SCHOOL FINANCE SYSTEM", "TAX RATE LIMITATIONS – M&O Tax Rate Limitations" (first paragraph only), "LEGAL MATTERS" (except for the last three sentences of the third paragraph of subheading "Legal Opinions", as to which no opinion is expressed), "TAX MATTERS", and "CONTINUING DISCLOSURE OF INFORMATION" (except the information under the subheading "Compliance with Prior Undertakings" as to which no opinion is expressed) in the Official Statement and such firm is of the opinion that the information relating to the Bonds and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the Order. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Bonds will also be furnished.

The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of Bonds are contingent on the sale and delivery of the Bonds. The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the definitive Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by McCall, Parkhurst & Horton L.L.P., and Cantu Harden LLP, both of San Antonio, Texas, as co-counsel to the Underwriters. The legal fee of such firm is contingent upon the sale and delivery of the Bonds. McCall, Parkhurst & Horton L.L.P. also advises the TEA in connection with its disclosure obligations under the federal securities laws, but such firm has not passed upon any TEA disclosures contained in this Official Statement.

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.

Legal Investment and Eligibility to Secure Public Funds in Texas

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. 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. In accordance with the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "PFIA"), the Bonds must be rated at least "A" or its equivalent as to investment quality by a national rating agency in order for most municipalities or other political subdivisions or public agencies of the State of Texas to invest in the Bonds, except for purchases of interest and sinking funds of such entities. See "RATINGS" herein. Moreover, municipalities or other political subdivisions or public agencies of the State of Texas that have adopted investment policies and guidelines in accordance with the Public Funds Investment Act may have other, more stringent requirements for purchasing securities, including the Bonds. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value.

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

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 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 United States Securities and Exchange Commission, nor has the United States Securities and Exchange Commission 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.

TAX MATTERS

Opinion

On the date of initial delivery of the Bonds, Bickerstaff Heath Delgado Acosta LLP, Austin, 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 to the District 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 D – FORM OF BOND COUNSEL'S OPINION." In rendering its opinion, Bond Counsel to the District will rely upon (a) certain information and representations of the District, including information and representations contained in the District's arbitrage and tax certificate, (b) the certificate with respect to arbitrage by the Commissioner of Education regarding the allocation and investment of certain investments in the Permanent School Fund, and (c) 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 therewith. Failure by the District to observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance. 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 such requirements, 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 property financed with proceeds of the Bonds. 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.

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the Bonds may be less than the maturity amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year. Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below. In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income. Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each accrual period and ratably within each such accrual period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond. The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

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 statutes, regulations, published rulings and court decisions, all of which are 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.

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.

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 IRS. 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 Non-U.S. Holders, 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. 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.

INVESTMENTS

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, the District is authorized to invest in obligations meeting the requirements of the Public Funds Investment Act, Texas Government Code, Chapter 2256, as amended (the "PFIA"), which may include: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the District selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in the State that the District selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the District appoints as its custodian of the banking deposits issued for its account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the SEC and operating under Securities and Exchange Commission Rule 15c3-3; (9) (i) certificates of deposit or share certificates meeting the requirements of the PFIA that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or their respective successors, and are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and provided for by law for District deposits, or (ii) certificates of deposits where (a) the funds are invested by the District through (A) a broker that has its main office or a branch office in the State and is selected from a list adopted by the District as required by law, or (B) a depository institution that has its main office or branch office in the State that is selected by the District, (b) the broker or the depository institution selected by the District arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the District, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the District appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the District with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described in clause (1), require the securities being purchased by the District or cash held by the District to be pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party selected and approved by the District, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (13) no-load money market mutual funds registered with and regulated by the SEC that provide the District with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and that comply with Federal Securities and Exchange Commission Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); (14) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and either (a) a duration of one year or more and invest exclusively in obligations described under this heading, or (b) a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities; and (15) for bond proceeds, guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract and are pledged to the District and deposited with the District or a third party selected and approved by the District. Governmental bodies in the State are authorized to implement securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) of the first paragraph under this subcaption, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm not less than "A" or its equivalent, or (c) cash invested in obligations that are described in clauses (1) through (8) and (12) through (14) of the first paragraph under this subcaption, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the governmental body, held in the name of the governmental body and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

As a school district that qualifies as an "issuer" under Chapter 1371, Texas Government Code, amended, the District is also authorized to purchase, sell, and invest its funds in corporate bonds. "Corporate bond" is defined as a senior secured debt obligation issued by a domestic business entity and rated not lower than "AA-" or the equivalent by a nationally recognized investment rating firm (does not include convertible bonds or unsecured debt). The bonds must have a stated final maturity that is not later than 3 years from the date the corporate bonds were purchased. The District may not (1) invest more than 15% of its monthly average fund balance (excluding bond proceeds, reserves, and other funds held for the payment of debt service), in corporate bonds; or (2) invest more than 25% of the funds invested in corporate bonds in any one domestic business entity, including subsidiaries and affiliates of the entity. The District must sell corporate bonds if they are rated "AA-" or its equivalent and are either downgraded or placed on negative credit watch.

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAA-m" or an equivalent by at least one nationally recognized rating service. The District may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance, or resolution.

The District is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Investment Policies

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

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

Under State law, the District is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a written instrument by rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the District to disclose the relationship and file a statement with the Texas Ethics Commission and the Board; (4) require the qualified representative of business organization offering to engage in an investment transaction with the District to: (a) receive and review the District's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the District and the business organization that are not authorized by the District's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the entity's entire portfolio, requires an interpretation of subjective investment standards or relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority), and (c) deliver a written statement in a form acceptable to the District and the business organization attesting to these requirements; (5) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the District's investment policy; (6) provide specific investment training for the Treasurer, chief financial officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the District's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise and adopt a list of qualified brokers that are authorized to engage in investment transactions with the District.

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 an "obligated person" with respect to the Bonds, within the meaning of the United States Securities and Exchange Commission Rule 15c2-12 ("Rule 15c2-12"). Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access ("EMMA") system where it will be available to the general public, free of charge at www.emma.msrb.org. See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" for a description of the continuing disclosure undertaking to provide certain updated financial information and operating date annually with respect to the Permanent School Fund and the State of Texas, as the case may be, and to provide timely notice of specified events related to the guarantee to the MSRB.

Annual Report

The District will provide certain updated financial information and operating data annually to the MSRB. The information to be updated includes financial information and operating data with respect to the District of the general type included in this Official Statement under Appendix A in Tables 1 through 5 and 7 through 13 (the "Annual Financial Information"). 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 C 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 C 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 Financial Information 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 2022. The District may provide the Financial Statements earlier, including at the time it provides its Annual Financial Information, 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 may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by Rule 15c2-12.

The District's current fiscal year end is August 31. Accordingly, the Annual Financial Information must be provided by the last day of February in each year, and the Financial Statements must be provided by August 31 of each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Notice of Certain Events

The District will file with the MSRB notice of any of the following events with respect to the Bonds in a timely manner (and not more than 10 business days after occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the 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 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 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 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, if material, or an 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 or obligated person, any of which reflect financial difficulties. Neither the Bonds nor the Order make any provision for debt service reserves, credit enhancement (except with respect to the Permanent School Fund guarantee), or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports". The District will provide each notice described in this paragraph to the MSRB.

For these purposes, (a) any event described in clause (12) of the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers of the District 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 clauses in (15) and (16) of the immediately preceding paragraph and the definition of

Financial Obligation 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

All information and documentation filing required to be made by the District in accordance with its undertaking made for the Bonds will be made with the MSRB in electronic format in accordance with MSRB guidelines, by and through EMMA. Access to such filings will be provided, without charge to the general public, by the MSRB through EMMA 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 Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

This continuing disclosure agreement may be amended by the District from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with Rule 15c2-12, taking into account any amendments or interpretations of Rule 15c2-12 to the date of such amendment 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 provision of the Order that authorizes such an 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 provision of Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of Rule 15c2-12 are invalid, and the District also may amend the provisions of this continuing disclosure agreement in its discretion in any other manner or circumstance, but in any case only if and to the extent that the provisions of this sentence would not have prevented an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds, giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of Rule 15c2-12. 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 its prior continuing disclosure agreements made 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 statements 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

RBC Capital Markets, LLC is employed as Financial Advisor to the District. The fee paid to the Financial Advisor for services rendered in connection with the issuance and sale of the Bonds is based on the amount of Bonds actually issued, sold and delivered, and therefore such fee is contingent on the sale and delivery of the Bonds.

The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

UNDERWRITING

The Underwriters have agreed, subject to certain customary conditions, to purchase the Bonds at a price equal to the initial offering prices to the public, as shown on page ii, less an Underwriters' discount of $415,475.07, and no accrued interest. The Underwriters' obligations are subject to certain conditions precedent, and the Underwriters 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 have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in the Official Statement in accordance with their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

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 late 2022 or early 2023 pending regulatory approvals. This transaction should not have any material effect on this underwriting transaction.

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 SEC.

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 at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that CS&Co. sells.

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 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 Texas in response to the Pandemic which has been subsequently extended and is still in effect. 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 of the State. On July 29, 2021, the Governor issued Executive Order GA-38, which supersedes all pre-existing executive orders related to COVID-19 and rescinds them in their entirety, except for Executive Orders GA-13 (related to detention in county and municipal jails) and GA-37 (related to migrant transport). Executive Order GA-38 combines several previous executive orders into one order and continues the prohibition against governmental entities in Texas, including counties, cities, school districts, public health authorities, and government officials from requiring or mandating any person to wear a face covering and subjects a governmental entity or official to a fine of up to $1,000 for noncompliance. It also prohibits governmental entities from (i) compelling any individual to receive a COVID-19 vaccine administered under emergency use authorization and (ii) enforcing any requirements to show proof of vaccination before receiving a service or entering any place (other than nursing homes, hospitals, and similar facilities) if the public or private entity that has adopted such requirement receives public funds any means. Executive Order GA-38 remains in effect until amended, rescinded, or superseded by the Governor. 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.

On June 3, 2021, TEA issued updated public planning health guidance in accordance with Executive Order GA-36 (which became effective June 5, 2021), 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, per Executive Order GA-36, school systems cannot require students or staff to wear a mask; however, they school systems must allow individuals to wear a mask if they choose to do so. Within the guidance, TEA instructs schools to notify its 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 State Health Services via its online portal.

Executive Order GA-38, issued on July 29, 2021 and Executive Order GA-39, issued on August 25, 2021, further provide that governmental entities cannot require mask mandates, vaccine passports, or mandatory vaccinations. On October 11, 2021, the Governor issued Executive Order GA-40, prohibiting any entity from requiring COVID vaccinations. Various lawsuits have been filed throughout the State related to the foregoing and litigation is expected to continue.

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 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 financial and operating data contained herein are the latest available. It is unclear at this time what effect, if any, COVID-19 and resulting economic disruption may have on future assessed values or the collection of taxes, either because of delinquencies or collection and valuation relief resulting from the declared emergency. 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.

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

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

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 documents 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.

The Bond Order authorized the Pricing Officer to approve the form and content of this Official Statement and any addenda, supplement or amendment thereto and authorized its further use in the re-offering of the Bonds by the Underwriters.

This Official Statement was approved by District officials for distribution in accordance with the provisions of Rule 15c2-12.

/s/ Tosha Bjork

Pricing Officer

APPENDIX A

FINANCIAL INFORMATION REGARDING THE DISTRICT

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The Property Tax Code as Applied to the District

The Smith County Appraisal District ("Appraisal District") has the responsibility for appraising property in the District as well as other taxing units in the area. The Appraisal District is governed by a board of directors appointed by voters of the governing bodies of various applicable political subdivisions.

The District's taxes are collected by the Smith County Tax Assessor-Collector.

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

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

The District grants a state mandated residence homestead exemption for disabled veterans of $10,000.

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

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

The District does not tax nonbusiness personal property.

The District has granted the freeport property tax exemption.

The District has not entered into tax abatement agreements.

Table 1 - Valuation, Exemptions and Tax Supported Debt Obligations

2021/22 Total Appraised Value (Excludes Fully Exempt Property)			$ 12,475,785,107
Less Exemptions/Reductions:			
$25,000 General Homestead		$ 598,880,576	
$10,000 Over 65 or Disabled		110,839,157	
Veterans		68,916,580	
Agricultural/Productivity Loss		513,742,512	
10% Cap Value Loss		49,426,669	
Freeport		110,722,078	
Pollution Control		14,637,580	
Other		3,090,771	
	Total Exemptions:	$ 1,470,255,923	
2021/22 Taxable Assessed Valuation			$ 11,005,529,184
Outstanding Unlimited Tax Bonded Debt as of June 15, 2022			$ 356,455,000
Plus: The Bonds			84,240,000
Less: Interest & Sinking Fund Balance as of August 31, 2021			8,129,747
Net Unlimited Tax Bonded Debt Outstanding			$ 432,565,253
Ratio Net Funded Debt to Taxable Assessed Valuation			3.93%
Estimated District Population			114,648
Per Capita Taxable Assessed Valuation			$95,994
Per Capita Net Debt			$3,773

Source: The District and Smith County Appraisal District.

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Table 2 - Taxable Assessed Valuations by Category

	FY 2022 Amount	FY 2022 % of Total	FY 2021 Amount	FY 2021 % of Total	FY 2020 Amount	FY 2020 % of Total
Real, Residential, Single-Family	$ 6,131,778,346	49.1%	$ 5,809,569,555	48.4%	$ 5,331,765,590	46.5%
Real, Residential, Multi-Family	739,378,562	5.9%	653,510,455	5.4%	617,127,972	5.4%
Real, Vacant Lots/Tracts	196,759,858	1.6%	193,709,997	1.6%	195,495,105	1.7%
Real, Acreage (Land Only)	531,714,452	4.3%	509,072,152	4.2%	577,125,301	5.0%
Real, Farm and Ranch Improvements	456,590,876	3.7%	424,331,347	3.5%	398,037,301	3.5%
Real, Commercial	2,519,215,667	20.2%	2,482,871,598	20.7%	2,443,948,622	21.3%
Real, Industrial	300,273,023	2.4%	253,581,905	2.1%	261,381,767	2.3%
Real, Oil, Gas and Other Mineral Reserves	22,831,855	0.2%	42,834,615	0.4%	27,004,157	0.2%
Real & Tangible Personal, Utilities	282,592,820	2.3%	273,344,351	2.3%	256,197,590	2.2%
Tangible Personal, Commercial	895,216,481	7.2%	898,201,189	7.5%	917,951,164	8.0%
Tangible Personal, Industrial	259,352,864	2.1%	321,647,452	2.7%	303,220,190	2.6%
Other Personal	23,370,870	0.2%	23,021,379	0.2%	22,405,507	0.2%
Real Property, Inventory	25,540,419	0.2%	33,876,172	0.3%	36,541,346	0.3%
Special Inventory	91,169,014	0.7%	83,407,101	0.7%	78,478,072	0.7%
Total Appraised Value	$ 12,475,785,107	100.0%	$ 12,002,979,268	100.0%	$ 11,466,679,684	100.0%
Less: Exemptions/Reductions	1,494,598,944		1,494,598,944		1,492,616,587	
Net Taxable Assessed Value	$ 10,981,186,163		$ 10,508,380,324		$ 9,974,063,097	

	FY 2019 Amount	FY 2019 % of Total	FY 2018 Amount	FY 2018 % of Total	FY 2017 Amount	FY 2017 % of Total
Real, Residential, Single-Family	$ 5,012,028,959	46.0%	$ 4,850,562,424	48.0%	$ 4,613,796,312	47.4%
Real, Residential, Multi-Family	593,883,525	5.4%	538,675,324	5.3%	519,186,687	5.3%
Real, Vacant Lots/Tracts	201,138,268	1.8%	195,967,057	1.9%	194,615,421	2.0%
Real, Acreage (Land Only)	502,188,837	4.6%	392,990,136	3.9%	386,882,024	4.0%
Real, Farm and Ranch Improvements	371,120,833	3.4%	340,293,048	3.4%	320,253,111	3.3%
Real, Commercial	2,444,922,495	22.4%	2,161,200,324	21.4%	2,069,101,831	21.3%
Real, Industrial	248,716,623	2.3%	242,443,388	2.4%	274,253,271	2.8%
Real, Oil, Gas and Other Mineral Reserves	20,229,568	0.2%	24,342,874	0.2%	18,212,983	0.2%
Real & Tangible Personal, Utilities	240,635,265	2.2%	215,550,590	2.1%	206,503,202	2.1%
Tangible Personal, Commercial	898,503,543	8.2%	804,653,966	8.0%	784,970,997	8.1%
Tangible Personal, Industrial	243,261,295	2.2%	214,795,444	2.1%	225,962,896	2.3%
Other Personal	22,883,656	0.2%	22,471,997	0.2%	21,692,679	0.2%
Real Property, Inventory	28,067,953	0.3%	27,241,955	0.3%	23,321,342	0.2%
Special Inventory	75,652,694	0.7%	71,964,314	0.7%	72,483,818	0.7%
Total Appraised Value	$ 10,903,233,514	100.0%	$ 10,103,152,841	100.0%	$ 9,731,236,574	100.0%
Less: Exemptions/Reductions	1,407,680,025		1,236,316,506		1,238,150,499	
Net Taxable Assessed Value	$ 9,495,553,489		$ 8,866,836,335		$ 8,493,086,075	

Source: Smith County Appraisal District.

Note: Valuations shown are certified taxable assessed values reported by the Smith County Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

Table 3 – Valuation and Funded Debt History

Fiscal Year Ended 31-Aug	Taxable Assessed Valuation	Change From Prior Year Amount	Percent	Tax Supported Debt Outstanding at End of Fiscal Year	Ratio of Tax Supported Debt to Taxable Assessed Valuation
2013	$ 7,660,924,933	$ 144,798,830	1.927%	$ 320,835,000	4.188%
2014	7,842,261,066	181,336,133	2.367%	311,365,000	3.970%
2015	8,092,331,020	250,069,954	3.189%	296,535,000	3.664%
2016	8,196,837,131	104,506,111	1.291%	283,755,000	3.462%
2017	8,493,086,075	296,248,944	3.614%	442,825,000	5.214%
2018	8,866,836,335	373,750,260	4.401%	431,660,000	4.868%
2019	9,495,553,489	628,717,154	7.091%	378,395,000	3.985%
2020	9,974,063,097	478,509,608	5.039%	397,885,000	3.989%
2021	10,508,380,324	534,317,227	5.357%	378,395,000	3.601%
2022	10,981,186,163	472,805,839	4.499%	440,695,000 (1)	4.013%

Source: The District and Smith County Appraisal District.

(1) Includes the Bonds.

Table 4 - Tax Rate, Levy, and Collection History

Fiscal Year Ended 8/31	Tax Rate	Distribution Local Maintenance	Distribution Interest & Sinking Fund	Tax Levy[(A)(B)]	Current Collections	Total Collections
2012	$ 1.37500	$ 1.04000	$ 0.33500	$ 98,366,287	98.4%	100.2%
2013	1.37500	1.04000	0.33500	100,658,255	98.3%	99.6%
2014	1.37500	1.04000	0.33500	103,482,590	98.3%	99.6%
2015	1.37500	1.04000	0.33500	106,661,341	98.4%	99.8%
2016	1.37500	1.04000	0.33500	108,087,977	98.4%	99.8%
2017	1.37500	1.04000	0.33500	111,738,453	99.0%	99.6%
2018	1.40500	1.04000	0.36500	117,758,469	99.5%	100.8%
2019	1.40500	1.04000	0.36500	127,316,972	98.5%	99.5%
2020[(C)]	1.33500	0.97000	0.36500	127,571,883	98.5%	99.5%
2021[(C)]	1.30410	0.95910	0.34500	130,987,489	98.7%	99.5%
2022[(C)]	1.28910	0.95410	0.33500	135,448,573	(In Process of Collection)	

(A) Excludes penalty and interest.

(B) Based on taxable value as of January 1.

(C) The reduction in the District's maintenance and operations rate is a function of House Bill 3, adopted by the Texas Legislature in June 2019.

Table 5 - Ten Largest Taxpayers

Name of Taxpayer	Nature of Property	2021/22 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Delek Refining LTD	Refinery	$ 251,617,421	2.29%
Tyler Regional Hospital	Hospital	243,988,566	2.22%
Oncor Electric Delivery Co.	Electric Utility	134,980,800	1.23%
Brookshire Grocery Co.	Supermarkets	122,518,595	1.11%
Wal-Mart/Sam's	Retail	67,368,835	0.61%
Genecov Investments Group	Real Property	57,906,620	0.53%
Cebridge Acquisitions LP	Cable and Television Services	50,409,556	0.46%
JSF-2 Ltd	Supermarkets	45,365,603	0.41%
Simon Property Group	Commercial Property	44,463,300	0.40%
1854 Roseland Boulevard LLC	Real Estate	39,141,159	0.36%
		$ 1,057,760,455	9.61%

Tyler ISD 2021/22 Taxable Assessed Valuation $11,005,529,184

Source: Smith County Appraisal District.

Table 6 - Estimated Direct and Overlapping Debt

Political Subdivision	Gross Outstanding Tax Supported Debt	Estimated % Overlapping	Amount Overlapping
Tyler Independent School District(1)	$ 440,695,000	100.0%	$ 440,695,000
Smith County	38,125,000	43.9%	16,744,500
Tyler Junior College	39,663,000	65.9%	26,137,917
Total Direct and Overlapping Debt			$ 483,577,417
Ratio of Direct and Overlapping Debt to Taxable Assessed Valuation			4.394%
Per Capita Direct and Overlapping Debt			$ 4,218

Source: Municipal Advisory Council of Texas and the District

(1) Includes the Bonds.

Table 7 - I&S Tax Supported Debt Requirements

Fiscal Year Ending 8/31	Outstanding Unlimited Tax Debt Service	The Bonds Principal	The Bonds Interest	The Bonds Total	Total Outstanding Unlimited Tax Debt Service	% Principal Payoff
2022[(1)]	$ 36,342,083				$ 36,342,083	
2023	26,517,871	$ 6,015,000	$ 3,982,087	$ 9,997,087	36,514,958	
2024	24,915,496	8,585,000	3,409,919	11,994,919	36,910,414	
2025	26,520,121	2,470,000	3,133,544	5,603,544	32,123,664	
2026	25,236,871	2,600,000	3,006,794	5,606,794	30,843,665	18.46%
2027	25,423,621	2,730,000	2,873,544	5,603,544	31,027,164	
2028	25,655,121	2,875,000	2,733,419	5,608,419	31,263,539	
2029	25,738,971	3,020,000	2,586,044	5,606,044	31,345,014	
2030	27,149,996	3,175,000	2,431,169	5,606,169	32,756,164	
2031	27,149,083	3,340,000	2,268,294	5,608,294	32,757,377	39.23%
2032	27,366,664	3,510,000	2,097,044	5,607,044	32,973,708	
2033	23,946,820	3,690,000	1,917,044	5,607,044	29,553,863	
2034	23,704,287	3,880,000	1,727,794	5,607,794	29,312,080	
2035	19,424,386	4,075,000	1,528,919	5,603,919	25,028,304	
2036	19,421,885	4,285,000	1,319,919	5,604,919	25,026,804	60.67%
2037	19,415,726	4,505,000	1,100,169	5,605,169	25,020,895	
2038	19,417,720	4,710,000	896,287	5,606,287	25,024,008	
2039	19,420,587	4,895,000	710,191	5,605,191	25,025,778	
2040	19,423,750	5,090,000	516,731	5,606,731	25,030,481	
2041	19,418,053	5,290,000	315,619	5,605,619	25,023,671	82.30%
2042	19,423,056	5,500,000	106,563	5,606,563	25,029,619	
2043	19,415,031	-	-	-	19,415,031	
2044	11,385,600	-	-	-	11,385,600	
2045	11,386,500	-	-	-	11,386,500	
2046	11,385,900	-	-	-	11,385,900	
2047	11,383,200	-	-	-	11,383,200	100.00%
	$ 565,988,395	$ 84,240,000	$ 38,661,090	$ 122,901,090	$ 688,889,485	

(1) Includes $2,870,000 of principal used to redeem the remainder of the District's Unlimited Tax Refunding Bonds, Series 2012 on February 15, 2022 and $5,465,000 in principal and $346,169.68 of accrued interest placed into escrow on February 15, 2022, for the partial defeasance of the District's Unlimited Tax Refunding Bonds, Series 2014.

Table 7a - M&O Tax Supported Debt Service Requirements

The District does not have any M&O tax supported debt service obligations outstanding.

Table 8 - Interest and Sinking Fund Budget Projection

Estimated Tax Supported Debt Service Requirements, FYE 08/31/2022	$ 36,342,083	
Interest & Sinking Fund Balance, August 31, 2021	$ 8,129,747	
Estimated Interest & Sinking Fund Levy for Fiscal Year Ended 8/31/2022	34,847,195	
Delinquent Taxes and Penalties and Interest Collected	300,000	
Projected Investment Income for Fiscal Year Ended 8/31/2022	20,000	43,296,942
Projected Interest & Sinking Fund Balance, August 31, 2022		$ 6,954,859

Source: The District

Table 9 - Authorized but Unissued Unlimited Tax Bonds

Date Authorized	Amount Authorized	Amount Previously Issued	The Bonds[A]	Unissued Balance
May 7, 2022	$ 89,000,000	$ -	$ 89,000,000	$ -
				$ -

[A] Includes the total amount to be deposited to the District's construction fund from the proceeds of the Bonds. Includes net premium on the Bonds applied against the authorized amount.

Table 10 - Other Obligations

Operating Leases

The District has multiple 60-month operating leases with Xerox for copiers. Additional leases are entered into as needed. The lease terms expire at varying times. Commitments under operating (noncapitalized) lease agreements for copiers provide for minimum future rental payments as of August 31, 2021, as follows:

Fiscal Year Ending	Payment
2022	$ 842,254
2023	789,643
2024	637,332
2025	272,709
2026	22,075
Total	$ 2,564,013

Capital Leases

None.

Source: District's Audited Financial Statement dated August 31, 2021.

Table 11 - Current Investments

Type of Security	Portfolio %	08/31/2021 Fair Value
Money Market Savings Accounts	21.3%	$ 21,524,367
Investment Pools	73.3%	74,112,210
US Treasury Notes	5.0%	5,035,994
Agencies	0.4%	440,069
Portfolio Total	100.0%	$ 101,112,640

Source: District's Audited Financial Statement dated August 31, 2021.

Table 12 - General Fund Comparative Balance Sheet

	Fiscal Year Ended August 31				
	2021	2020	2019	2018	2017
ASSETS					
Cash & Cash Equivalents	$ 56,162,117	$ 47,655,830	$ 36,598,557	$ 42,563,010	$ 41,028,812
Property Taxes - Delinquent	4,193,417	4,279,012	4,239,611	4,179,506	4,228,732
Allowance for Uncollectible Taxes	(510,574)	(491,271)	(490,057)	(492,277)	(464,832)
Due from Other Governments	715,697	871,498	4,704,624	1,762,987	2,131,231
Accrued Interest	6,722	91,501	85,093	106,025	127,283
Due from Other Funds	6,036,910	5,359,891	5,052,748	2,091,601	3,610,922
Other Receivables	79,265	86,779	64,527	85,424	57,552
Inventories	218,069	247,789	175,970	214,843	258,756
Prepaid Items	2,847,775	2,246,301	3,214,194	1,330,271	464,058
Deferred Expenditures	-	-	-	-	-
Total Assets	$ 69,749,398	$ 60,347,330	$ 53,645,267	$ 51,841,390	$ 51,442,514
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	$ 1,383,877	$ 1,286,390	$ 1,205,703	$ 1,702,331	$ 995,965
Payroll Deductions & Withholdings Payable	1,189,408	1,225,109	1,141,664	1,142,392	-
Accrued Wages Payable	7,828,440	7,069,493	7,832,003	6,674,224	5,139,492
Due to Other Funds	300,142	-	-	410,557	-
Due to Other Governments	6,296	2,895	3,152	2,463	1,717
Deferred Revenues	3,705,775	3,801,768	3,767,661	3,709,947	3,785,046
Payable from Restricted Assets	-	-	-	-	-
Total Liabilities	$ 14,413,938	$ 13,385,655	$ 13,950,183	$ 13,641,914	$ 9,922,220
Fund Balances					
Nonspendable Fund Balance:					
Inventory	$ 218,069	$ 247,789	$ 175,970	$ 214,843	$ 258,756
Prepaid Items	2,847,775	2,246,301	3,214,194	1,330,271	464,058
Deferred Expenditures	-	-	-	-	-
Restricted Fund Balance:					
State Funds Grant Restriction	-	-	-	-	-
Committed Fund Balance:					
Preventive Maintenance Fund	-	-	-	-	-
District Incentive Program	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Assigned Fund Balance:					
Other Assigned Fund Balance	13,135,138	12,206,853	8,111,077	10,261,439	15,115,981
Unassigned Fund Balance	38,134,478	31,260,732	27,193,843	25,392,923	24,681,499
Total Fund Balance	$ 55,335,460	$ 46,961,675	$ 39,695,084	$ 38,199,476	$ 41,520,294
Total Liabilities & Fund Balance	$ 69,749,398	$ 60,347,330	$ 53,645,267	$ 51,841,390	$ 51,442,514

Source: The District's Audited Financial Statements.

Table 13 - General Fund Comparative Statement of Revenues and Expenditures

	Fiscal Year Ended August 31				
	2021	2020	2019	2018	2017
Total Reserve Fund Balance at Beginning of Year	$ 46,961,675	$ 39,695,084	$ 38,199,476	$ 41,520,294	$ 38,269,220
Revenues					
Local and Intermediate Sources	$ 97,976,297	$ 94,895,953	$ 96,835,169	$ 90,537,674	$ 86,070,600
State Sources	64,836,440	65,070,844	53,370,306	55,550,751	53,326,482
Federal Sources and Other	3,599,573	3,548,321	3,170,856	2,910,839	3,513,557
Total Revenues	$166,412,310	$163,515,118	$153,376,331	$148,999,264	$142,910,639
Expenditures					
Instruction & Instructional Related Services	$ 96,612,354	$ 96,908,306	$ 92,680,040	$ 90,827,561	$ 86,678,129
Instructional & School Leadership	10,546,712	11,706,594	11,872,674	11,834,308	11,895,787
Pupil Services	18,295,678	17,616,084	18,271,527	16,653,866	15,213,044
Administration	3,862,798	4,089,579	3,954,473	3,661,463	3,426,448
Support Services	20,528,563	18,845,036	19,140,467	19,575,173	17,669,695
Ancillary Service	63,176	111,943	115,599	34,668	50,771
Debt Service	-	-	157,978	157,978	157,978
Capital Outlay	3,653,478	2,723,789	1,364,000	5,452,662	856,303
Intergovernmental Charges	2,231,134	2,206,381	2,242,027	2,249,574	2,088,962
Total Expenditures	$155,793,893	$154,207,712	$149,798,785	$150,447,253	$138,037,117
Excess (Deficit) Revenues Over Expenditures	$ 10,618,417	$ 9,307,406	$ 3,577,546	$ (1,447,989)	$ 4,873,522
Other Resources					
Transfers In	350,782	378,708	370,991	338,991	381,725
Transfers Out	(2,690,968)	(2,566,413)	(2,459,217)	(2,292,575)	(2,207,384)
Other (Uses)	95,554	146,890	6,288	80,755	203,211
Excess (Deficiency of Revenues and Other Sources Over (Under) Expenditures and Other Uses	8,373,785	7,266,591	1,495,608	(3,320,818)	3,251,074
Total Revenue and Fund Balance at End of Year	$ 55,335,460	$ 46,961,675	$ 39,695,084	$ 38,199,476	$ 41,520,294
Fund Balance as a % of Revenues	33.3%	28.7%	25.9%	25.6%	29.1%
Fund Balance as a % of Expenditures	35.5%	30.5%	26.5%	25.4%	30.1%

Source: The District's Audited Financial Statements.
Note: the District's anticipated General Fund balance for the Fiscal Year ending on August 31, 2022 is $59,000,000.

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APPENDIX B

GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY

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GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY

Tyler Independent School District (the "District") was established as a political subdivision of the State of Texas (the "State") and incorporated in 1882. As the largest school district in northeast Texas, the District encompasses 209 square miles, maintains a total of 38 campus and auxiliary facilities and serves an enrollment of approximately 18,148 students. The District serves the City of Tyler (the "City" or "Tyler") and several smaller surrounding cities and areas.

The District is governed by a Board of Trustees (the "Board") comprised of seven elected members. The Board members elect a President and Vice President from among the members. The Board of Trustees serve three-year staggered terms with at large elections being held every year. Board policy and decisions are decided by a majority vote of the Board. The Superintendent of Schools is selected by the Board; other District officials are employed as a result of action by the Superintendent and the Board.

The District owns and operates 26 instructional facilities which are fully accredited by the Texas Education Agency. Students attend classes in air-conditioned schools complete with cafeterias, library/media centers and gymnasiums. The number and types of instructional facilities are as follows:

Elementary Schools	17
Middle/Intermediate Schools	6
High Schools	2
Special Learning Center	1
Total	**26**

DISTRICT ENROLLMENT INFORMATION

Scholastic Enrollment History

Year	Enrollment	Increase/(Decrease)	Percent Change
2004-05	17,591	197	1.12%
2005-06	18,012	421	2.34%
2006-07	18,009	(3)	(0.02%)
2007-08	18,203	194	1.07%
2008-09	18,300	97	0.53%
2009-10	18,344	44	0.24%
2010-11	18,561	217	1.17%
2011-12	18,393	(168)	(0.91%)
2012-13	18,263	(130)	(0.71%)
2013-14	18,029	(234)	(1.28%)
2014-15	18,035	6	0.03%
2015-16	18,171	136	0.75%
2016-17	18,130	(41)	(0.23%)
2017-18	18,003	(127)	(0.70%)
2018-19	18,130	127	0.71%
2019-20	18,260	130	0.72%
2020-21	17,721	(539)	(2.95%)
2021-22	18,148	427	2.41%

Source: District Records.

PRESENT SCHOOL FACILITIES

School	Functional Capacity	Enrollment	Under/(Over) Capacity	Grades Served
Tyler Legacy High School	2,933	2,487	446	9-12
Early College/RISE Academy	701	462	239	9-12
Tyler High School	2,401	2,126	275	9-12
Total High Schools	**5,334**	**5,075**	**259**	
Boulter Middle School	829	837	(8)	6-8
Hogg Middle School(1)	850	275	575	6-8
Hubbard Middle School	1,169	739	430	6-8
Moore Middle School	1,211	1,080	131	6-8
Three Lakes Middle School	1,000	842	158	6-8
Total Middle Schools	**5,059**	**3,773**	**1,286**	
T.J. Austin Elementary School	531	332	199	PK-5
Bell Elementary School	592	535	57	PK-5
Birdwell Elementary School	713	441	272	PK-5
Bonner Elementary School	569	426	143	PK-5
Caldwell Elementary School	758	577	181	PK-5
Clarkston Elementary School	600	397	203	PK-5
Dixie Elementary School	758	576	182	PK-5
Douglas Elementary School	723	594	129	PK-5
Griffin Elementary School	936	655	281	PK-5
Jack Elementary School	796	721	75	PK-5
Jones-Boshears Elementary School	500	368	132	PK-5
Orr Elementary School	800	697	103	PK-5
Owens Elementary School	936	675	261	PK-5
Peete Elementary School	419	417	2	PK-5
Ramey Elementary School	590	547	43	PK-5
Rice Elementary School	892	635	257	PK-5
Woods Elementary School	800	707	93	PK-5
Total Elementary Schools	**11,913**	**9,300**	**2,613**	
GRAND TOTAL	**22,306**	**18,148**	**4,158**	

Source: District Records.
(1) Planned closure prior to the 2022-23 school year. The District plans to use the facility for administrative offices and extracurricular activities prospectively.

CITY OF TYLER, TEXAS AND SMITH COUNTY, TEXAS
ECONOMIC AND DEMOGRAPHIC INFORMATION

The City of Tyler is the principal city of the Tyler Metropolitan Statistical Area and is the county seat of Smith County, Texas. Tyler is considered the health care, retail and manufacturing center of East Texas, located on U.S. Highway 69 just south of Interstate 20. The City is located an equal distance from the cities of Dallas, Texas and Shreveport, Louisiana and is often referred to as the "City of Roses" primarily for its large municipal rose garden and the numerous rose and other garden festivals held annually. Economic activity within the City is diverse, consisting of medical, educational, manufacturing, oil and gas, agricultural, tourism and general trade activities.

According to the 2010 Census, the City encompassed 53.86 square miles and had a population of 96,900. The 2018 estimated population of the City is 105,729. Smith County has a total area of 949 square miles and had a 2020 Census population of 233,479, an 11.3% increase since 2010.

Medical

Tyler is the medical center of East Texas, with three primary hospitals and a vast number of supporting clinics, practices and specialty hospitals. East Texas Medical Center Regional Healthcare System is a Level I Trauma Center with 454 beds. Trinity Mother Frances Hospital and Clinics is a Level II Trauma Center with 404 beds and UT Health Science Center Northeast has 109 beds.

Transportation

Tyler has excellent Interstate, U.S. and State Highway systems that provide efficient and economical transportation to all destinations, including Interstate 20, U.S. Highways 271 & 69, and State Highways 31, 64, 110 & 155. State officials estimate that as many as 270,000 people come to Tyler each day to work, attend school, seek medical services, or just shop.

Commercial air service is provided by the Tyler Pounds Regional Airport, which is located approximately 4 miles west of Loop 323 along State Highway 64. In 2010, approximately 74,000 passengers chose the Tyler airport to reach their destinations. American Airlines offers American Eagle prop and Jet service to Dallas Fort Worth Airport with 4 daily flights. United Express Airlines offers 5 daily flights to Houston's Intercontinental Airport.

Higher Education

The area has access to higher education opportunities through several institutions. The University of Texas at Tyler with enrollment of approximately 6,700 with 74 undergraduate and graduate degrees in five colleges; Texas College at Tyler with approximately 870 students; Tyler Junior College with an enrollment of approximately 24,738 students; Tyler School of Business; East Texas Barber College; and Tyler Real Estate School.

Attractions

Tyler is well known for its rose festival, the Texas Rose Festival, which draws crowds to the City in the fall. The City is also home to the East Texas State Fair. Additionally there are eight museums and six performing arts companies in the City. The City is also home to the Caldwell Zoo and several educational and historical attractions. Amusement facilities and sporting facilities are also plentiful in the area.

Economy

The Tyler and Smith County economy is more diverse than it has ever been. The area workforce includes leisure and hospitality, state government, local government, information systems, retail trade, education and health services, financial services, natural resources, mining and construction, manufacturing and other services. Some of the products manufactured, processed or distributed in the area include: air conditioning units, cast iron pipe, life jackets, baking products, milk products, petrochemical processing equipment, petrochemical products, brass products, meat products, corrugated boxes, exercise equipment, printing, medical supplies, silk flowers, various rubber products, adhesives, fishing lures, candy, and many others. Additionally, retail activities continue to expand in the area providing residents with a growing choice of shopping opportunities.

Major Employers

The following are the major employers in the City and Smith County.

Employer	Industry	Employees
Christus Trinity Mother Frances	Health Care	3,872
UT Health East Texas	Health Care/Research	3,559
Tyler Independent School District	Public Education	2,563
Sanderson Farms	Agriculture	1,845
Wal-Mart Stores	Retail	1,521
Trane Company	Air Conditioning	1,473
UT Health Science Center	Health Care/Research	1,460
Brookshire Grocery Company	Grocery	1,455
The University of Texas at Tyler	Higher Education	1,201
Altice USA	Telecommunications	1,150

Source: Tyler Chamber of Commerce, District's Audited Financial Statement

Labor Market Information

The following are the Civilian Labor Force and Unemployment statistics for the area.

	2022[1]	2021	2020	2019	2018
City of Tyler					
Total Civilian Labor Force	52,834	52,058	50,829	50,674	51,061
Total Unemployment	3.4%	5.1%	6.8%	3.3%	3.6%
Smith County					
Total Civilian Labor Force	111,815	110,095	107,502	107,171	107,543
Total Unemployment	3.5%	5.1%	6.8%	3.3%	3.6%
State of Texas					
Total Civilian Labor Force	14,539,934	14,220,446	13,870,874	14,045,312	13,848,080
Percent Unemployed	3.9%	5.7%	7.7%	3.5%	3.9%

(1) As of March 2022.
Source: Labor Market Information Department, Texas Workforce Commission.

APPENDIX C

EXCERPTS FROM THE DISTRICT'S AUDITED FINANCIAL REPORT

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Tyler Independent School District

Annual Comprehensive Financial Report

For the Fiscal Year Ended August 31, 2021

Tyler, Texas

TYLER ISD

SUCCESSFUL STUDENT OUTCOMES

TYLER
INDEPENDENT SCHOOL DISTRICT

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED AUGUST 31, 2021

Marty Crawford, Ed.D.
Superintendent

Tosha L. Bjork, CPA, RTSBA
Deputy Superintendent/Chief Financial Officer

Prepared by
Department of Financial Services

Tyler Independent School District
1319 Earl Campbell Parkway, P.O. Box 2035
Tyler, Texas 75710

TYLER ISD

SUCCESSFUL STUDENT OUTCOMES

TYLER INDEPENDENT SCHOOL DISTRICT
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED AUGUST 31, 2021

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ANNUAL COMPREHENSIVE FINANCIAL REPORT
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TYLER ISD

SUCCESSFUL STUDENT OUTCOMES

Introductory Section

TYLER ISD

SUCCESSFUL STUDENT OUTCOMES

CERTIFICATE OF BOARD

Tyler Independent School District	Smith	212905
Name of School District	County	Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) ✓ approved ________ disapproved for the year ended August 31, 2021 at a meeting of the Board of Trustees of such school district on the 24th of January, 2022.

Gina Orr
Signature of Board Secretary

Signature of Board President

If the Board of Trustees disapproved of the auditors' report, the reason(s) for disapproving it is(are):
(attach list as necessary)

TYLER ISD
SUCCESSFUL STUDENT OUTCOMES

January 24, 2022

To the Board of Trustees and Citizens of the Tyler Independent School District:

The Annual Comprehensive Financial Report (ACFR) of the Tyler Independent School District (the "District") for the fiscal year ended August 31, 2021 is hereby submitted. This report has been prepared to provide the Board of Trustees (the "Board"), representatives of financial institutions and rating agencies, the citizenry of the District, and other interested parties information concerning the financial condition of the District.

This report consists of management's representations concerning the finances of the District. Responsibility for the accuracy and fairness of the presentation, including all disclosures, rests with the District. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

Report Format

The Annual Comprehensive Financial Report consists of four sections:

- Section I, the Introductory Section, includes this transmittal letter, which highlights significant aspects of financial operations during the year, and the District's organizational chart.

- Section II, the Financial Section, includes the independent auditors' report, Management's Discussion and Analysis (MD&A), the basic financial statements, notes to the financial statements, and detailed combining and individual statements and supporting schedules for the District's funds. The MD&A is a narrative introduction, overview, and analysis to accompany the basic financial statements and can be found immediately following the independent auditors' report. This transmittal letter is designed to complement MD&A and should be read in conjunction with it.

- Section III, the Statistical Section, includes unaudited data tables, which summarize the financial and statistical history of the District as well as demographic and other useful information.

- Section IV, the Compliance Section, includes the single audit reports prepared in conformity with the provisions of the Single Audit Act and U.S. Office of Management and Budget Uniform Guidance, Audits of State, Local Governments, and Non-Profit Organizations.

Profile of the District

The Tyler Independent School District was established as a political subdivision of the State of Texas and incorporated in 1882. The District is governed by a Board of Trustees comprised of seven elected members. The Board members elect a President and Vice President from the members. As the largest school district in Northeast

Texas, the District encompasses 209 square miles, maintains a total of 34 campus and auxiliary facilities, and serves an enrollment of 17,721 students. Enrollment is projected to continue to increase gradually as the population of the Tyler area grows. Projected enrollment for 2021-2022 was estimated to be 18,000, an increase due to more students returning after the COVID 19 pandemic. According to the 2020 Census, the city's population is 106,985. The District and the City of Tyler are governed independently of one another with individual taxing authority.

The Board's Vision Statement: Tyler ISD will focus on successful student outcomes.

The Board of Trustees has adopted Core Belief Statements designed to fulfill the vision to be recognized as a premier school district in the state and the nation. The Board believes:

- All children can learn.

  It is the District's responsibility to ensure each student will reach his or her highest academic potential, graduate high school prepared for higher education and/or workforce in the global market while closing the achievement gap.

- All students deserve a safe and healthy learning environment.

  It is the District's responsibility to provide a safe, healthy learning environment designed to attract, engage and retain the students' attention.

- Quality teachers and staff are the key to academic excellence.

  It is the District's responsibility to establish academic excellence by hiring, training and retaining quality teachers and staff.

- Schools and communities have an enormous impact on students' lives.

  It is the District's responsibility to collaborate with the community to achieve and sustain excellence in the education of District students.

- Effective and responsible utilization of the community's resources is fundamental in educating children.

  It is the District's responsibility to allocate District resources to meet the needs of all students while maintaining the highest level of fiscal responsibility, efficacy and integrity.

The District is made up of two traditional high schools, two choice high schools, five middle schools, two PreK-8th choice schools, fifteen elementary schools, one alternative school, one special education campus, and a Career and Technology Center. Campuses range in age from newly constructed to 91 years old. Details about campus buildings are listed in Table 21 in the statistical section of this report. The District's on-site management policy enables administrators and teachers at each campus to implement programs responsive to the particular needs of its individual student body. With academic achievement as its primary objective, the District takes strong measures to ensure a positive, safe and orderly learning environment, to instill self-discipline, and to enforce standards of excellence throughout the system. The District offers education programs at the pre-kindergarten through grade 12 levels.

In addition to a rigorous district-wide curriculum, the District offers a wide array of specialized learning opportunities and programs for its diverse population. Programs include, but are not limited to: advanced studies, gifted and talented programs, advanced placement, career and technology education, dual credit, bilingual/English as a second language instructional program, special education services, cooperative education programs, internships, and a wide array of visual and performing arts programs.

The Tyler ISD Foundation (the "Foundation") was established in 1990 to support the students and teachers of the District. The Foundation awards grants to teachers for innovative programs and for professional development. This organization has been considered as a potential component unit, but using the guidance of Statement No. 39 of the Governmental Accounting Standards Board, the District concluded that the financial statements of the Foundation were immaterial to the District and should not be included in this report.

Budgetary Control

State law requires that every local education agency in Texas prepare and file an annual budget of anticipated revenues and expenditures with the Texas Education Agency. The budget itself is prepared utilizing a detailed line item approach for all Government Fund types and is prepared in accordance with the budgeting requirements as outlined in TEA's Financial Accountability System Resource Guide (FASRG). It is the intent of the District that the budgetary process result in the most effective mix of the educational and financial resources available while attaining the goals and objectives of the District. This includes the identification and prioritization of as many separate educational and educational support components as reasonably possible. These components are initially identified and prioritized by the organizational manager most directly responsible and are later reviewed by a budget committee.

This priority budgeting approach allows the District to establish layers of expenditures that can be readily matched with anticipated revenues and desired levels of fund balances and ad valorem tax rates. The ultimate decision of the level of funding and components to be funded is the responsibility of the Board of Trustees. After considering all factors, the Board then sets an ad valorem tax rate that generates sufficient revenues to support the expenditure budget and maintain desired levels of fund balances. The budget may be amended during the year to address unanticipated changing needs of the District. The Board of Trustees is legally required to approve the budget at the function level and approve estimated revenues. Changes to functional expenditure categories, revenue estimates or other changes which may impact fund balance accounts require Board of Trustee approval.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered within the broader perspective of the environment in which the District operates.

Introduction. Located midway between Dallas, Texas and Shreveport, Louisiana, Tyler is a garden city of about 100,000 known for its roses and scenic beauty. Community assets such as Caldwell Zoo, the East Texas Symphony Orchestra, Discovery Science Place, Camp Tyler, the Tyler Museum of Art, and Hudnall Planetarium afford opportunities for field trips that expand learning beyond the normal classroom experience. In addition, the District offers students access to nationally recognized higher education programs through partnerships with the University of Texas at Tyler and Tyler Junior College.

Local Economy. Tyler's economy is broad based enough to weather fluctuations in oil prices experienced recently in world markets. The city is projected to gain employment in the services industry, wholesale and retail trade, along with other areas. Tyler's unemployment rate has decreased from 5.9% in August 2020, to 4.7% in August 2021, according to the U. S. Bureau of Labor Statistics. It remains the East Texas region's center for healthcare and education, with three major medical centers and three post-secondary institutions.

Long-Term Financial Planning. The state funding formula increased the District's funding for the 2020 and 2021 fiscal years; beyond that, funding is dependent upon legislative action. In addition, the District has received significant federal funding due to the pandemic. The District funded pay raises for the 2021-2022 school year to stay competitive with surrounding school districts.

Financial Policies With Significant Impact on Financial Statements. It is the practice of the District to project conservatively for budget purposes both in revenues and expenditures. This practice continues to help the District maintain a healthy financial condition. The District also pursues an active management role in construction projects, which has helped to generate savings.

Internal Control. To provide a reasonable basis for making the representations in these financial statements, management of the District has established a comprehensive internal control framework that is designed both to protect the District's assets from loss, misuse or theft, and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not exceed the benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable assurance rather than absolute assurance that the financial statements will be free from material misstatement. The District has an Internal Auditor who reports directly to the Board of Trustees.

Independent Audit

Prothro, Wilhelmi and Company, PLLC, a firm of licensed certified public accountants, audited the District's financial statements. The goal of the independent audit is to provide reasonable assurance that the financial statements of the District for the fiscal year ended August 31, 2021, are free of material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the District's financial statements for the fiscal year ended August 31, 2021, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the financial statements is part of a broader, federally mandated "Single Audit" designed to meet the special need of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports may be found in the Compliance section of this report.

Awards and Acknowledgements

Financial Integrity Rating System of Texas (FIRST). Beginning with the 2002-2003 school year, the State implemented a new financial accountability rating system for Texas public school districts. Districts are rated based on overall performance on certain financial measurements, ratios, and other indicators. The current rating system utilizes 15 indicators to determine the rating for school districts statewide. The system is designed to encourage districts to improve the management of their financial resources to maximize the funds allocated for direct instructional purposes. For the eighteenth year, the District received a rating of **Superior, the State's highest possible rating for financial accountability.** The rating was based on budgetary and financial data for the 2020 fiscal year.

Government Finance Officers Association of the United States and Canada (GFOA). The GFOA has awarded a **Certificate of Achievement for Excellence in Financial Reporting** to the District for its ACFR for the fiscal year ended August 31, 2020. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Association of School Business Officials International (ASBO). Additionally, ASBO has awarded a **Certificate of Excellence in Financial Reporting by School Systems** to the District for the fiscal year ended August 31, 2020. The Certificate of Excellence in Financial Reporting for School Systems Program is a voluntary program sponsored by ASBO to foster excellence in the preparation and issuance of school system financial reports. A Certificate of Excellence is awarded to those school systems that have voluntarily submitted their ACFR for review by an ASBO Panel of Review. Upon completion of a vigorous technical review, the panel of review members concluded that the District's financial report met the criteria for excellence in financial reporting. We believe that our current ACFR continues to meet the requirements of the Certificate of Excellence in Financial Reporting by School Systems Program, and we are submitting it to ASBO to determine its eligibility for another certificate.

The preparation of this report on a timely basis would not have been possible without the dedicated services of the Financial Services staff. We would like to express our appreciation for their contributions to its presentation. We also appreciate the assistance of Prothro, Wilhelmi and Company, PLLC in the production of this report. Finally, we would like to thank the Board of Trustees for their continual support in the pursuit of excellence in all aspects of financial management.

Marty Crawford	Tosha Bjork
Marty Crawford, Ed. D.	Tosha Bjork, CPA, RTSBA
Superintendent	Deputy Supt./Chief Financial Officer

TYLER INDEPENDENT SCHOOL DISTRICT
PRINCIPAL OFFICIALS AND ADVISORS

Board of Trustees

R. Wade Washmon – President

Aaron D. Martinez – Vice President

Artis Newsome – Trustee

Yvonne Atkins – Trustee

Dr. Patricia Nation – Trustee

Lindsey Harrison – Trustee

Andy Bergfeld – Trustee

Administration

Marty Crawford, Ed.D., Superintendent

Tosha L. Bjork, CPA, RTSBA, Deputy Superintendent/Chief Financial Officer

Jennifer Hines, Chief Communications Officer

Consultants and Advisors

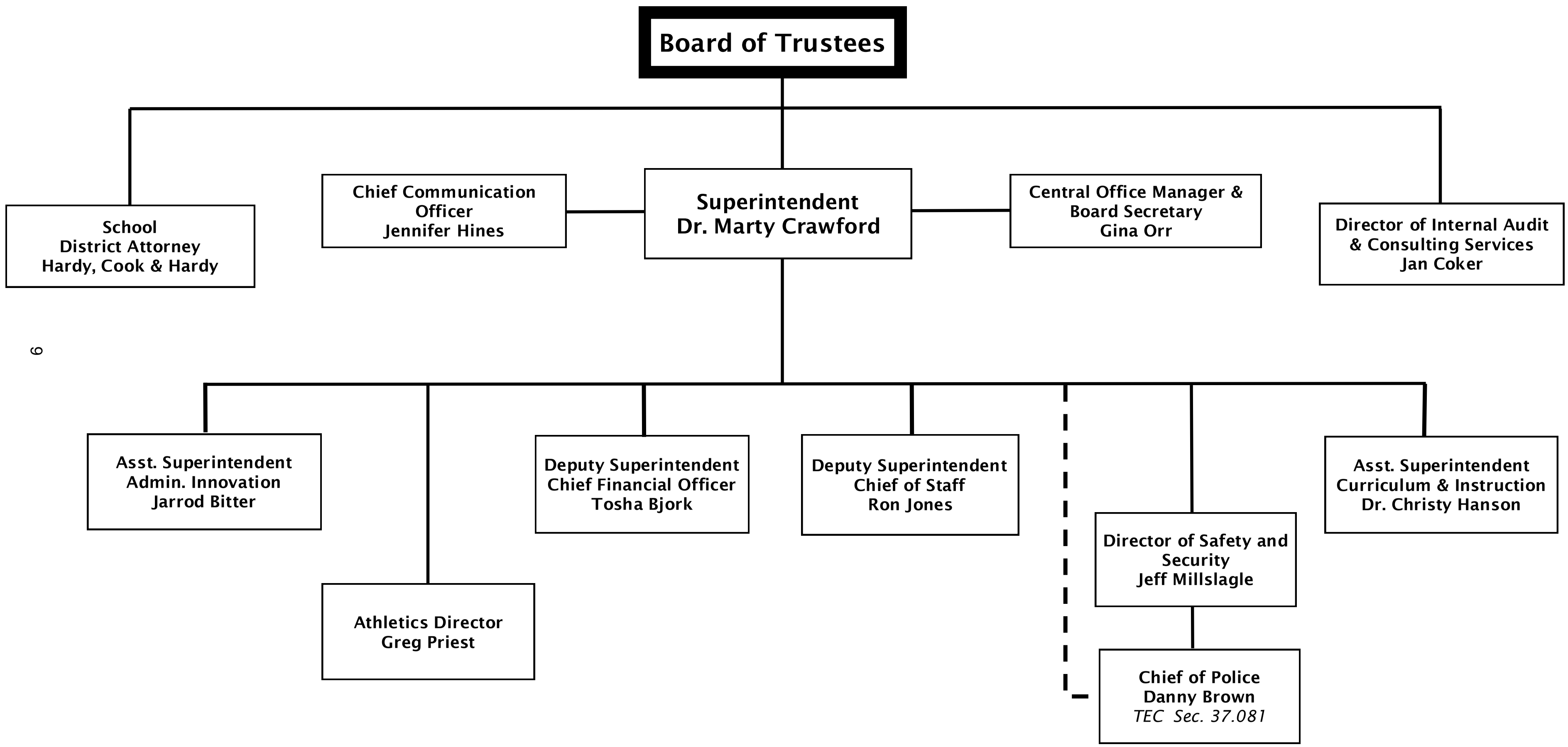
Prothro, Wilhelmi and Company, PLLC
Tyler, Texas – Auditors

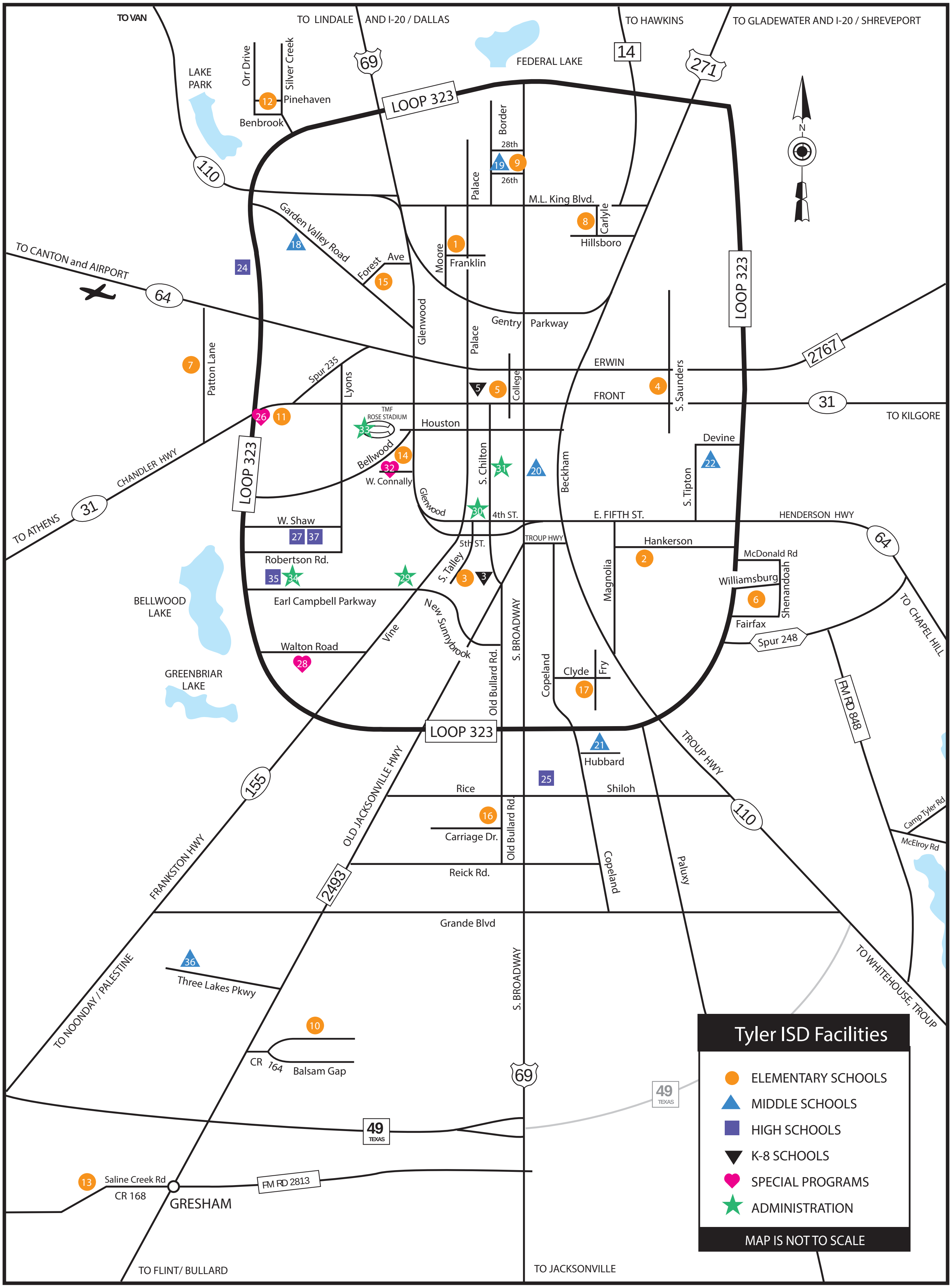
RBC Dain Rauscher
Dallas, Texas – Financial Advisors

Hardy, Cook & Hardy, P.C.
Tyler, Texas – General Counsel

TYLER INDEPENDENT SCHOOL DISTRICT
Organizational Structure

Senior Staff




Tyler ISD Facilities
ELEMENTARY SCHOOLS
MIDDLE SCHOOLS
HIGH SCHOOLS
K-8 SCHOOLS
SPECIAL PROGRAMS
ADMINISTRATION
MAP IS NOT TO SCALE
TO VAN
TO LINDALE
AND I-20 / DALLAS
TO HAWKINS
TO GLADEWATER AND I-20 / SHREVEPORT
FEDERAL LAKE
LAKE PARK
LOOP 323
TO CANTON and AIRPORT
TO KILGORE
TO ATHENS
CHANDLER HWY
BELLWOOD LAKE
GREENBRIAR LAKE
HENDERSON HWY
TO CHAPEL HILL
TROUP HWY
TO WHITEHOUSE, TROUP
FRANKSTON HWY
TO NOONDAY / PALESTINE
OLD JACKSONVILLE HWY
GRESHAM
TO FLINT/ BULLARD
TO JACKSONVILLE
M.L. King Blvd.
Garden Valley Road
ERWIN
FRONT
Houston
E. FIFTH ST.
Earl Campbell Parkway
Grande Blvd
Three Lakes Pkwy
S. BROADWAY
Spur 248
FM RD 848
FM RD 2813
Saline Creek Rd
CR 168
CR 164
Balsam Gap
TMF ROSE STADIUM

TYLER ISD FACILITIES LOCATION (LEGEND TO MAP)

P. O. Box 2035 Tyler, TX 75710

ELEMENTARY SCHOOL CAMPUSES

1 AUSTIN ELEMENTARY SCHOOL
1105 West Franklin Street, 75702
903-262-1765

2 BELL ELEMENTARY School
1409 Hankerson Street, 75701
903-262-1820

3 BIRDWELL DUAL LANGUAGE IMMERSION SCHOOL
2010 South Talley Avenue, 75701
903-262-1870

4 BONNER ELEMENTARY SCHOOL
235 South Saunders, 75702
903-262-1920

5 CALDWELL ARTS ACADEMY
331 South College Street, 75702
903-262-2250

6 CLARKSTON ELEMENTARY SCHOOL
2915 Williamsburg Drive, 75701
903-262-1980

7 DIXIE ELEMENTARY SCHOOL
213 Patton Lane, 75704
903-262-2040

8 DOUGLAS ELEMENTARY SCHOOL
1525 North Carlyle Avenue, 75702
903-262-2100

9 GRIFFIN ELEMENTARY SCHOOL
2650 North Broadway Avenue, 75702
903-262-2310

10 JACK ELEMENTARY SCHOOL
1900 Balsam Gap Lane, 75703
903-262-3260

11 JONES ELEMENTARY SCHOOL
3450 Chandler Hwy, 75702
903-262-2360

12 ORR ELEMENTARY SCHOOL
3350 Pinehaven Road, 75702
903-262-2400

13 OWENS ELEMENTARY SCHOOL
11780 County Road 168 (Saline Creek Rd), 75703
903-262-2175

14 PEETE ELEMENTARY SCHOOL
1511 Bellwood Drive, 75701
903-262-2460

15 RAMEY ELEMENTARY SCHOOL
2000 North Forest Avenue, 75702
903-262-2505

16 RICE ELEMENTARY SCHOOL
5215 Old Bullard Road, 75703
903-262-2555

17 WOODS ELEMENTARY SCHOOL
3131 Fry Avenue, 75701
903-262-1280

MIDDLE SCHOOL CAMPUSES

3 BIRDWELL DUAL LANGUAGE - 6th Grade IMMERSION SCHOOL
2010 South Talley Avenue, 75701
903-262-1870

18 BOULTER MIDDLE SCHOOL
2926 Garden Valley Road, 75702
903-262-1390

5 CALDWELL ARTS ACADEMY 6th-8th Grades
331 South College Street, 75702
903-262-2250

20 HOGG MIDDLE SCHOOL
920 South Broadway Avenue, 75702
903-262-1500

21 HUBBARD MIDDLE SCHOOL
1300 Hubbard Drive, 75703
903-262-1560

22 MOORE MST MAGNET SCHOOL
2101 Devine Street, 75701
903-262-1640

36 THREE LAKES MIDDLE SCHOOL
2445 Three Lakes Parkway, 75703
903-952-4400

SPECIAL PROGRAMS

26 WAYNE D. BOSHEARS CENTER FOR EXCEPTIONAL PROGRAMS
3450 Chandler Hwy, 75702
903-262-1350

32 Tyler ISD DAEP
1501 West Connally Street, 75701
903-262-3070

ADMINISTRATION

29 ADMINISTRATION COMPLEX
1319 Earl Campbell Parkway, 75701
903-262-1000

30 JIM PLYLER INSTRUCTIONAL COMPLEX
807 West Glenwood Boulevard, 75701
903-952-4000

31 GARY ADMINISTRATIVE COMPLEX
730 South Chilton Avenue, 75701
903-262-3498

33 CHRISTUS TRINITY MOTHER FRANCES ROSE STADIUM &
MIKE CARTER BASEBALL FIELD
609 Fair Park Drive, 75702
903-262-3226

34 AQUATIC CENTER
3013 Earl Campbell Parkway, 75701
903-262-3220

28 ST. LOUIS OPERATION CENTER
2800 Walton Road, 75701
903-262-1180

HIGH SCHOOL CAMPUSES

35 CAREER & TECHNOLOGY CENTER
3013 Earl Campbell Parkway, 75701
903-262-1024

27 EARLY COLLEGE HIGH SCHOOL
2800 West Shaw, 75701
903-262-3098

37 RISE ACADEMY
2800 West Shaw, 75701
903-262-3040

24 TYLER HIGH SCHOOL
3535 LIONS LANE , 75702
903-262-2850

25 TYLER LEGACY HIGH SCHOOL
4500 RED RAIDER DRIVE, 75703
903-262-2625

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Tyler Independent School District
Texas

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

August 31, 2020

Christopher P. Morrill

Executive Director/CEO

ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

The Certificate of Excellence in Financial Reporting
is presented to

Tyler Independent School District

for its Comprehensive Annual Financial Report
for the Fiscal Year Ended August 31, 2020.

The district report meets the criteria established for
ASBO International's Certificate of Excellence.

CERTIFICATE OF EXCELLENCE IN FINANCIAL REPORTING

W. Edward Chabal
President

David J. Lewis
Executive Director

TYLER ISD

SUCCESSFUL STUDENT OUTCOMES

Financial Section

TYLER ISD

SUCCESSFUL STUDENT OUTCOMES

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Tyler Independent School District (the "District")
Tyler, Texas

Members of the Board:

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

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

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of August 31, 2021, 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.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual fund financial statements, Texas Education Agency schedules, and the unaudited statistical section, are presented for purposes of additional analysis, and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* and is also not a required part of the basic financial statements.

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

The introductory sections and the unaudited statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Change in Accounting Principle

As discussed in Note T to the financial statements, in 2021 the District adopted new accounting guidance, *GASBS No. 84, Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated January 24, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Prothro, Wilhelmi & Company, PLLC

PROTHRO, WILHELMI AND COMPANY, PLLC

Tyler, Texas
January 24, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Comprehensive Financial Report, we, the managers of Tyler Independent School District (“District”), discuss and analyze the District's financial performance for the fiscal year ended August 31, 2021. Therefore, readers should also review the transmittal letter, financial statements, and the notes to the basic financial statements to further enhance their understanding of the District’s financial performance.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $81.1 million (net position).

- The District’s total net position increased by $17.8 million as a result of current year activities.

- At the close of the current fiscal year, the District’s governmental funds reported combined ending fund balances of $91.7 million, which is a decrease of $35.6 million from the previous year. This decrease is due almost entirely to the District’s expenditures for its building program, with the Capital Projects Fund Balance decreasing by $46.1 million. Other fund groups had a combined increase of $10.5 million, with the majority in the General Fund. $38.1 million (41.5 percent) of the combined fund balance is unassigned fund balance.

- At the end of the current fiscal year, the unassigned fund balance for the General Fund represents 24.4 percent of the total General Fund expenditures. The District was able to maintain a healthy fund balance, and the District’s overall financial position improved during the year ended August 31, 2021.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements, notes to those statements, and other supplementary information. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These provide information about the activities of the District as a whole and present a long-term view of the District's finances. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

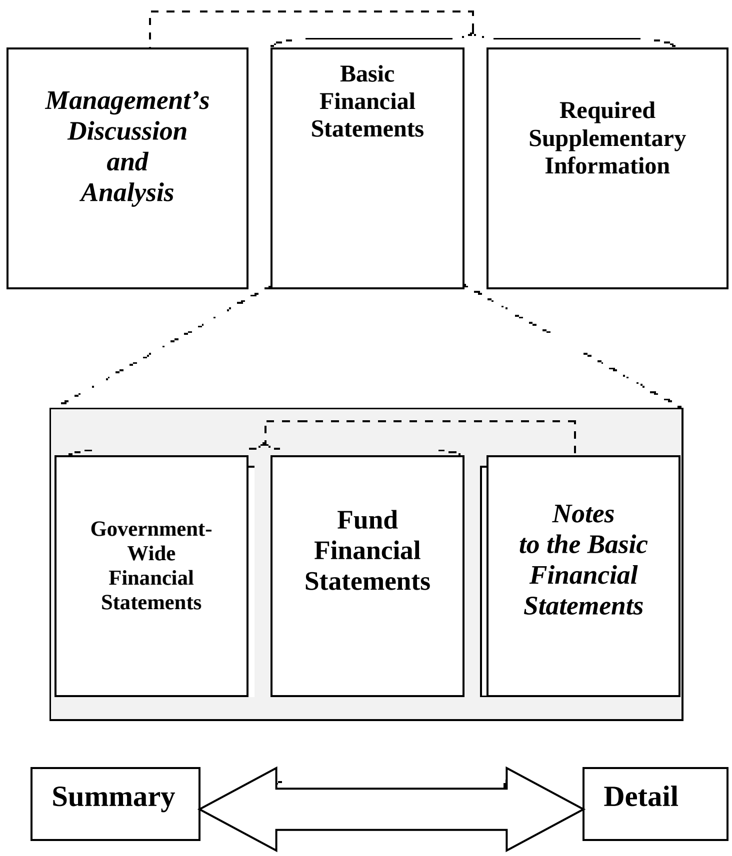
Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources 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 account for the District's internal service fund, the Health Insurance Fund in which revenues and expenses related to services provided to organizations inside the District are accounted for on a cost reimbursement basis. 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 notes to the basic financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

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

The combining statements for non-major funds contain more detailed information about the District's individual funds. The sections labeled Texas Education Agency Required Schedules and Compliance Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of the grants. The Statistical Section, which is unaudited, includes selected financial and demographic information, generally presented on a multi-year basis.

Figure A-1. Required Components of the District's Financial Report



Reporting the District as a Whole

Government-Wide Financial Statements

All of the District's services are reported in the government-wide financial statements, including instruction, student support services, student transportation, general administration, school leadership, facilities acquisition and construction, and food services. Property taxes, state and federal aid, and investment earnings finance most of the activities. Additionally, all capital and debt financing activities are reported here.

The government-wide financial statements are designed to provide readers a broad overview of the District's finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the District's financial position is improving or deteriorating.

The Statement of Activities details how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges.

Because the focus and measurement methods of the government-wide and fund financial statements are different, there may be some significant differences between the totals presented in these statements. For this reason, several reconciliations are presented to account for the differences between the government-wide statements and the fund financial statements.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements 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 Every Student Succeeds 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). The District's two kinds of funds–governmental and proprietary–use different accounting approaches.

- Governmental funds–Most of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

- 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. The Internal Service Funds report activities that provide supplies and services for the District's Health Insurance Fund.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities, Tyler Independent School District Foundation teacher grants, campus courtesy accounts, and scholarship programs. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Fund Net Position. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The net position of the District's governmental activities increased from $63.3 million to $81.1 million. Table I summarizes the District's net position at August 31, 2021, as compared to August 31, 2020.

Table I
Tyler Independent School District
NET POSITION
(In Thousands)

	August 31, 2021	August 31, 2020	Increase (Decrease)	Percent Change
Current & Other Assets	$ 117,791	$ 157,531	$ (39,740)	-25.23%
Capital Assets	519,557	485,121	34,436	7.10%
Total Assets	637,348	642,652	(5,304)	-0.83%
Deferred Outflow Related to TRS	39,889	48,255	(8,366)	-17.34%
Total Deferred Outflows of Resources	39,889	48,255	(8,366)	-17.34%
Long-Term Liabilities	424,674	447,126	(22,452)	-5.02%
Net Pension Liability	49,405	53,027	(3,622)	-6.83%
Net OPEB Liability	50,975	65,376	(14,401)	-22.03%
Other Liabilities	20,938	24,259	(3,321)	-13.69%
Total Liabilities	545,992	589,788	(43,796)	-7.43%
Deferred Inflow Related to TRS	50,099	37,810	12,289	32.50%
Total Deferred Inflows of Resources	50,099	37,810	12,289	32.50%
Net Position:				
Net Investment in Capital Assets	108,535	100,487	8,048	8.01%
Restricted	23,159	22,768	391	1.72%
Unrestricted	(50,549)	(59,946)	9,397	15.68%
Total Net Position	$ 81,145	$ 63,309	$ 17,836	28.17%

The District has a negative unrestricted net position of $50.5 million as a result of adjustments made related to pensions and post-employment benefits through the Teacher Retirement System of Texas. These adjustments relate to recording the District's proportionate share of the state's liability. More details may be found in Notes M and N of the notes to the financial statements.

Net position may be restricted for a variety of uses by the District. These restrictions are imposed by bond covenants or specific laws. *Restricted net position* is available for use in the designated areas only, while *Unrestricted net position* may be used by the District to meet ongoing operating obligations as determined by the Board of Trustees.

Governmental activities for the District are summarized in Table II below which shows revenues, expenses, and the change in net position for the year ended August 31, 2021 as compared to August 31, 2020.

Table II
Tyler Independent School District
For the Year Ended August 31, 2021
CHANGES IN NET POSITION
(In Thousands)

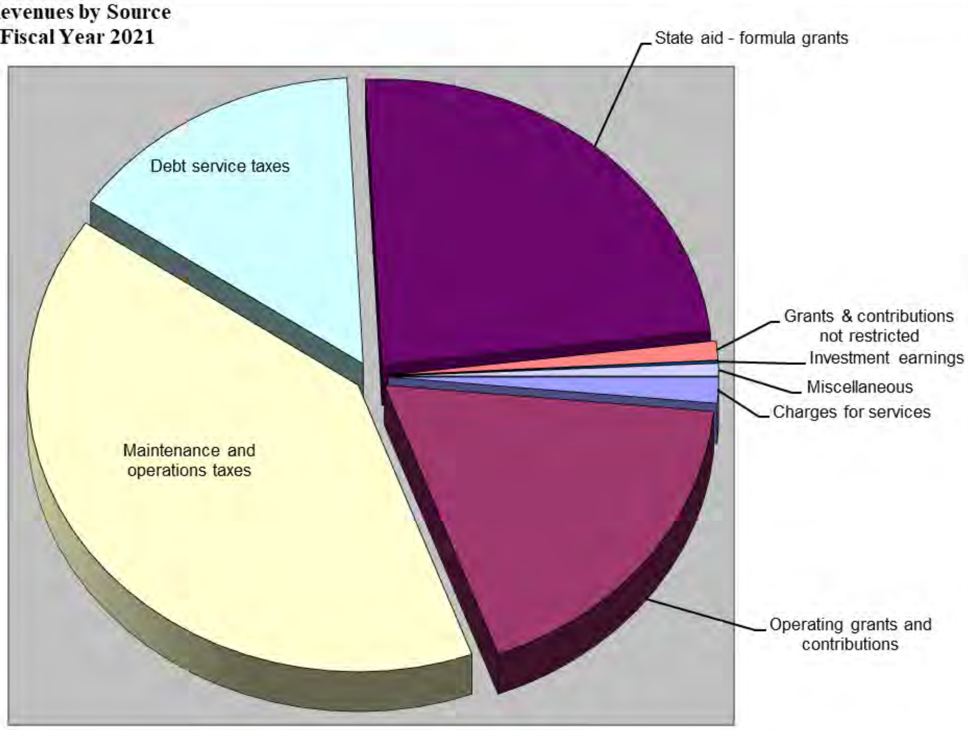
	2021	2020	Increase (Decrease)	Percent Change
Revenues:				
Program Revenues:				
Charges for Services	$ 3,478	$ 3,196	$ 282	8.82%
Operating Grants and Contributions	42,648	41,878	770	1.84%
General Revenues:				
Maintenance & Operations Taxes	95,439	92,033	3,406	3.70%
Debt Service Taxes	34,762	34,991	(229)	-0.65%
State Aid Formula Grants	56,713	56,510	203	0.36%
Grants & Contributions not Restricted	2,565	2,299	266	11.57%
Investment Earnings	295	2,810	(2,515)	-89.50%
Miscellaneous	1,693	1,465	228	15.56%
Total Revenues	237,593	235,182	2,411	1.03%
Expenses:				
Instruction, Curriculum, & Media Services	130,460	134,240	(3,780)	-2.82%
Instructional & School Leadership	12,390	14,175	(1,785)	-12.59%
Student Support Services	15,351	15,808	(457)	-2.89%
Food Services	9,160	8,565	595	6.95%
Extracurricular Activities	8,079	7,399	680	9.19%
General Administration	6,162	6,597	(435)	-6.59%
Facilities Maintenance, Security & Data Processing	24,247	23,046	1,201	5.21%
Community Services	587	610	(23)	-3.77%
Debt Services	13,155	9,589	3,566	37.19%
Shared Services Arrangements	166	261	(95)	-36.40%
Total Expenses	219,757	220,290	(533)	-0.24%
Increase in Net Position	17,836	14,892	2,944	19.77%
Net Position at September 1	63,309	48,417	14,892	30.76%
Net Position at August 31	$ 81,145	$ 63,309	$ 17,836	28.17%

The result of governmental activities was to increase the District's net position by $17.8 million during the current fiscal year. There were only two areas of significant increase or decrease in revenues. Revenue from Maintenance & Operations Taxes increased ($3.4 million) primarily due to increased property appraisal values. Investment earnings declined significantly ($2.5 million) as a result of lower interest rates and expenditures for the District's building program which reduced available funds to invest.

There were two areas of significant increase or decrease in expenditures. Instructional expenditures decreased $3.8 million which was due largely to unfilled vacancies precipitated by employee shortages due to COVID-19. Debt Services expenditures increased $3.6 million. This increase is due primarily to the amortization of the bond premium initially recorded in the prior year's bond refunding.

The District's total general revenues were $191.5 million. Property taxes make up a significant portion of this revenue. The tax levy for the 2020-2021 school year was $130.9 million compared to $127.6 million for 2019-2020. The total property tax rate decreased from $1.335 in 2019-2020 to $1.3041 per one hundred dollar valuation in 2020-2021. The District's tax base increased from $8.6 billion to $8.9 billion.

Revenues by Source
Fiscal Year 2021

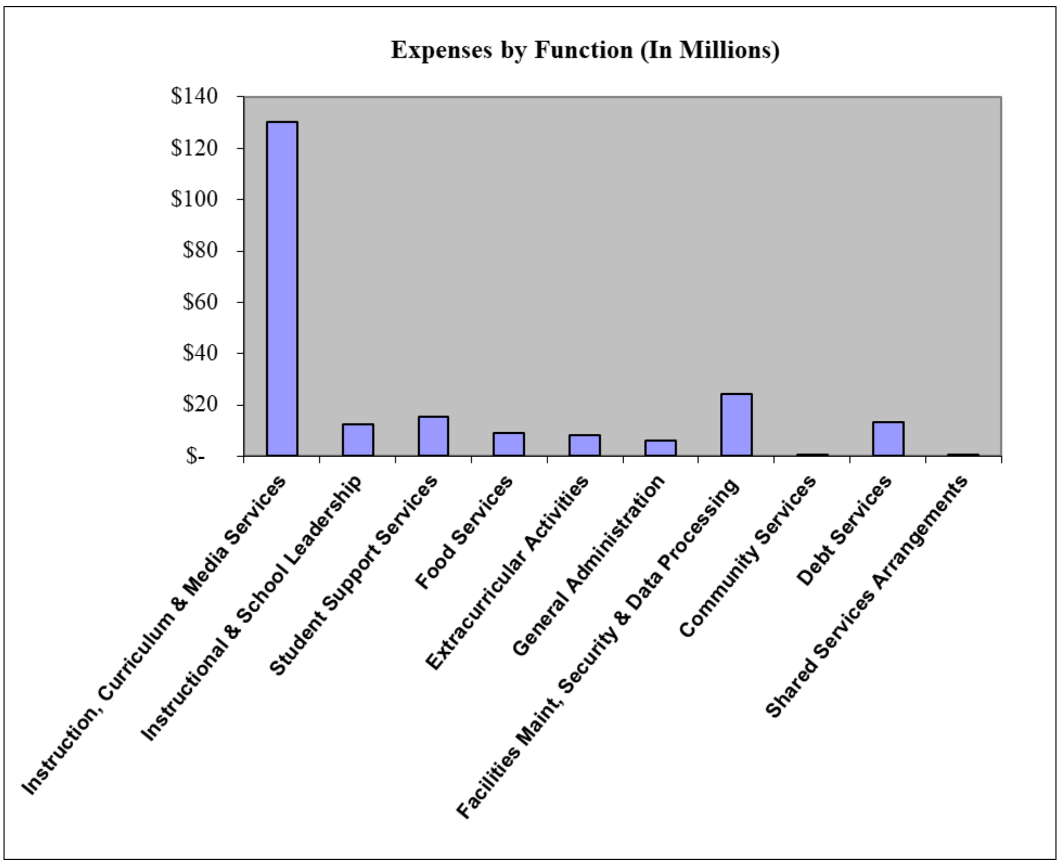


The cost of all governmental activities this year was $219.8 million. However, the amount that our taxpayers paid for these activities through property taxes was $130.2 million. Some of the cost was paid by those who directly benefited from the programs ($3.5 million), or by grants and contributions ($42.6 million), by state funding ($56.7 million), by grants and contributions not restricted ($2.6 million), or by investment earnings ($.3 million) and miscellaneous revenue ($1.7 million).

The following table illustrates that 59.4 percent of the District's expenses were due to instruction, curriculum, and media services, followed by 11.0 percent due to facilities maintenance, security, and data processing. All other categories of expenses individually total less than 10 percent of total expenses.

The following schedule of expenses (in thousands) indicates percentages by function:

Function	Amount	Percent of Total
Instruction, Curriculum & Media Services	$ 130,460	59.35%
Instructional & School Leadership	12,390	5.64%
Student Support Services	15,351	6.99%
Food Services	9,160	4.17%
Extracurricular Activities	8,079	3.68%
General Administration	6,162	2.80%
Facilities Maint, Security & Data Processing	24,247	11.03%
Community Services	587	0.27%
Debt Services	13,155	5.99%
Shared Services Arrangements	166	0.08%
Total Expenses	$ 219,757	100.00%



THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As the District completed the year, its governmental funds reported a combined fund balance of $91.7 million, which is a decrease of $35.6 million from last year's total of $127.4 million.

Changes in fund balances for the year ended August 31, 2021 are as follows (in thousands):

Fund	Balance at August 31, 2021	Balance at August 31, 2020	Increase (Decrease)
General	$ 55,335	$ 46,962	$ 8,373
Debt Service	8,130	7,934	196
Capital Projects	12,644	58,794	(46,150)
Non-major Funds	15,639	13,686	1,953
	$ 91,748	$ 127,376	$ (35,628)

The District continues to maintain a healthy financial position, as illustrated by the table above. The General fund balance improved due to careful fiscal spending.

The decrease of $46.1 million in the Capital Projects Fund Balance is due to expenditures for the District's ongoing building program (see Note G).

The increase of $.2 million in the Debt Service Fund is due to careful budgeting and is insignificant.

Details on the increase in Non-major Funds fund balances can be seen in the revenues and expenditures on Exhibit H-2.

Budget Variances

Over the course of the year, the Board of Trustees (the "Board") revised the District's budget several times. None of the amendments were significant. Exhibit G-1 provides detail about the original and final budgets and variances between the final budget and actual amounts for the General Fund. Expenditures had a positive variance of $10.1 million. The majority of this variance is in the instructional function ($4.9 million). Much of this variance is due to salaries. The District budgets for teachers with several years of experience; teachers hired often have less experience and that results in a positive budget variance. In addition, some vacancies were not filled. Another variance that is significant is the security and monitoring function ($1.2 million). This was due to projects which were not completed as of year-end. Other variances relate to a decrease in expenditures relating to COVID-19. Some positions were not filled due to a shortage in certain areas.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2021, the District had $519.6 million 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 $34.4 million from the prior year.

This year's net changes included (in thousands):

Land	$ -
Buildings & Improvements	188,576
Furniture & Equipment	153
Construction in Progress	(154,295)
	$ 34,434

The District has a remaining commitment of $2.9 million on two construction projects. Details on those commitments are presented in the notes to the financial statements, Note H. Additional detailed information about the District's capital assets is presented in the notes to the financial statements, Note G.

Debt

At year-end, the District had $386.0 million in bonds outstanding versus $405.4 million last year. Detail on the District's debt is available in Notes I and J. The District's bonds are currently rated "AAA" with an underlying rating of "AA" by Standard & Poors.

Other obligations include accrued vacation pay and sick leave. A summary of the District's long-term liabilities is presented in Note I to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised value used for the 2022 budget preparation was projected to increase $274 million or 3.1 percent from 2021.

- Student enrollment was projected to increase slightly.

- The District was able to hold the General Fund budget flat, due mainly to the increase in federal funds due to COVID relief.

- A general pay increase was funded instead of a retention stipend in the prior year. The amount was budgeted at $3.6 million for both years. In addition, the teacher base pay was raised from $44,250 to $48,750.

- The District reduced the tax rate to $1.2891, $0.9541 maintenance and operations and $0.335 debt service. The tax rate for maintenance and operations was reduced as required under changes in the state funding formula. The debt service rate was reduced because of increased property values.

If these estimates are realized, the District's budgetary General Fund balance is not expected to change significantly by the close of 2022. More importantly, this will have been accomplished in spite of unfunded mandates.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office at Tyler Independent School District, P. O. Box 2035, 1319 Earl Campbell Parkway, Tyler, Texas 75710.

BASIC FINANCIAL STATEMENTS

TYLER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2021

Data Control Codes		Primary Government: Governmental Activities
	ASSETS	
1110	Cash and Cash Equivalents	$ 95,515,732
1120	Current Investments	5,476,063
1220	Property Taxes - Delinquent	5,520,640
1230	Allowance for Uncollectible Taxes	(694,234)
1240	Due from Other Governments	8,126,310
1250	Accrued Interest	6,722
1290	Other Receivables, Net	312,725
1300	Inventories	218,069
1410	Prepayments	3,309,501
	Capital Assets:	
1510	Land	12,680,334
1520	Buildings, Net	497,411,730
1530	Furniture and Equipment, Net	7,509,336
1580	Construction in Progress	1,955,160
1000	Total Assets	637,348,088
	DEFERRED OUTFLOWS OF RESOURCES	
1701	Deferred Charge for Refunding	13,283,819
1705	Deferred Outflow Related to TRS Pension	18,358,070
1706	Deferred Outflow Related to TRS OPEB	8,247,144
1700	Total Deferred Outflows of Resources	39,889,033
	LIABILITIES	
2110	Accounts Payable	9,993,529
2140	Interest Payable	198,522
2150	Payroll Deductions and Withholdings	1,189,408
2160	Accrued Wages Payable	9,038,429
2180	Due to Other Governments	6,296
2200	Accrued Expenses	480,308
2300	Unearned Revenue	31,720
	Noncurrent Liabilities:	
2501	Due Within One Year: Loans, Note, Leases, etc.	21,999,759
	Due in More than One Year:	
2502	Bonds, Notes, Leases, etc.	402,674,692
2540	Net Pension Liability (District's Share)	49,404,697
2545	Net OPEB Liability (District's Share)	50,975,380
2000	Total Liabilities	545,992,740
	DEFERRED INFLOWS OF RESOURCES	
2605	Deferred Inflow Related to TRS Pension	10,453,177
2606	Deferred Inflow Related to TRS OPEB	39,645,977
2600	Total Deferred Inflows of Resources	50,099,154
	NET POSITION	
3200	Net Investment in Capital Assets	108,534,999
	Restricted:	
3820	Restricted for Federal and State Programs	3,718,804
3850	Restricted for Debt Service	9,273,310
3890	Restricted for Other Purposes	10,166,721
3900	Unrestricted	(50,548,607)
3000	Total Net Position	$ 81,145,227

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

EXHIBIT B-1

TYLER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes		1	3	4	6
			Program Revenues		Net (Expense) Revenue and Changes in Net Position
					Primary Gov.
		Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
	Primary Government:				
	GOVERNMENTAL ACTIVITIES:				
11	Instruction	$ 119,328,897	$ 696,578	$ 20,021,122	$ (98,611,197)
12	Instructional Resources and Media Services	2,248,482	-	121,477	(2,127,005)
13	Curriculum and Instructional Staff Development	8,882,762	-	4,166,669	(4,716,093)
21	Instructional Leadership	3,049,756	-	766,307	(2,283,449)
23	School Leadership	9,340,494	-	668,577	(8,671,917)
31	Guidance, Counseling, and Evaluation Services	7,094,157	-	1,734,374	(5,359,783)
32	Social Work Services	484,253	-	205,229	(279,024)
33	Health Services	2,312,974	-	285,360	(2,027,614)
34	Student (Pupil) Transportation	5,459,700	-	200,825	(5,258,875)
35	Food Services	9,159,682	400,798	9,951,947	1,193,063
36	Extracurricular Activities	8,078,743	2,368,835	502,199	(5,207,709)
41	General Administration	6,161,737	12,154	1,188,907	(4,960,676)
51	Facilities Maintenance and Operations	17,306,031	-	856,718	(16,449,313)
52	Security and Monitoring Services	2,554,579	-	259,781	(2,294,798)
53	Data Processing Services	4,386,672	-	630,885	(3,755,787)
61	Community Services	586,661	-	484,977	(101,684)
72	Debt Service - Interest on Long-Term Debt	13,150,768	-	436,240	(12,714,528)
73	Debt Service - Bond Issuance Cost and Fees	4,300	-	-	(4,300)
93	Payments Related to Shared Services Arrangements	166,132	-	166,132	-
[TP]	TOTAL PRIMARY GOVERNMENT:	$ 219,756,780	$ 3,478,365	$ 42,647,726	(173,630,689)

Data Control Codes		
	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	95,439,580
DT	Property Taxes, Levied for Debt Service	34,761,673
SF	State Aid - Formula Grants	56,713,337
GC	Grants and Contributions not Restricted	2,564,961
IE	Investment Earnings	295,010
MI	Miscellaneous Local and Intermediate Revenue	1,692,614
TR	Total General Revenues	191,467,175
CN	Change in Net Position	17,836,486
NB	Net Position - Beginning	63,308,741
NE	Net Position - Ending	$ 81,145,227

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

TYLER INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2021

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects
	ASSETS			
1110	Cash and Cash Equivalents	$ 50,686,054	$ 8,103,128	$ 19,629,148
1120	Investments	5,476,063	-	-
1220	Property Taxes - Delinquent	4,193,417	1,327,223	-
1230	Allowance for Uncollectible Taxes (Credit)	(510,574)	(183,660)	-
1240	Receivables From Other Governments	715,697	-	-
1250	Accrued Interest	6,722	-	-
1260	Due from Other Funds	6,036,910	-	-
1290	Other Receivables	79,265	26,619	-
1300	Inventories	218,069	-	-
1410	Prepaid Items	2,847,775	-	-
1000	Total Assets	$ 69,749,398	$ 9,273,310	$ 19,629,148
	LIABILITIES			
2110	Accounts Payable	$ 1,383,877	$ -	$ 6,919,986
2150	Payroll Deductions and Withholdings Payable	1,189,408	-	-
2160	Accrued Wages Payable	7,828,440	-	1,919
2170	Due to Other Funds	300,142	-	62,773
2180	Due to Other Governments	6,296	-	-
2300	Unearned Revenues	22,932	-	-
2000	Total Liabilities	10,731,095	-	6,984,678
	DEFERRED INFLOWS OF RESOURCES			
2601	Unavailable Revenue - Property Taxes	3,682,843	1,143,563	-
2600	Total Deferred Inflows of Resources	3,682,843	1,143,563	-
	FUND BALANCES			
	Nonspendable Fund Balance:			
3410	Inventories	218,069	-	-
3430	Prepaid Items	2,847,775	-	-
	Restricted Fund Balance:			
3450	Federal or State Funds Grant Restriction	-	-	-
3470	Capital Acquisition and Contractural Obligation	-	-	12,644,470
3480	Retirement of Long-Term Debt	-	8,129,747	-
3490	Other Restricted Fund Balance	-	-	-
	Committed Fund Balance:			
3510	Preventive Maintenance Fund	-	-	-
3545	District Incentive Program	1,000,000	-	-
	Assigned Fund Balance:			
3590	Other Assigned Fund Balance	13,135,138	-	-
3600	Unassigned Fund Balance	38,134,478	-	-
3000	Total Fund Balances	55,335,460	8,129,747	12,644,470
4000	Total Liabilities, Deferred Inflows & Fund Balances	$ 69,749,398	$ 9,273,310	$ 19,629,148

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

Other Funds	Total Governmental Funds
$ 16,174,526	$ 94,592,856
-	5,476,063
-	5,520,640
-	(694,234)
7,410,613	8,126,310
-	6,722
300,142	6,337,052
172,357	278,241
-	218,069
461,726	3,309,501
$ 24,519,364	$ 123,171,220
$ 1,689,666	$ 9,993,529
-	1,189,408
1,208,070	9,038,429
5,974,137	6,337,052
-	6,296
8,788	31,720
8,880,661	26,596,434
-	4,826,406
-	4,826,406
-	218,069
-	2,847,775
3,718,804	3,718,804
-	12,644,470
-	8,129,747
1,757,695	1,757,695
10,162,204	10,162,204
-	1,000,000
-	13,135,138
-	38,134,478
15,638,703	91,748,380
$ 24,519,364	$ 123,171,220

TYLER ISD

SUCCESSFUL STUDENT OUTCOMES

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
AUGUST 31, 2021

Total Fund Balances - Governmental Funds	$	91,748,380
The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.		477,052
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. The net effect of including capital assets (net of depreciation) is to increase net position. Detail can be seen in Note G of the Notes to the Financial Statements.		519,556,560
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet. The net effect of including long-term liabilities is to decrease net position. Detail can be seen in Note I of the Notes to the Financial Statements.		(424,674,451)
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. The net position related to TRS included a deferred resource outflow in the amount of $18,358,070, a deferred resource inflow in the amount of $10,453,177, and a net pension liability in the amount of $49,404,697. This resulted in a decrease in net position.		(41,499,804)
Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of $8,247,144, a deferred resource inflow in the amount of $39,645,977, and a net OPEB liability in the amount of $50,975,380. This resulted in a decrease in net position.		(82,374,213)
Net position includes the deferred accounting loss on defeased debt which is not reflected in the fund financial statements.		13,283,819
Interest payable on long-term debt does not require current financial resources; therefore, it is not reported as a liability in the governmental funds balance sheet. The net effect of including interest payable is to decrease net position.		(198,522)
Taxes from current and prior year levies assumed to be collectible are reclassified from Unavailable Revenue - Property Taxes and increase net position. The net effect of reclassifying this deferred inflow of resources is to increase net position.		4,826,406
Net Position of Governmental Activities	$	81,145,227

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

TYLER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects
	REVENUES:			
5700	Total Local and Intermediate Sources	$ 97,976,297	$ 34,771,354	$ 157,940
5800	State Program Revenues	64,836,440	436,240	-
5900	Federal Program Revenues	3,599,573	-	-
5020	Total Revenues	166,412,310	35,207,594	157,940
	EXPENDITURES:			
	Current:			
0011	Instruction	90,166,361	-	1,399,275
0012	Instructional Resources and Media Services	2,085,930	-	-
0013	Curriculum and Instructional Staff Development	4,360,063	-	-
0021	Instructional Leadership	2,120,430	-	-
0023	School Leadership	8,426,282	-	-
0031	Guidance, Counseling, and Evaluation Services	5,186,031	-	-
0032	Social Work Services	261,255	-	-
0033	Health Services	2,006,338	-	-
0034	Student (Pupil) Transportation	5,121,797	-	-
0035	Food Services	-	-	-
0036	Extracurricular Activities	5,720,257	-	487,300
0041	General Administration	3,862,798	-	-
0051	Facilities Maintenance and Operations	14,276,253	-	520,641
0052	Security and Monitoring Services	2,214,194	-	500
0053	Data Processing Services	4,038,116	-	-
0061	Community Services	63,176	-	-
	Debt Service:			
0071	Principal on Long-Term Debt	-	19,490,000	-
0072	Interest on Long-Term Debt	-	15,517,795	-
0073	Bond Issuance Cost and Fees	-	4,300	-
	Capital Outlay:			
0081	Facilities Acquisition and Construction	3,653,478	-	43,900,216
	Intergovernmental:			
0093	Payments to Fiscal Agent/Member Districts of SSA	337,511	-	-
0099	Other Intergovernmental Charges	1,893,623	-	-
6030	Total Expenditures	155,793,893	35,012,095	46,307,932
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	10,618,417	195,499	(46,149,992)
	OTHER FINANCING SOURCES (USES):			
7912	Sale of Real and Personal Property	95,554	-	-
7915	Transfers In	350,782	-	-
8911	Transfers Out (Use)	(2,690,968)	-	-
7080	Total Other Financing Sources (Uses)	(2,244,632)	-	-
1200	Net Change in Fund Balances	8,373,785	195,499	(46,149,992)
0100	Fund Balance - September 1 (Beginning)	46,961,675	7,934,248	58,794,462
3000	Fund Balance - August 31 (Ending)	$ 55,335,460	$ 8,129,747	$ 12,644,470

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

Other Funds	Total Governmental Funds
$ 3,524,923	$ 136,430,514
2,235,357	67,508,037
28,775,974	32,375,547
34,536,254	236,314,098
14,763,670	106,329,306
52,937	2,138,867
3,473,544	7,833,607
630,213	2,750,643
276,767	8,703,049
1,264,341	6,450,372
162,034	423,289
177,274	2,183,612
44,960	5,166,757
8,045,561	8,045,561
1,337,543	7,545,100
87,644	3,950,442
1,560,211	16,357,105
180,381	2,395,075
550,350	4,588,466
442,993	506,169
-	19,490,000
-	15,517,795
-	4,300
1,529,114	49,082,808
344,242	681,753
-	1,893,623
34,923,779	272,037,699
(387,525)	(35,723,601)
-	95,554
2,690,968	3,041,750
(350,782)	(3,041,750)
2,340,186	95,554
1,952,661	(35,628,047)
13,686,042	127,376,427
$ 15,638,703	$ 91,748,380

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2021

Total Net Change in Fund Balances - Governmental Funds	$	(35,628,047)
Internal service funds are used by the District to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. Including the net loss of the internal service funds decreases the change in net position.		(710,066)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period, resulting in an increase in the change in net position. For the detail on cost and depreciation for acquisitions, see Note G.		38,818,431
The net effect of retirements of capital assets is to decrease the change in net position.		(4,383,162)
Tax revenue is reported in the government-wide statement of activities and changes in net assets, but a portion of the revenue does not provide current financial resources. The current adjustment reflects a net increase in the deferral of the revenue, resulting in a decrease in the change in net position.		(108,095)
Repayment of principal consumes the current financial resources of governmental funds. This adjustment includes those principal payments along with other debt related adjustments such as amortization of bond premium/discount, amortization of the deferred charge on refunded bonds, and the net effect of bond refunding activity. The net impact of these debt related adjustments is to increase the change in net position.		21,828,942
Some expenses in the statement of activities do not require the use of current financial resources; therefore, they are not reported as expenditures in the governmental funds. This amount reflects the change in accrued liability for compensated absences, resulting in a decrease in the change in net position.		(14,184)
Accrued interest expense on long-term debt is reported in the government-wide statement of activities but does not require the use of current financial resources. Therefore, accrued interest is not reported as an expenditure in the governmental funds. Including the change at year end in this accrued interest decreases the change in net position.		28,085
GASB 68 (related to pensions) required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by $3,628,585. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling $3,806,075. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by $3,552,573. The net result is a decrease in the change in net position.		(3,730,063)
GASB 75 (related to post-employment benefits other than pensions) required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by $965,272. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling $1,019,153. Finally, the proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense increased the change in net position by $1,788,526. The net result is an increase in the change in net position.		1,734,645
Change in Net Position of Governmental Activities	$	17,836,486

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

EXHIBIT D-1

TYLER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2021

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 922,876
Other Receivables	34,484
Total Assets	957,360
LIABILITIES	
Current Liabilities:	
Accrued Expenses	480,308
Total Liabilities	480,308
NET POSITION	
Unrestricted Net Position	477,052
Total Net Position	$ 477,052

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

TYLER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2021

	Governmental Activities - Internal Service Fund
OPERATING REVENUES:	
Local and Intermediate Sources	$ 12,866,261
Total Operating Revenues	12,866,261
OPERATING EXPENSES:	
Payroll Costs	11,315,722
Other Operating Costs	2,266,475
Total Operating Expenses	13,582,197
Operating Income (Loss)	(715,936)
NONOPERATING REVENUES (EXPENSES):	
Earnings from Temporary Deposits & Investments	5,870
Total Nonoperating Revenues (Expenses)	5,870
Change in Net Position	(710,066)
Total Net Position - September 1 (Beginning)	1,187,118
Total Net Position - August 31 (Ending)	$ 477,052

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

EXHIBIT D-3

TYLER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2021

		Governmental Activities - Internal Service Fund
Cash Flows from Operating Activities:		
Cash Received from User Charges	$	12,866,261
Cash Payments for Insurance Claims		(11,440,749)
Cash Payments for Other Operating Expenses		(2,266,475)
Net Cash Used for Operating Activities		(840,963)
Cash Flows from Investing Activities:		
Interest and Dividends on Investments		5,870
Net Decrease in Cash and Cash Equivalents		(835,093)
Cash and Cash Equivalents at Beginning of Year		1,757,969
Cash and Cash Equivalents at End of Year	$	922,876
Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities:		
Operating Income (Loss):	$	(715,936)
Effect of Increases and Decreases in Current Assets and Liabilities:		
Decrease (increase) in Other Receivables		107,839
Increase (decrease) in Accrued Expenses		(232,866)
Net Cash Used for Operating Activities	$	(840,963)

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

EXHIBIT E-1

TYLER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2021

	Private Purpose Trust Fund	Total Custodial Funds
ASSETS		
Cash and Cash Equivalents	$ 21,333	$ 122,804
Total Assets	21,333	122,804
LIABILITIES		
Accounts Payable	-	4,539
Total Liabilities	-	4,539
NET POSITION		
Restricted for Student Groups	-	97,394
Restricted for Scholarships	21,333	-
Restricted for Other Purposes	-	20,871
Total Net Position	$ 21,333	$ 118,265

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

EXHIBIT E-2

TYLER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2021

	Private Purpose Trust Fund	Total Custodial Funds
ADDITIONS:		
Donations	$ 17,922	$ 139,096
Enterprising Services Revenue	-	73,613
Total Additions	17,922	212,709
DEDUCTIONS:		
Scholarships	18,997	-
Community Support Activities	-	495
Student Group Activities	-	92,789
Campus Support Activities	-	162,087
Total Deductions	18,997	255,371
Change in Fiduciary Net Position	(1,075)	(42,662)
Total Net Position - September 1 (Beginning)	22,408	-
Prior Period Adjustment	-	160,927
Total Net Position - August 31 (Ending)	$ 21,333	$ 118,265

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

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Tyler Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with Generally Accepted Accounting Principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in **GASB Statement No. 56**, and it complies with the requirements of the appropriate version of Texas Education Agency's ***Financial Accountability System Resource Guide*** (FASRG) and the requirements of contracts and grants of agencies from which it receives funds.

REPORTING ENTITY

The Board of Trustees (the "Board') consists of seven members and has governance responsibility over all activities related to public elementary and secondary schools education within the jurisdiction of the Tyler independent School District (the "District"). Board members are elected by the public and have the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters.

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

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Tyler Independent School District non-fiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes and intergovernmental revenues.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. In accordance with the provisions of GASB Statement No. 34, the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due from on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position and as other resources and other uses on the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and on the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position. For the most part, the effect of interfund activity has been removed from the government-wide statements, although interfund services provided and used are not eliminated in the process of consolidation.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

Government-wide Financial Statements

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

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred. However, debt service expenditures and claims and judgments, are recorded only when matured and payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources. The expenditures related to certain compensated absences and claims and judgments are recognized when amounts are due and payable. Proprietary fund statements are reported using the economic resources measurement focus and the accrual basis of accounting. Fiduciary fund statements are reported using the economic resources measurement focus and the accrual basis of accounting.

FUNDS

The District’s accounting system is organized and operated with the use of funds, each of which is a separate accounting entity with a self-balancing set of accounts. The District’s resources are allocated to and accounted for in individual funds based on the intended purposes for spending and the means by which spending activities are controlled. As required by the Texas Education Agency, the following fund types are included in the financial statements:

Governmental Funds

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use, and balances of the District’s expendable financial resources, and the related liabilities are accounted for through governmental funds. The following are the District’s major governmental funds:

> **General Fund –** The general fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund. Major revenue sources include local property taxes, state funding under the Foundation School Program and interest earnings. Expenditures include all costs associated with the daily operations of the District except for specific programs funded by the federal or state government, food service, debt service and capital projects. The General Fund is a budgeted fund, and any fund balances are considered resources available for current operations.

Debt Service Funds – The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund, which is a budgeted fund. Revenues include collections on property taxes and earnings on investments of the fund. The fund balance represents amounts that will be used for retirement of bonds and payment of interest in the future.

Capital Projects Funds – The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund. Furniture, supplies, and equipment needed at new schools are also included.

Additionally, the District reports the following fund type:

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

Proprietary Funds

Proprietary Funds are used to account for operations that are financed in a manner similar to those found in the private sector, where the determination of net income is appropriate for sound financial administration.

Internal Service Funds – Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis are accounted for in an internal service fund. The District's only Internal Service Fund is the Health Insurance Fund. This is not a budgeted fund.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's proprietary funds are charges to customers for services. Operating expenses for proprietary funds include the cost of services, administrative expenses, and other miscellaneous expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations and/or other funds.

Private Purpose Trust Funds – The District accounts for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District's Private Purpose Trust Fund is a Scholarship fund.

Custodial Funds – The District accounts for resources held for others in a custodial capacity in custodial funds. The District's Custodial Funds are Student Activity funds and Tyler ISD Foundation awards. Custodial funds use the accrual basis of accounting to recognize assets and liabilities. The Custodial Funds exist with the explicit approval of, and are subject to revocation by, the Board.

Management's Use of Estimates

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

Stewardship, Compliance, and Accountability

The District is required by law to prepare and file a budget with the Texas Education Agency (TEA). Activities of the General Fund, National School Breakfast and Lunch Program, and Debt Service Fund are included in the District's formally adopted budget. The District is required to present the adopted and final amended budgeted revenues and expenditures and actual revenues and expenditures for the General Fund, National School Breakfast and Lunch Program and Debt Service Fund. These budgets are in the financial section of the Annual Comprehensive Financial Report.

Pensions

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

Other Post-Employment Benefits (OPEB)

The fiduciary net position of the Teacher Retirement System of Texas (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.

ASSETS, LIABILITIES, AND DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Cash, Cash Equivalents and Investments

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

Investments with maturities at the time of acquisition of over 12 months are recorded at fair value. Fair value is determined by the amount by which a financial instrument could be exchanged in a current transaction between willing parties. The District accrues interest on temporary investments based on the terms and effective interest rates of the specific investments. See Note B for additional discussion.

Inventories and Prepaid Items

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

Capital Assets

Capital assets, which include land, buildings, furniture and equipment, are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at acquisition value rather than fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Buildings, furniture and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	50
Building Improvements	10-20
Vehicles	5-10
Office Equipment	3-15
Computer Equipment	5

Land and construction in progress are not depreciated.

Encumbrances

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

Restricted and Unrestricted Assets

When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever restricted assets will have to be returned because they were not used.

Long-term Liabilities

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

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.

Compensated Absences

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

Data Control Codes

The Data Control Codes refer to the account code structure prescribed by TEA in the ***Financial Accountability System Resource Guide***. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a statewide database for policy development and funding plans.

In fiscal year 2021, GASB 84 pronouncements were implemented by the District. GASB Statement No. 84, Fiduciary Activities, was issued in January 2017 and provides guidance to enhance the consistency and comparability of fiduciary activity reporting by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. The Fiduciary Activities beginning balance was adjusted by $160,927.

Interfund Transactions

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

Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources which represents a consumption of net position that applies to a future period(s) and therefore, will not be recognized as an outflow of resources (expenses/expenditures) until then. Included in this category are deferred losses on refundings, TRS pension costs, and TRS OPEB costs.

In addition to liabilities, the Statement of Net Position includes a separate section for deferred inflows of resources which represents an acquisition of net position that applies to a future period(s) and therefore, will not be recognized as an inflow of resources (revenue) until then. Included in this category are TRS Pension and OPEB. The Governmental Funds Balance Sheet also includes a section for deferred inflows of resources. Unavailable revenue is reported as deferred inflows of resources only in the Governmental Funds Balance Sheet.

NET POSITION AND FUND BALANCES

Government-wide Financial Statements

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

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

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

Restricted for Debt Service – the component of net position that reports the difference between assets and liabilities of the Debt Service Fund adjusted on a government-wide basis that consists of assets with constraints placed on their use by the bond covenants.

Restricted for Other Purposes – the component of net position that reports the difference between assets and liabilities of the Restricted for Other Purposes funds at August 31, that consists of assets with constraints placed on their use by external parties.

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

Governmental Fund Financial Statements

In the fund financial statements, governmental funds report fund balances as either a non-spendable fund balance or a spendable fund balance.

Non-spendable fund balance

Non-spendable fund balance is that portion of fund balance that is not expendable (such as inventories) or is legally earmarked for a specific use. Non-spendable fund balance reserves include inventories and prepaid items.

Spendable Fund Balance

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

Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance - amounts constrained to specific purposes by the Board, using its highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the Board takes the same highest level action to remove or change the constraint.

Assigned fund balance - amounts the Board intends to use for a specific purpose. Intent can be expressed by the Superintendent or Deputy Superintendent of Finance and Operations, through which the Board has delegated the authority. Fund balance assignments in the General Fund as of August 31, 2021 were:

Instructional sustainment	$ 1,000,000
Various maintenance projects/construction	6,206,702
Health insurance fund contingency	3,250,000
Enrollment growth expenditures	100,000
Encumbrances	2,528,436
School improvement programs	50,000
	$ 13,135,138

Unassigned fund balance - amounts that are available for any purpose. This portion of the total fund balance in the general fund is available to finance operating expenditures.

The Board establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). When it is appropriate for fund balance to be assigned, the Board delegates authority to the Superintendent or the Deputy Superintendent of Finance and Operations (such as the purchase of capital assets, construction, debt service, or for other purposes). In the general fund, the District strives to maintain an unassigned fund balance to be used for working capital and a margin of safety to address local and regional emergencies of approximately two months of operating expenses.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

Encumbrances - Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

General Fund	$ 2,528,436
Special Revenue Fund	1,105,380
Capital Projects Fund	6,853,920
Custodial Funds	6,699
	$ 10,494,435

NOTE B: CASH, CASH EQUIVALENTS AND INVESTMENTS

District Policies and Legal and Contractual Provisions Governing Deposits

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

At August 31, 2021, the net carrying amount of the District's demand deposits was $21,517,049. The bank balance of $24,065,047 was fully covered on August 31, 2021, by a combination of federal deposit insurance through the FDIC and collateralization by securities held by the District's depository in joint safekeeping at the Federal Home Loan Bank of Dallas in the District's name. Because these securities are held in trust on behalf of the district, the deposits are deemed collateralized under Texas law.

Custodial Credit Risk for Deposits - State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the District complies with this law, it has no custodial credit risk for deposits.

Foreign Currency Risk - The District does not have any deposits denominated in a foreign currency.

District Policies and Legal and Contractual Provisions Governing Investments

Compliance with the Public Funds Investment Act

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) banker's acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and commercial paper. 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 compliance with the requirements of the Act and with local policies.

The Public Funds Investment Act requires an annual review and approval of investment policies and practices. Audit procedures in the area are conducted as a part of the overall audit, and focus on the areas of investment practices, management reports and establishment of appropriate policies. The District materially adhered to the requirements of the Public Funds Investment Act. Additionally, investment practices of the District were in accordance with local policies.

The District's investments in public funds investment pools include those with the Lone Star Investment Pool ("LSIP"), both the Government Overnight and Corporate Overnight Plus funds, and TexasTERM. The fair value of the District's position in the above pools is the same as the value of the pool shares.

LSIP is a public funds investment pool created pursuant to the Interlocal Cooperation Act of the State of Texas, Article 4413(32c), Vernon's Texas Civil Statutes, as amended, and is designed to provide participating local governments with investment vehicles for local funds that may be required for immediate expenditure. The primary objective of the LSIP is to emphasize the importance of safety of principal and liquidity of pool assets. Investment advisory services are provided by American Beacon Advisors and Standish Mellon Asset Management Company. First Public LLC provides administrative and distribution services to the pool and State Street Bank and Trust is the custodian for all pool assets.

TexasTERM is organized in conformity with Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. TexasTERM's investment advisor is PFM Asset Management LLC. The custodial account is managed by U.S. Bank N.A.

As of August 31, 2021, Tyler Independent School District had the following cash equivalents and investments:

		Carrying Value - Investment Maturities (in years)				
Investment Type	Fair Value	Less than 1	1 - 5	6 - 10	More than 10	Credit Rating
Cash Equivalents						
Money Market/Demand Deposits	$ 21,524,367	$ 21,524,367	$ -	$ -	$ -	
Investment Pools:						
Lone Star Investment Pool	72,777,449	72,777,449	-	-	-	AAAm
TexasTERM/DAILY	1,334,761	1,334,761	-	-	-	AAAm
Total Cash Equivalents	$ 95,636,577	$ 95,636,577	$ -	$ -	$ -	
Investments						
Agencies:						
Federal Home Loan Bank Deb	$ 440,069	$ 440,069	-	-	-	AA+
Treasuries:						
United States Treasury Notes	5,035,994	-	5,035,994	-	-	Aaa
Total Investments	$ 5,476,063	$ 440,069	$ 5,035,994	$ -	$ -	

In accordance with the provisions of GASB Statement No. 31, the District's investments with a maturity date of greater than one year have been recorded at fair value based upon quoted market prices as of August 31, 2021, with increase or decrease in fair value being recorded as a component of earnings on investments. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72 provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities. Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date. Level 2 inputs are inputs-other than quoted prices included within Level 1-that are observable for an asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for an asset or liability. Above, the municipal bonds and federal agency coupon securities are valued using Level 2 inputs that are based on market data obtained from independent sources.

Additional policies and contractual provisions governing deposits and investments for Tyler Independent School District are specified below:

Credit Risk - Credit risk is the possibility of loss occurring due to the inability of an investment instrument to meet financial obligations. As of August 31, 2021, investments were diversified in local government investment pools, mutual funds, certificates of deposit, taxable municipal bonds, and agencies with sufficient credit ratings to reduce the probability of loss and comply with the District's investment policy.

Custodial Credit Risk for Investments - To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the District requires counterparties to register the securities in the name of the district and hand them over to the district or its designated agent. This includes securities in securities lending transactions. All of the securities are in the District's name and are held by the District or its agent.

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

Interest Rate Risk - In accordance with the District's investment policy, investments are made in a manner that ensures the preservation of capital in the overall portfolio, and offsets during a twelve-month period any market price losses resulting from interest-rate fluctuations by income received from the balance of the portfolio. The District's investment strategy states that no individual transaction shall be undertaken that jeopardizes the total capital position of the overall portfolio.

Foreign Currency Risk for Investments - The District does not have any investments denominated in a foreign currency.

NOTE C: LOCAL REVENUES AND PROPERTY TAXES

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

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Property Taxes	$ 95,847,488	$ 34,461,860	$ -	$ -	$ 130,309,348
Penalties, Interest and Other Tax-Related Income	1,213,466	291,016	-	-	1,504,482
Interest Income	204,285	18,478	66,378	63,920	353,061
Tuition and Services to Other Districts	293,973	-	-	-	293,973
SSA - Revenue Member Districts	-	-	-	699,850	699,850
Food Sales	-	-	-	397,760	397,760
Rental Income	74,490	-	-	41,000	115,490
Co-Curricular Student Activities	-	-	-	1,190,743	1,190,743
Gifts and Bequests	31,000	-	91,562	305,577	428,139
Athletic Activity	235,078	-	-	534,983	770,061
Other	76,517	-	-	291,090	367,607
Total	$ 97,976,297	$ 34,771,354	$ 157,940	$ 3,524,923	$ 136,430,514

Property Taxes – The appraisal of property within the District is the responsibility of the Smith County Appraisal District. Property taxes are levied by October 1 on the assessed 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 on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year. However, amounts collected during the 60-day period after year-end are not considered material to the financial statements and are not reported.

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. The Texas Property Tax Code directs tax collectors to cancel and remove from the tax rolls real property taxes that have been delinquent more than 20 years and personal property taxes that have been delinquent more than 10 years. Additionally, the Texas Property Tax Code provides that personal property may not be seized and a suit may not be filed to collect a tax on personal property that has been delinquent more than four years.

NOTE D: RECEIVABLES 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 August 31, 2021, are summarized below. Federal grants shown below are passed through the TEA or are received directly from a federal agency and are reported on the combined financial statements as Receivables from Other Governments.

	State Entitlements	Federal Grants	Total
General Fund	$ 715,697	$ -	$ 715,697
Nonmajor Governmental Funds	650,200	6,760,413	7,410,613
Total	$ 1,365,897	$ 6,760,413	$ 8,126,310

State Aid Revenue

The District has accrued state aid revenue of $3,542,966 in the general fund, to reflect cash that will be received in fiscal year 2022, which was generated by attendance and the type of instructional services provided in fiscal year 2021. The receivable from the state was reduced by $2,827,269, to reflect an anticipated TEA final fiscal year 2021 settle-up adjustment that will occur in fiscal year 2022. The net receivable is $715,697 as shown in the table above.

The Texas Education Agency, through its application of state law, allocates state revenues to school districts by formula allocation. The District receives two allocations – a per capita allocation and a foundation program allocation. The District also recognizes revenues for the state's share of the contributions to the Teacher Retirement System of Texas. See Note M for additional information on the employees' retirement plan. Other state revenues are received through other state miscellaneous programs on an allocated basis. The components of state aid as shown in the governmental fund financial statements are as follows:

Revenues	General Fund	Nonmajor Governmental Funds	Debt Service Fund	Total
Per Capita Revenues	$ 10,197,632	$ -	$ -	$ 10,197,632
Foundation Fund Revenues	46,402,523	-	-	46,402,523
Other State Revenues	113,181	2,235,357	436,240	2,784,778
TRS On-Behalf/Salaries and Fringe Benefits	8,123,104	-	-	8,123,104
Total State Aid	$ 64,836,440	$ 2,235,357	$ 436,240	$ 67,508,037

NOTE E: INTERFUND BALANCES AND TRANSFERS

Interfund balances at August 31, 2021 consisted of the following amounts. All interfund balances are expected to be repaid within one year.

Due to General Fund from:	
Capital Projects Fund	$ 62,773
Nonmajor Governmental Funds (Special Revenue)	5,974,137
	6,036,910
Due to Nonmajor Governmental Funds (Special Revenue) from:	
General Fund	300,142
	$ 6,337,052

These interfund balances resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and/or payments between funds are made.

Interfund transfers are defined as flows of assets without equivalent flows of assets in return and without a requirement for repayment. Interfund transfers for the year ended August 31, 2021, consisted of the following individual amounts:

Transfer to General Fund from:	
Nonmajor Governmental Funds (Special Revenue)	$ 350,782
Transfer to Nonmajor Governmental Funds (Special Revenue)	
General Fund	2,690,968
Total	$ 3,041,750

The transfer from the nonmajor governmental funds to the General Fund was a transfer from athletics activity fund for $50,000 for the Mike Carter playing surface, and a transfer from the Food Service Fund for indirect cost charges of $300,782.

The transfer from the General Fund to the nonmajor governmental funds was $2,690,968 for preventive maintenance projects.

NOTE F: UNEARNED REVENUE

Governmental funds defer revenue recognition in connection with resources that have been received but not yet earned. Unearned revenue at year end consisted of the following:

	General Fund	Nonmajor Governmental Funds	Total
Athletic Receipts	$ 22,932	$ 8,788	$ 31,720
Total Unearned Revenue	$ 22,932	$ 8,788	$ 31,720

NOTE G: CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended August 31, 2021, was as follows:

	Primary Government				
	Beginning Balance	Additions	Reclassi-fications	Retirements	Ending Balance
Governmental Activities:					
Capital Assets, not being depreciated					
Land	$ 12,680,334	$ -	$ -	$ -	$ 12,680,334
Construction in Progress	156,249,695	1,914,224	(156,208,759)	-	1,955,160
Total Capital Assets, not being depreciated	168,930,029	1,914,224	(156,208,759)	-	14,635,494
Capital Assets, being depreciated					
Buildings and Improvements	460,454,023	47,168,584	156,208,759	(40,150,360)	623,681,006
Furniture and Equipment	32,601,062	2,157,309		(775,706)	33,982,665
Total Capital Assets being depreciated	493,055,085	49,325,893	156,208,759	(40,926,066)	657,663,671
Less Accumulated Depreciation					
Buildings and Improvements	(151,618,676)	(10,417,797)	-	35,767,198	(126,269,275)
Furniture and Equipment	(25,245,147)	(2,003,889)	-	775,706	(26,473,330)
Total Accumulated Depreciation	(176,863,823)	(12,421,686)	-	36,542,904	(152,742,605)
Total Capital Assets Being Depreciated, Net	316,191,262	36,904,207	156,208,759	(4,383,162)	504,921,066
Governmental Activities Capital Assets, Net	$ 485,121,291	$ 38,818,431	$ -	$ (4,383,162)	$ 519,556,560

Depreciation expense was charged to governmental functions as follows:

Instruction	$ 6,859,596
Instructional Resources and Media Services	129,633
Curriculum and Staff Development	415,042
Instructional Leadership	144,036
School Leadership	491,763
Guidance, Counseling and Evaluation Services	343,324
Social Work Services	22,822
Health Services	115,685
Student (Pupil) Transportation	986,431
Food Services	518,160
Extracurricular Activities	429,837
General Administration	230,371
Facilities Maintenance and Operations	1,068,771
Security and Monitoring Services	185,257
Data Processing Services	453,031
Community Services	27,927
	$ 12,421,686

NOTE H: CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

Construction commitments

The District has active construction projects as of August 31, 2021. The projects include repairs and improvement of school locations. At year end, the District's commitments with contractors are as follows:

	Total Contract Spent to Date	Remaining Commitment
Project		
Tyler Legacy Construction/ Renovation	$ 96,119,611	$ 368,995
Tyler High Construction/ Renovation	88,920,665	2,593,924
	$ 185,040,276	$ 2,962,919

Included in the Total Contract Spent to Date amount are payables to the general contractor totaling $6,335,123 as shown below:

Project	Unpaid Invoices at August 31, 2021	Retainage per Contract
Tyler Legacy Construction/ Renovation	$ 845,778	$ 1,762,677
Tyler High Construction/ Renovation	1,913,980	1,812,688
	$ 2,759,758	$ 3,575,365

NOTE I: CHANGES IN LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities (including general obligation bonds and leave) for the year ended August 31, 2021. See Note M for additional long-term liabilities related to the District's net pension liability and Note N for additional long-term liabilities related to the District's net OPEB liability.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	$ 405,424,964	$ 88,489	$ (19,490,000)	$386,023,453	$ 21,940,000
Bond Premium (Discount)	41,002,993	-	(3,064,323)	37,938,670	-
Total Bonds Payable	446,427,957	88,489	(22,554,323)	423,962,123	21,940,000
Other Liabilities:					
Compensated Absences	698,144	75,435	(61,251)	712,328	59,759
Total Other Liabilities	698,144	75,435	(61,251)	712,328	59,759
Total Governmental Activities Long-Term Liabilities	$ 447,126,101	$ 163,924	$ (22,615,574)	$424,674,451	$ 21,999,759

The additions to General Obligation Bonds above include accreted interest on capital appreciation bonds of $88,489.

NOTE J: BONDS PAYABLE

Bonded indebtedness of the District is reflected in the Statement of Net Position. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund.

Tyler Independent School 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.

A summary of changes in bonds payable for the year ended August 31, 2021 is as follows:

Description Issue Date/Final Maturity Date	Interest Rate Payable	Original Issue Amount	Interest Current Year	Payable Amounts Outstanding 9/1/2020	Amount Issued / Accreted	Amount Refunded / Retired	Outstanding 8/31/2021
Unlimited Tax Refunding Bonds - Series 2010	3% to 4%	$7,660,000	$5,550	$370,000	$ -	$370,000	$ -
6/30/2010 to 2/15/2021							
Unlimited Tax Refunding Bonds - Series 2012	2.5% to 5%	16,220,000	549,696	12,015,000	-	7,815,000	4,200,000
5/16/2012 to 2/15/2028							
School Building Unlimited Tax Bonds - Series 2013	2% to 5%	152,020,000	436,375	10,370,000	-	3,285,000	7,085,000
7/11/2013 to 2/15/2043							
Unlimited Tax Refunding Bonds - Series 2014	4% to 5%	7,125,000	321,675	7,125,000	-	-	7,125,000
8/1/2014 to 2/15/2031							
Unlimited Tax Refunding Bonds - Series 2015	2% to 5%	74,970,000	2,933,400	67,445,000	-	4,390,000	63,055,000
4/1/2015 to 2/15/2032							
Unlimited Tax Refunding Bonds - Series 2016	4%	8,690,000	339,000	8,475,000	-	-	8,475,000
11/1/2016 to 2/15/2034							
School Building Unlimited Tax Bonds - Series 2017	4% to 5%	175,735,000	7,620,475	168,960,000	-	2,625,000	166,335,000
8/1/2017 to 2/15/2047							
Unlimited Tax Refunding Bonds - Taxable Series 2020	1.584% to 5%	121,420,000	3,311,624	121,420,000	-	1,005,000	120,415,000
Capital Appreciation Bonds		1,705,000		9,610,000	-	-	9,610,000
Less Discount				(365,036)	88,489	-	(276,547)
8/20/2020 to 2/15/2043							
			$15,517,795	$405,424,964	$88,489	$19,490,000	$386,023,453

NOTE: All bonds were issued for the purpose of building or renovating school buildings.

Debt Service Requirements are as follows:

	General Obligations		
Year Ending August 31,	Principal	Interest	Total Requirements
2022	$ 21,940,000	$ 14,870,171	$ 36,810,171
2023	12,975,000	13,542,870	26,517,870
2024	11,761,224	13,154,271	24,915,495
2025	13,652,229	12,867,892	26,520,121
2026	13,035,000	12,201,870	25,236,870
2027 to 2031	80,925,000	50,191,791	131,116,791
2032 to 2036	79,755,000	34,109,041	113,864,041
2037 to 2041	75,580,000	21,515,836	97,095,836
2042 to 2046	65,240,000	7,756,087	72,996,087
2047	11,160,000	223,200	11,383,200
Total	$ 386,023,453	$ 180,433,029	$ 566,456,482

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2021. The District is subject to a legal debt limit as outlined in Texas Education Code Chapter 45.

Capital Appreciation Bonds

A portion of the Series 2020 Unlimited Tax Refunding Bonds consists of capital appreciation bonds which pay no interest currently. The District is not currently systematically funding the retirement of this debt. The amounts due at maturity will be funded in the year payment is due. The maturity dates of the capital appreciation bonds are February 15, 2024, with a payment of $4,805,000, and the final payment at maturity on February 15, 2025 of $4,805,000.

Refunding and Defeasance of Debt

In August 2020, the District refunded a portion of the bonds from the Series 2013 School Building Unlimited Tax Bonds. The amount refunded was $123,125,000. The advance refunding was entered into in order to take advantage of lower interest rates. The aggregate difference in debt service between the refunding debt and the refunded debt was $35,623,791. The economic gain on the transaction was $28,593,200.

As part of the refunding, the District placed $137,061,845 in an irrevocable trust account. Income received by the trust will be used solely for the purpose of making required interest payments on the Series 2013 School Building Unlimited Tax Bonds. As trust assets mature, the proceeds will be used to retire these bonds. The remaining amount of these bonds outstanding as of August 31, 2021 is $123,125,000; these bonds will be called February 15, 2023. Accordingly, these refunded bonds are considered to be extinguished in fiscal year 2020 and do not appear as a liability on the accompanying Statement of Net Assets.

Arbitrage

The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the United States Treasury of investment income received at yields that exceed the issuer's tax-exempt borrowing rates. The U.S. Treasury requires payment for each issue every five years. The estimated liability is updated annually for any tax-exempt issuances or changes in yields until such time payment of the calculated liability is due. At August 31, 2021, the District had no liability for arbitrage.

NOTE K: OPERATING LEASES

The District has multiple 60-month operating leases with Xerox for copiers. Additional leases are entered into as needed. The lease terms expire at varying times. The Board approved the lease initially. Any renewals are done on the state contracts. Commitments under operating (noncapitalized) lease agreements for copiers provide for minimum future rental payments as of August 31, 2021, as follows:

Year Ending August 31,	
2022	$ 842,254
2023	789,643
2024	637,332
2025	272,709
2026	22,075
Net Present Value of Lease Payments	$ 2,564,013

Total current year rental expenditures for operating leases were $871,469.

NOTE L: ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon retirement, termination or death of certain employees, the District pays any accrued sick leave in a lump cash payment to such employee or his/her estate. The sick leave policy was revised in 1997 to decrease the years of service required to be eligible for these benefits. The policy was revised again in 2000 to require that the years of service be continuous. Employees with 15 years or more of continuous service are now eligible to receive a lump sum payment for accrued local sick leave equal to the number of accrued local sick days at the date of separation times the current substitute daily rate.

A summary of changes in the accumulated sick leave liability follows:

	Sick Leave
Balance September 1, 2020	$ 698,144
Additions – New Entrants	75,435
Increase (Decrease) Due to Sick Leave Earned/Used	(3,642)
Deductions – Payments to Participants	(57,609)
Balance August 31, 2021	$ 712,328

Benefits are paid from the General Fund. The balance due within the next fiscal year has been estimated as $59,759.

NOTE M: DEFINED BENEFIT PENSION PLAN

Plan Description. Tyler 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). It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

Pension Plan Fiduciary Net Position. Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; on the Internet at http://trs.texas.gov; 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 benefits are established or amended under authority of the Texas Constitution, Article XVI, Section 67 and by the Legislature in the Texas Government Code, Title I, Subtitle C. The Board of Trustees does not have the authority to establish or amend benefits. State law requires the plan to be actuarially sound in order for the Legislature to consider a benefit enhancement, such as supplemental payment to the retirees. In May 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (SB12) that provides for gradual contribution increases from the state, participating employers and active employees to make the pension fund actuarially sound. These increases immediately made the pension fund actuarially sound and the legislature approved funding for a 13th check. All eligible members retired as of December 31, 2018 received an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or $2,000, whichever was less.

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 85th Texas Legislature, General Appropriations Act (GAA) affirmed that the employer contribution rates for fiscal years 2018 and 2019 would remain the same. SB12 in the 86th Legislature set higher contribution rates for fiscal year 2020 and fiscal year 2021. Beginning September 1, 2019, all employers are required to pay the Public Education Employer contribution of 1.5%. This "surcharge" was previously only charged to employers not participating in social security. Contribution Rates can be found in the TRS 2020 ACFR, Note 11, on page 82.

Contribution Rates

	2020	**2021**
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	7.5%	7.5%
Employers	7.5%	7.5%
District's 2021 FY Employer Contributions		$ 3,628,585
District's 2021 FY Member Contributions		$ 8,755,114
Measurement Year (2020) NECE On-Behalf Contributions		$ 6,460,738

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

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (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 sources or a privately sponsored source.

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

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- Employers must contribute 1.5% of the member's salary ("Public Education Employer Surcharge").

Actuarial Assumptions.

Roll Forward - A change was made in the measurement date of the total pension liability for the 2020 measurement year. The actuarial valuation was performed as of August 31, 2019. Update procedures were used to roll forward the total pension liability to August 31, 2020.

The total pension liability is determined by an annual actuarial valuation. The actuarial methods and assumptions were selected by the Board of Trustees based upon analysis and recommendations by the System's actuary. The Board of Trustees has sole authority to determine the actuarial assumptions used for the Plan. The actuarial methods and assumptions were primarily based on a study of actual experience for the three-year period ending August 31, 2017 and were adopted in July 2018.

The active mortality rates were based on 90 percent of the RP 2014 Employee Mortality Tables for males and females. The post-retirement mortality rates were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables.

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

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term expected Rate	7.25%
Municipal Bond Rate as of August, 2020	2.33% - Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity index's "20-Year Municipal GO AA Index."
Last year ending August 31 in Projection Period (100 years)	2119
Inflation	2.30%
Salary Increases	3.05% to 9.05% including inflation
Ad hoc Post Employment Benefit Changes	None

The actuarial methods and assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2019. For a full description of these assumptions, please see the TRS actuarial valuation report dated November 14, 2019.

Discount Rate. The single discount rate used to measure the total pension liability was 7.25%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the statutorily required rates set by the Legislature during the 2019 legislative session. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Asset Class	Target Allocation*	Long-Term Expected Geometric Real Rate of Return**	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
U.S.	18.00%	3.90%	0.99%
Non-U.S. Developed	13.00%	5.10%	0.92%
Emerging Markets	9.00%	5.60%	0.83%
Private Equity	14.00%	6.70%	1.41%
Stable Value			
U.S. Treasuries	16.00%	-0.70%	-0.05%
Absolute Return (Including Credit Sensitive Investments)	---	1.80%	---
Stable Value Hedge Funds	5.00%	1.90%	0.11%
Real Return			
Real Estate	15.00%	4.60%	1.02%
Energy, Natural Resources and Infrastructure	6.00%	6.00%	0.42%
Commodities	---	0.80%	---
Risk Parity			
Risk Parity	8.00%	3.00%	0.30%
Asset Allocation Leverage			
Cash	2.00%	-1.50%	-0.03%
Asset Allocation Leverage	-6.00%	-1.30%	0.08%
Inflation Expectation			2.00%
Volatility Drag***			-0.67%
Expected Return	**100.00%**		**7.33%**

* *FY 2019 Target Allocations are based on the FY 2020 policy model.*

** *Capital Market Assumptions come from Aon Hewitt (as of 8/31/2020).*

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

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.25%) in measuring the 2020 Net Pension Liability.

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
District's proportionate share of the net pension liability:	$ 76,181,159	$ 49,404,697	$ 27,649,409

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2021, Tyler Independent School District reported a liability of $49,404,697 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Tyler Independent School District. The amount recognized by Tyler 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 Tyler Independent School District were as follows:

District's proportionate share of the collective net pension liability	$ 49,404,697
State's proportionate share that is associated with the District	83,863,837
Total	$133,268,534

The net pension liability was measured as of August 31, 2020 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, 2019 through August 31, 2020.

At August 31, 2020 the employer's proportion of the collective net pension liability was 0.0922452933% which was a decrease of 0.00976263655% from its proportion measured as of August 31, 2019 .

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

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

For the year ended August 31, 2021, Tyler Independent School District recognized pension expense of $17,445,605 and revenue of $10,086,957 for support provided by the State in the Government Wide Statement of Activities.

At August 31, 2021, Tyler 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 experiences	$ 90,209	$ 1,378,754
Changes in actuarial assumptions	11,463,647	4,874,263
Difference between projected and actual investment earnings	1,000,156	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	2,175,473	4,200,160
Total as of August 31, 2020 measurement date	14,729,485	10,453,177
Contributions paid to TRS subsequent to the measurement date	3,628,585	-
Total as of fiscal year-end	$ 18,358,070	$ 10,453,177

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

Year ended August 31:	Pension Expense Amount
2022	$ 1,521,709
2023	1,947,869
2024	1,988,028
2025	207,387
2026	(1,176,455)
Thereafter	(212,230)

Long-term Liability Disclosure

	Beginning Balance	Additions	Retirements	Ending Balance
Net Pension Liability	$ 53,026,770	$ 183,993	$ 3,806,066	$ 49,404,697

Pension contributions are charged to the fund from which the employee's salary is paid, typically General Fund and Special Revenue Funds.

NOTE N: 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 that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

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

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2020 are as follows:

Net OPEB Liability	Total
Total OPEB Liability	$ 40,010,833,815
Less: plan fiduciary net position	1,996,317,932
Net OPEB Liability	$ 38,014,515,883
Net position as a percentage of Total OPEB Liability	4.99%

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. Eligible non-Medicare retirees and their dependents may pay premiums to participate in the high-deductible health plans. Eligible Non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system.

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

TRS-Care Monthly Premium rates

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

Contributions. Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and participating employers based on active employee compensation. 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 a public school contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the employer. The actual public school contribution rate is prescribed by the Legislature in the General Appropriations Act which is 0.75% of each active employee's pay for fiscal year 2020. The following table shows contributions to the TRS-Care plan by type of contributor.

Contribution Rates

	2020	2021
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%

District's 2021 FY Employer Contributions	$ 965,272
District's 2021 FY Member Contributions	$ 738,862
Measurement Year (2020) NECE On-Behalf Contributions	$ 1,369,558

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of $3.3 million in fiscal year 2020.

Actuarial Assumptions. The total OPEB liability in the August 31, 2019 actuarial valuation was rolled forward to August 31, 2020. The actuarial valuation was determined using the following actuarial assumptions:

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2019 TRS pension actuarial valuation that was rolled forward to August 31, 2020:

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	2.33% as of August 31, 2020.
Aging Factors	Based on Plan Specific Experience
Election Rates	Normal Retirement: 65% participation prior to age 65 and 40% after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65.
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected Salary Increases	3.05% - 9.05%
Ad-hoc Post Employment Benefit Changes	None

The impact of the Cadillac Tax that is returning in fiscal year 2023 has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of $850/$2,292 were indexed annually by 2.30 percent.

- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

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

Discount Rate. A single discount rate of 2.33% was used to measure the total OPEB liability. There was a decrease of 0.30 percent in the discount rate since the previous year. The Discount Rate can be found in the 2020 TRS ACFR on page 76. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

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 (2.33%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (1.33%)	Discount Rate (2.33%)	1% Increase in Discount Rate (3.33%)
District's proportionate share of the Net OPEB Liability:	$ 61,170,340	$ 50,975,380	$ 42,922,826

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the Net OPEB Liability:	$ 41,640,355	$ 50,975,380	$ 63,408,315

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2021, Tyler Independent School District reported a liability of $50,975,380 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 Tyler Independent School District were as follows:

District's Proportionate share of the collective net OPEB liability	$ 50,975,380
State's proportionate share that is associated with the District	68,498,692
Total	$119,474,072

The Net OPEB Liability was measured as of August 31, 2020 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, 2019 through August 31, 2020.

At August 31, 2020 the employer's proportion of the collective Net OPEB Liability was 0.13409451424%, which was a decrease of 0.0041467062% from its proportion measured at August 31, 2019.

Changes in Actuarial Assumptions 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 2.63% as of August 31, 2019 to 2.33% as of August 31, 2020. This change increased the Total OPEB liability (TOL).
- The participation rate for post-65 retirees was lowered from 50 percent to 40 percent. This change decreased the TOL.

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

For the year ended August 31, 2021, Tyler Independent School District recognized a negative OPEB expense of $1,245,002 and a negative revenue of $475,629 for support provided by the State.

At August 31, 2021, Tyler Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experiences	$ 2,669,051	$ 23,328,941
Changes in actuarial assumptions	3,144,121	13,998,103
Differences between projected and actual investment earnings	16,565	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	1,452,135	2,318,933
Total as of August 31, 2020 measurement date	7,281,872	39,645,977
Contributions paid to TRS subsequent to the measurement date	965,272	-
Total as of fiscal year-end	$ 8,247,144	$ 39,645,977

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

Fiscal year ended August 31:	OPEB Expense Amount
2022	$ (5,302,139)
2023	(5,304,354)
2024	(5,305,620)
2025	(5,305,274)
2026	(3,943,699)
Thereafter	(7,203,019)

Long-term Liability Disclosure

	Beginning Balance	Additions	Retirements	Ending Balance
Net OPEB Liability	$ 65,375,966	$ (13,381,374)	$ 1,019,212	$ 50,975,380

OPEB contributions are charged to the fund from which the employee's salary is paid, typically General Fund and Special Revenue Funds.

NOTE O: ON-BEHALF PAYMENTS FOR FRINGE BENEFITS AND SALARIES

In accordance with GASB Statement Number 24, the District has recognized as revenues and expenditures, contributions made by the State of Texas to the Teacher Retirement System of Texas on behalf of the District's employees. For the year ended August 31, 2021, the State made contributions of $7,613,783 related to on-behalf retirement contributions and $509,321 related to Medicare part D payments. These equal revenues and expenditures are reflected in the fund financial statements for the General Fund.

NOTE P: RISK FINANCING AND OTHER COVERAGE

Property Casualty Insurance

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 year 2021, the District purchased all-lines aggregate 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.

Health Insurance

The District sponsors a modified self-insurance plan to provide health care benefits to staff members and their dependents. Transactions related to the plan are accounted for in the Health Insurance Fund (the "Fund"), an internal service fund of the District. Partial staff member contributions are required for personal coverage and total staff member contributions are required for coverage of dependents. The District obtained excess loss insurance which limited annual claims paid from the Fund for the year ended August 31, 2021, to $200,000 for any individual participant and an aggregate limit equal to $18,199,357.

Estimates of claims payable and of claims incurred, but not reported at August 31, 2021, are reflected as accounts and claims payable of the Fund. These estimates are based on past experience of claims payments. The plan is funded to discharge liabilities of the Fund as they become due.

Changes in the balances of claims liabilities during the past two years are as follows:

	Year Ending August 31, 2021	Year Ending August 31, 2020
Unpaid Claims, Beginning of the Year	$ 713,174	$ 1,023,708
Reimbursements on Claims Over Stop Loss	286,623	583,334
Incurred Claims (including IBNR's)	11,665,265	13,008,921
Claim Payments	(12,184,754)	(13,902,789)
Unpaid Claims, End of Fiscal Year	$ 480,308	$ 713,174

Workers' Compensation

During the year ended August 31, 2021, employees of the District were covered by a Workers' Compensation Self-Insurance Joint Fund. This plan is established pursuant to Texas Labor Code Annotated Ch. 504 (Workers' Compensation Insurance Coverage for Employees of Political Subdivisions) and Texas Government Code Ch. 791 (the Interlocal Cooperation Act).

The contract between the Tyler Independent School District and the third-party administrator is renewable September 1, 2021, and terms, coverage and contribution costs are included in the contractual provisions. Under the terms of the contract, all risk is assumed by the third party administrator. The District is only required to pay fixed costs of $825,448 for administration of claims, loss control, record keeping, and the cost of excess insurance.

NOTE Q: LITIGATION

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.

The District participates in numerous State and Federal grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2021 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

NOTE R: JOINT VENTURE-SHARED SERVICE ARRANGEMENTS

The District is the fiscal agent for a Shared Services Arrangement ("SSA") which provides for special education to deaf students of member districts. All services are provided by the fiscal agent to whom the member districts pay tuition. The fiscal agent also receives state grant funds to subsidize the program. In fiscal year 2020-2021, the fiscal agent received $719,417 from the state to provide for program activities. 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 Fund 435, Shared Services Arrangements - Regional Day School for the Deaf using Model 3 in the SSA section of the Resource Guide.

Tuition paid by member districts to the SSA for services in fiscal year 2020-2021 is as follows:

Tyler ISD	$	232,723
Anderson County SSA		28,560
Arp ISD		200
Athens ISD		32,475
Brownsboro ISD		20,280
Bullard ISD		14,910
Canton ISD		4,970
Chapel Hill ISD		51,120
Cumberland Academy		9,940
Edgewood ISD		200
Fruitvale ISD		200
Grand Saline ISD		5,170
Jacksonville ISD		43,070
Lindale ISD		21,507
Martins Mill ISD		4,970
Palestine ISD		28,135
Van ISD		5,370
Whitehouse ISD		72,400
Winnsboro ISD		5,370
Winona ISD		15,110
Wood County SSA		21,280
Total	$	617,960

Expenditures exceeded revenues for the year; this decrease in fund balance was a planned reduction of accumulated funds.

Total Expenditures for Regional Day School for the Deaf	$	(1,377,652)
State Program Revenues		719,417
Member District Tuition		617,960
Miscellaneous Revenues		550
Net Change in Fund Balance	$	(39,725)

The District also serves as the fiscal agent for a Shared Services Arrangement ("SSA") which provides an alternative education program known as the Smith County Juvenile Attention Center.

Tuition paid by member districts to the SSA for services in fiscal year 2020-2021 is as follows:

Tyler ISD	$	64,522
Arp ISD		1,421
Bullard ISD		985
Chapel Hill ISD		3,162
Lindale ISD		1,237
Troup ISD		1,810
Whitehouse ISD		6,622
Winona ISD		2,131
Total	$	81,890

Revenues exceed expenditures revenues slightly for 2020-2021.

Total Expenditures for Smith County JJAEP	$	(79,383)
Member District Tuition		81,890
Net Change in Fund Balance	$	2,507

The District also serves as the fiscal agent for a Shared Services Arrangement ("SSA") for the CTE Perkins Reserve Grant. The purpose of the Reserve Grant is to support regional teams of cross-sector stakeholders to plan for, implement, and scale education and career pathways as members of the Texas Regional Pathways Network. The area school districts participating in this SSA with Tyler ISD are Chapel Hill ISD, Hawkins ISD, Whitehouse ISD, and Winona ISD. The SSA is accounted for in Fund 338 per TEA and is fully funded by the awarded grant with no member contributions.

NOTE S: SUBSEQUENT EVENTS

The District's management has reviewed its financial statements and evaluated subsequent events for the period from its year end of August 31, 2021 through January 24, 2022, the date the financial statements were issued. Management is not aware of any subsequent events, other than those described above, that would require recognition or disclosure in the accompanying financial statements.

NOTE T: NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 84: *Fiduciary Activities*. Statement 84 was issued in January 2017. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity, and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This standard became effective for the District in fiscal year 2021. In FY 2021, the District implemented GASB 84. The effect of implementing this Statement was a prior period adjustment of $160,927 that is reflected on Exhibit E-2.

APPENDIX D

FORM OF BOND COUNSEL'S OPINION

$84,240,000
TYLER INDEPENDENT SCHOOL DISTRICT
UNLIMITED TAX SCHOOL BUILDING BONDS
SERIES 2022

WE HAVE ACTED AS BOND COUNSEL in connection with the issuance by the Tyler Independent School District (the “District”) of its $84,240,000 aggregate original principal amount of Unlimited Tax School Building Bonds, Series 2022, dated June 15, 2022 (the “Bonds”).

IN OUR CAPACITY AS BOND COUNSEL, we have examined the Bonds for the sole purpose of rendering an opinion with respect to the legality and validity of the Order (as defined below) and the Bonds under the Constitution and laws of the State of Texas, and with respect to the excludability of the interest on the Bonds from gross income for federal income tax purposes. We have not been requested to investigate or verify, and have not investigated or verified, any records, data or other material relating to the financial condition or capabilities of the District.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas. We have also examined applicable provisions of the Internal Revenue Code of 1986, as amended (the “Code”), court decisions, Treasury Regulations, and published rulings of the Internal Revenue Service as we deem relevant, a transcript of certified proceedings of the District and other pertinent instruments authorizing and relating to the issuance of the Bonds, including (1) the Order adopted by the Board of Trustees of the District on June 20, 2022 and the Pricing Certificate executed by the Authorized Representatives on June 28, 2022 (collectively, the “Order”) authorizing the issuance of the Bonds, (2) the registered Initial Bond numbered T-1, and (3) the Arbitrage and Tax Certificate of the District.

BASED ON OUR EXAMINATION, we are of the opinion that:

1. The Bonds are valid and legally binding obligations of the District enforceable in accordance with their terms, except as their enforceability may be limited by bankruptcy, insolvency, or other laws affecting creditors' rights generally and as may be affected by matters involving the exercise of equitable or judicial discretion.

2. The Bonds are secured by and payable from the levy of a direct and continuing annual ad valorem tax, without legal limit as to rate or amount, upon all taxable property within the District.

3. Interest on the Bonds will be excludable for federal income tax purposes from the gross income of the owners thereof pursuant to Section 103 of the Code and will not constitute a specific item of tax preference under Section 57 of the Code for purposes of calculating the alternative minimum tax on individuals.

In rendering this opinion, we have assumed continuing compliance by the District with the covenants contained in the Order and the Arbitrage and Tax Certificate that it will comply with the applicable requirements of the Code, including requirements relating to, *inter alia*, the use and investment of proceeds of the Bonds and rebate to the United States Treasury of specified arbitrage earnings, if any, under Section 148(f) of the Code. Failure of the District to comply with such covenants could result in the interest on the Bonds being subject to federal income tax from the date of issue. We have not undertaken to monitor compliance with such covenants or to advise any party as to changes in the law after the date hereof that may affect the tax-exempt status of the interest on the Bonds.

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

RBC Capital Markets®