OFFICIAL STATEMENT
Dated: January 24, 2023

Insured Rating: S&P ....“AA”
Underlying Ratings: Moody’s.... “A1”
S&P .... “A+”
(See “OTHER INFORMATION – Ratings” and “BOND INSURANCE” herein)

NEW ISSUE: BOOK-ENTRY-ONLY

In the opinion of Bond Counsel, under current law and subject to conditions described in the Section herein “Tax Exemption,” interest on the Bonds (a) is not included in gross income for federal income tax purposes, (b) is not an item of tax preference for purposes of the federal alternative minimum tax, and (c) may have to be taken into account in determining adjusted financial statement income for applicable corporations (as defined in Section 59(k) of the Code) for the alternative minimum tax imposed on such corporations. A holder may be subject to other federal tax consequences as described in the Section herein “TAX EXEMPTION.”

$169,200,000
WALLER INDEPENDENT SCHOOL DISTRICT
(Waller and Harris Counties, Texas)
UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2023

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

Payment Terms…The $169,200,000 Waller Independent School District Unlimited Tax School Building Bonds, Series 2023 (the “Bonds”) will be issued in the principal amounts shown on page ii hereof. Interest on the Bonds will accrue from the date of their initial delivery (the “Date of Delivery”) to the underwriters of the Bonds listed below (the “Underwriters”), at the interest rates shown on page ii hereof and such interest shall be payable to the registered owners thereof on February 15 and August 15 of each year, commencing August 15, 2023, until stated maturity or prior redemption. Interest accruing on the Bonds will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Bonds will be issued only in fully registered form in any integral multiple of $5,000 of principal amount for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York (“DTC”), pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by Computershare Trust Company, N.A., Minneapolis, Minnesota (the “Paying Agent/Registrar”), to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “THE BONDS – Book-Entry-Only System” and “THE BONDS – Paying Agent/Registrar.”

Authority for Issuance…The Bonds are issued pursuant to the Constitution and general laws of the State of Texas, including particularly Chapter 45, Texas Education Code, Chapter 1371, Texas Government Code, and an election held within Waller Independent School District (the “District”) on November 8, 2022. The Bonds are direct obligations of the District, payable from an annual ad valorem tax levied, without legal limit as to rate or amount, on all taxable property located within the District, as provided in the order authorizing the sale and the issuance of the Bonds and an officer’s pricing certificate authorized and executed pursuant to such order. See “THE BONDS – Authority for Issuance.” **The Bonds are not guaranteed by the State of Texas Permanent School Fund Guarantee Program.** See “THE BONDS – Security and Source of Payment.”

Purpose…Proceeds from the sale of the Bonds will be used for (i) the construction of three new elementary schools, (ii) the purchase of the necessary sites for school buildings, (iii) safety and security upgrades for all instructional facilities, (iv) the purchase of new school buses, and (v) the payment of the costs associated with the issuance of the Bonds. See “THE BONDS - Purpose” and “- Sources and Uses of Funds.”

BAM BUILD AMERICA MUTUAL

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY**. See “BOND INSURANCE.”

CUSIP PREFIX: 932493
MATURITY, INTEREST RATES, INITIAL REOFFERING YIELDS & 9 DIGIT CUSIP NUMBERS
See Maturity Schedule on Page ii

Redemption…The District reserves the right, at its option, to redeem Bonds maturing on and after February 15, 2034, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2033, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption, as further described herein. See “THE BONDS – Optional Redemption.” The Term Bonds (as defined herein) are additionally subject to mandatory sinking fund redemption as further described herein. See “THE BONDS – Mandatory Sinking Fund Redemption.”

Legality…The Bonds are offered when, as and if issued, and accepted by the Underwriters, subject to the approving opinion of the Attorney General of the State of Texas and the opinion of Hunton Andrews Kurth LLP, Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Bracewell LLP, Houston, Texas. The Bonds are expected to be available for initial delivery through the services of DTC on or about February 22, 2023.

Jefferies

BOK Financial Securities, Inc. **SAMCO Capital** **Stephens Inc.**

MATURITY SCHEDULE

$169,200,000
WALLER INDEPENDENT SCHOOL DISTRICT
(Waller and Harris Counties, Texas)
UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2023

$95,670,000 Serial Bonds

Maturity Date (2/15) [1]	Principal Amount	Interest Rate	Initial Yield [3]	CUSIP Number [4]
2027	$ 3,095,000	5.000%	2.340%	932493 KE8
2028	3,250,000	5.000%	2.340%	932493 KF5
2029	3,420,000	5.000%	2.380%	932493 KG3
2030	3,595,000	5.000%	2.410%	932493 KH1
2031	3,780,000	5.000%	2.490%	932493 KJ7
2032	3,970,000	5.000%	2.530%	932493 KK4
2033	4,175,000	5.000%	2.610%	932493 KL2
2034	4,390,000	5.000%	2.740%	932493 KM0
2035	4,615,000	5.000%	2.890%	932493 KN8
2036	4,850,000	5.000%	3.120%	932493 KP3
2037	5,100,000	5.000%	3.260%	932493 KQ1
2038	5,360,000	5.000%	3.370%	932493 KR9
2039	5,635,000	5.000%	3.440%	932493 KS7
2040	5,925,000	5.000%	3.500%	932493 KT5
2041	6,230,000	5.000%	3.530%	932493 KU2
2042	6,550,000	5.000%	3.560%	932493 KV0
2043	6,885,000	5.000%	3.590%	932493 KW8
2044	7,235,000	5.000%	3.620%	932493 KX6
2045	7,610,000	5.000%	3.640%	932493 KY4

(Interest to accrue from the Date of Delivery)

$73,530,000 Term Bonds

$24,855,000 Term Bonds due February 1, 2048 [1][5] Interest Rate 4.000% Yield 4.170% [2] CUSIP Number 932493 KZ1 [4]
$48,675,000 Term Bonds due February 1, 2053 [1][5] Interest Rate 4.000% Yield 4.220% [2] CUSIP Number 932493 LA5 [4]

(Interest to accrue from the Date of Delivery)

---

(1) The Bonds maturing on and after February 15, 2034 are subject to optional redemption, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2033 or any date thereafter at par plus accrued interest to the date of redemption. See "THE BONDS – Optional Redemption."
(2) The initial yields are established by, and are the sole responsibility of the Underwriters and may subsequently be changed.
(3) The initial yields on premium bonds are calculated to the earlier of maturity or the first optional redemption date.
(4) CUSIP numbers have been assigned to this issue by the CUSIP Global Services managed by FactSet Research Systems Inc. on behalf of the American Bankers Association and are included solely for the convenience of the purchasers of the Bonds. Neither the District, the Financial Advisor, nor the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.
(5) The Term Bonds (as defined herein) are subject to mandatory sinking fund redemption as further described herein. See "THE BONDS – Mandatory Sinking Fund Redemption."

USE OF INFORMATION IN OFFICIAL STATEMENT

This Official Statement, which includes the cover page and Appendices A and B 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.

Certain information set forth herein has been provided by sources other than the District that the District believes are reliable, but the District makes no representation as to the accuracy of such information. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the District's undertaking 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 THESE SECURITIES HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

NONE OF THE DISTRICT, ITS 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, NEW YORK, NEW YORK ("DTC") OR ITS BOOK-ENTRY-ONLY SYSTEM OR REGARDING BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM") OR ITS MUNICIPAL BOND INSURANCE POLICY AS DESCRIBED UNDER "BOND INSURANCE' AND IN "APPENDIX D – SPECIMEN MUNICIPAL BOND INSURANCE POLICY" AS SUCH INFORMATION HAS BEEN PROVIDED BY DTC AND BAM, RESPECTIVELY.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES 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.

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS. 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.

The cover page contains certain information for general reference only and is not intended as a summary of this offering. Investors should read the entire Official Statement, including all schedules and appendices attached hereto, to obtain information essential to making an informed investment decision.

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, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of the transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

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 offering document for any purpose.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE" and "APPENDIX D – SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

TABLE OF CONTENTS

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

OFFICIAL STATEMENT SUMMARY

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

The District

The Waller Independent School District (the "District") is a political subdivision located in Waller and Harris Counties, Texas, approximately 45 miles northwest of the City of Houston's central business district. The District is approximately 328 square miles in area. See "INTRODUCTION – Description of the District."

The Bonds

The Bonds are issued as $169,200,000 Waller Independent School District Unlimited Tax School Building Bonds, Series 2023 (the "Bonds"). The Bonds are issued and mature as shown on page ii hereof. See "THE BONDS – Description of the Bonds."

Payment of Interest

Interest on the Bonds will accrue from the date of their initial delivery (the "Date of Delivery") to the underwriters of the Bonds listed on the cover page hereof (the "Underwriters"), at the interest rates shown on page ii hereof and such interest shall be payable to the registered owners thereof on February 15 and August 15 of each year, commencing August 15, 2023, until stated maturity or prior redemption. See "THE BONDS – Description of the Bonds."

Authority for Issuance

The Bonds are issued pursuant to the Constitution and general laws of the State of Texas, including, particularly, Chapter 45, Texas Education Code, Chapter 1371, Texas Government Code, as amended, an election held within the District on November 8, 2022, an order approved by the Board of Trustees of the District and an officer's pricing certificate authorized and executed pursuant to such order (the order and the pricing certificate are collectively referred to herein as the "Order"). See "THE BONDS – Authority for Issuance."

Security

The Bonds constitute direct obligations of the District, payable from an annual ad valorem tax levied, without legal limit as to rate or amount, on all taxable property within the District. **The Bonds are not guaranteed by the State of Texas Permanent School Fund Guarantee Program.** See "THE BONDS – Security and Source of Payment." Also see "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" for a discussion of recent developments in State law affecting the financing of school districts in the State.

Bond Insurance

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by Build America Mutual Assurance Company ("BAM"). See "BOND INSURANCE."

Use of Proceeds

Proceeds from the sale of the Bonds will be used for (i) the construction of three new elementary schools, (ii) the purchase of the necessary sites for school buildings, (iii) safety and security upgrades for all instructional facilities, (iv) the purchase of new school buses, and (v) the payment of the costs associated with the issuance of the Bonds. See "THE BONDS – Purpose."

Redemption

The District reserves the right, at its option, to redeem Bonds maturing on and after February 15, 2034, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2033, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption as described herein. See "THE BONDS – Optional Redemption."

Additionally, the Term Bonds (as defined herein) are subject to mandatory sinking fund redemption as further described herein. See "THE BONDS – Mandatory Sinking Fund Redemption" herein.

Tax Exemption

In the opinion of Hunton Andrews Kurth LLP, under current law and subject to conditions described in the Section herein "TAX EXEMPTION," interest on the Bonds (a) is not included in gross income for federal income tax purposes, and (b) is not an item of tax preference for purposes of the federal alternative minimum income tax. A holder may be subject to other federal tax consequences as described in the Section herein "TAX EXEMPTION."

Ratings It is expected that S&P Global Ratings, a division of S&P Global Inc. ("S&P"), will assign its municipal bond rating of "AA" (stable outlook) to the Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by BAM. The Bonds and the presently outstanding tax supported debt of the District are rated "A1" (negative outlook) and "A+" by Moody's Investors Service, Inc. ("Moody's") and S&P, respectively, without regard to credit enhancement. The District has other issues outstanding that are rated "Aaa" and "AAA" by Moody's and S&P, respectively, by virtue of the guarantee of the Permanent School Fund of the State of Texas. See "BOND INSURANCE" and "Other Information – Ratings."

Paying Agent/Registrar The initial paying agent/registrar for the Bonds is Computershare Trust Company, N.A., Minneapolis, Minnesota (the "Paying Agent/Registrar"). See "THE BONDS – Paying Agent/Registrar."

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. The Bonds will be issued in principal denominations of $5,000 or any integral multiple thereof within a maturity. No physical delivery of the Bonds will be made to the beneficial owners thereof. The principal of the Bonds at maturity or on a prior redemption date and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS – Book-Entry-Only System."

Payment Record The District has never defaulted on the payment of its bonded indebtedness.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 8/31	Estimated District Population[(1)]	Taxable Assessed Valuation [(2)]	Taxable Assessed Valuation Per Capita	Tax Supported Debt Outstanding at End of Year	Tax Supported Debt Per Capita	Ratio of Tax Supported Debt To Taxable Assessed Valuation
2019	45,298	$3,494,856,366	$77,153	$114,125,000	$2,519	3.27%
2020	40,725	3,687,456,342	90,545	314,855,000	7,731	8.54%
2021	41,901	3,951,098,932	94,296	377,370,000	9,006	9.55%
2022	44,388	4,773,173,441	107,533	366,040,000	8,246	7.67%
2023	45,283	5,982,361,980	132,111	527,905,000 [(3)]	11,658 [(3)]	8.82% [(3)]

(1) Source: Municipal Advisory Council of Texas.
(2) Established by the Waller County Appraisal District and the Harris Central Appraisal District. Net of exemptions. Subject to change during ensuing years.
(3) Includes the Bonds.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	Fiscal Year Ended August 31,				
	2022	2021	2020	2019	2018
Beginning Fund Balance	$ 9,674,259	$ 4,955,205	$ 9,817,687	$ 14,485,213	$ 17,913,107
Total Revenues	87,395,400	79,563,103	72,259,272	67,983,906	65,358,501
Total Expenditures	(77,656,556)	(74,368,275)	(79,009,359)	(72,682,896)	(68,786,395)
Other Financing Sources (Net)	(103,406)	-	1,887,605	31,464	-
Special Items (Net)	471,508	(475,774)	-	-	-
Ending Fund Balance	$ 19,781,205 [(1)]	$ 9,674,259	$ 4,955,205 [(2)]	$ 9,817,687 [(2)]	$ 14,485,213 [(2)]

Source: The District's audited financial statements.
(1) A portion of the surplus being added to the general fund balance is attributable to the use of ESSER funding to offset eligible expenses in the general fund and one-time adjustments to State funding resulting from modifications made by TEA to stabilize attendance rates in light of the COVID-19 pandemic. For additional information, see "INFECTIOUS DISEASE OUTBREAK – COVID-19."
(2) Fund balance declines in fiscal years 2018 through 2020 are attributed to reductions in federal and state funding and necessary expenditures related to the COVID-19 Pandemic.

DISTRICT OFFICIALS, STAFF AND CONSULTANTS

Elected Officials

Board of Trustees	Office	Length of Service	Term Expires (May)
David Kaminski	President	25 years	2024
Maria Herrera	Vice President	4 years	2024
William Warren	Secretary	2 years	2023
Ronald Campbell	Member	10 years	2023
Jeff Flukinger	Member	< 1 year	2025
Bryan Lowe	Member	34 years	2025
Dr. Michael W. Prince	Member	13 years	2024

Selected Administrative Staff

Name	Position	Length of Service with the District
Kevin Moran	Superintendent	9 years
Audrey Ambridge	Chief Financial Officer	2 years

Consultants and Advisors

Auditors .... Whitley Penn, L.L.P.
Houston, Texas

Bond Counsel .... Hunton Andrews Kurth LLP
Houston, Texas

Financial Advisor .... Post Oak Municipal Advisors LLC
Houston, Texas

For additional information regarding the District, please contact:

Ms. Audrey Ambridge
Chief Financial Officer
Waller Independent School District
1918 Key Street
Waller, Texas 77484
(936) 931-3685 Phone

or

Ms. Francine Stefan
Executive Vice President
Post Oak Municipal Advisors LLC
820 Gessner Road, Suite 1350
Houston, Texas 77024
(713) 328-0992 Phone

Mr. Chris Parker
Vice President
Post Oak Municipal Advisors LLC
820 Gessner Road, Suite 1350
Houston, Texas 77024
(713) 328-0987 Phone

OFFICIAL STATEMENT

$169,200,000
WALLER INDEPENDENT SCHOOL DISTRICT
(Waller and Harris Counties, Texas)
UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2023

INTRODUCTION

This Official Statement, which includes the cover page, inside cover page, and Appendices A and B hereto, provides certain information regarding the issuance by Waller Independent School District (the "District") of its Unlimited Tax School Building Bonds, Series 2023 (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the order adopted on December 8, 2022, which authorized the issuance of the Bonds, except as otherwise indicated herein. In the order adopted on December 8, 2022, pricing of the Bonds and certain other matters were delegated to a pricing officer who approved and executed a pricing certificate which contains final pricing information for the Bonds. The order and the pricing certificate are collectively referred to herein as the "Order."

There follows in this Official Statement descriptions of the Bonds and certain information regarding the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained upon request by electronic mail or upon payment of reasonable copying, mailing, and handling charges by writing the District's Financial Advisor, Post Oak Municipal Advisors LLC, 820 Gessner Road, Suite 1350, Houston, Texas 77024.

Description of the District

The Waller Independent School District is a political subdivision located in Waller and Harris Counties, Texas. The District is governed by a seven-member Board of Trustees (the "Board") who serve staggered three-year terms with elections being held in May of each year. Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent of Schools who is the chief administrative officer of the District. Support services are supplied by consultants and advisors. The District consists of approximately 328 square miles in Waller and Harris Counties, encompassing the Cities of Waller and Prairie View.

THE BONDS

Description of the Bonds

The Bonds are dated February 15, 2023 and mature on February 15 in each of the years and in the amounts shown on page ii hereof. Interest on the Bonds will accrue from the date of their initial delivery (the "Date of Delivery") to the underwriters of the Bonds listed on the cover page hereof (the "Underwriters"), at the interest rates shown on page ii hereof and such interest shall be payable to the registered owners thereof on February 15 and August 15 of each year, commencing August 15, 2023, until stated maturity or prior redemption. Interest accruing on the Bonds will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Bonds will be issued only in fully registered form in any integral multiple of $5,000 of principal amount for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by Computershare Trust Company, N.A., Minneapolis, Minnesota (the "Paying Agent/Registrar") to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS – Book-Entry-Only System" herein.

Authority for Issuance

The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Chapter 45, Texas Education Code, Chapter 1371, Texas Government Code, as amended, an election held within the District on November 8, 2022 and the Order.

Purpose

Proceeds from the sale of the Bonds will be used for (i) the construction of three new elementary schools, (ii) the purchase of the necessary sites for school buildings, (iii) safety and security upgrades for all instructional facilities, (iv) the purchase of new school buses, and (v) the payment of the costs associated with the issuance of the Bonds.

Sources and Uses of Funds

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

Sources of Funds	
Principal Amount of Bonds	$ 169,200,000.00
Net Original Issue Premium	11,172,133.10
Total	$ 180,372,133.10
Uses of Funds	
Deposit to Construction Fund	$ 175,000,000.00
Deposit to Capitalized Interest Account	3,712,147.50
Costs of Issuance [(1)]	819,526.16
Underwriters' Discount	840,459.44
Total	$ 180,372,133.10

(1) Includes the fees of Bond Counsel, the Financial Advisor, the Paying Agent/Registrar, the rating agencies and other costs related to the issuance of the Bonds, including the bond insurance premium.

Security and Source of Payment

The Bonds are direct obligations of the District, payable from an annual ad valorem tax levied, without legal limit as to maximum rate or amount, on all taxable property located within the District, as provided in the Order. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" herein. **The Bonds are not guaranteed by the State of Texas Permanent School Fund Guarantee Program.**

Optional Redemption

The District reserves the right, at its option, to redeem Bonds maturing on and after February 15, 2034, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2033, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the District may select the maturities of Bonds 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.

Mandatory Sinking Fund Redemption

The Bonds maturing on February 15, 2048 and February 15, 2053 (collectively, the "Term Bonds") are subject to mandatory redemption prior to maturity on February 15 in each of the years and respective principal amounts set forth below at a redemption price equal to 100% of the principal amount plus accrued interest to the date of redemption:

Term Bonds due February 15, 2048	
Redemption Date (February 15)	Principal Amount
2046	$7,955,000
2047	8,280,000
2048*	8,620,000

Term Bonds due February 15, 2053	
Redemption Date (February 15)	Principal Amount
2049	$8,970,000
2050	9,340,000
2051	9,720,000
2052	10,115,000
2053*	10,530,000

* Stated maturity.

The Paying Agent/Registrar will select by lot or by any other customary method that results in a random selection the specific Term Bonds (or with respect to Term Bonds having a denomination in excess of $5,000, each $5,000 portion thereof) to be redeemed by mandatory redemption. The principal amount of Term Bonds required to be redeemed on any redemption date pursuant to the foregoing mandatory sinking fund redemption provisions hereof shall be reduced, at the option of the District, by the principal amount of any Term Bonds which, at least forty-five (45) days prior to the mandatory sinking fund redemption date (i) shall have been acquired by the District and delivered to the Paying Agent/Registrar for cancellation or (ii) shall have been redeemed pursuant to the optional redemption provisions of the Order and not previously credited to a mandatory sinking fund redemption.

Notice of Redemption

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

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

The Paying Agent/Registrar and the District, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Order or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the District will reduce the outstanding principal amount of such Bonds held by DTC.

In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bonds from the beneficial owners.

Any such selection of Bonds to be redeemed will not be governed by the Order and will not be conducted by the District or the Paying Agent/Registrar. Neither the District nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants, or the persons for whom DTC participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Bonds for redemption (see "THE BONDS – Book-Entry-Only System").

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, interest and redemption payments on the Bonds are to be paid to and credited by DTC, while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District, the Financial Advisor, and the Underwriters (hereinafter defined) believe the source of such information to be reliable but take no responsibility for the accuracy or completeness thereof.

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

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered Bonds 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, 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"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

Principal, interest, and redemption payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on the 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, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest, and redemption payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

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

Paying Agent/Registrar

The initial Paying Agent/Registrar for the Bonds is Computershare Trust Company, N.A., Minneapolis, Minnesota. In the Order, the District retains the right to replace the Paying Agent/Registrar. The District covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the United States or any state and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Principal of the Bonds will be payable to the registered owner at maturity or prior redemption, as applicable, upon presentation at the principal office of the Paying Agent/Registrar. Interest on the Bonds will be payable by check, dated as of the interest payment date, and mailed by the Paying Agent/Registrar to registered owners as shown on the records of the Paying Agent/Registrar on the Record Date (see "THE BONDS – Record Date for Interest Payment" herein), or by 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 the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, legal holiday, or day on which banking institutions in the city where the Paying Agent/Registrar is located are 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 on which 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.

Transfer, Exchange and Registration

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

Record Date for Interest Payment

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

Bondholders' Remedies

The Order does not provide for the appointment of a trustee to represent the interests 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, in the event of any such failure to perform, the Bondholders would be responsible for the initiation and cost of any legal action to enforce performance of the Order. Furthermore, the Order does not establish specific events of default with respect to the Bonds and, under State law, there is no right to the acceleration of maturity of the Bonds upon the failure of the District to observe any covenant under the Order. A Bond holder could seek a judgment against the District if a default occurred in the payment of principal of or interest on any such Bonds; however, such judgment could not be satisfied by execution against any property of the District and a suit for monetary damages could be vulnerable to the defense of sovereign immunity. Chapter 1371, Texas Government Code ("Chapter 1371"), upon which the District is relying in its issuance of the Bonds, permits the District to waive sovereign immunity in the proceedings authorizing the Bonds. Notwithstanding its reliance upon the provisions of Chapter 1371 in connection with the issuance of the Bonds, the District has not waived the defense of sovereign immunity with respect thereto. Because it is unclear whether the Texas legislature has effectively waived the District's sovereign immunity from a suit for money damages outside of Chapter 1371, Bondholders may not be able to bring such a suit against the District for breach of the Bonds or Order covenants. A Bondholder's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the District to levy, assess and collect an annual ad valorem tax sufficient to pay principal of and interest on the Bonds as it becomes due or perform other material terms and covenants contained in the Order. In general, Texas courts have held that a writ of mandamus may be issued to require a public official to perform legally imposed ministerial duties necessary for the performance of a valid contract, and Texas law provides that, following their approval by the Attorney General and issuance, the Bonds are valid and binding obligations for all purposes according to their terms. However, the enforcement of any such remedy may be difficult and time consuming and a Bond holder could be required to enforce such remedy on a periodic basis.

The District is also 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 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. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Order and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors, including rights afforded to creditors under the Bankruptcy Code.

Defeasance

The District reserves the right to redeem or defease the Bonds in any manner now or hereafter permitted by law. Under current Texas law, the District may deposit with the Registrar or with the Comptroller of the State of Texas either: (a) cash in an amount equal to the principal amount of and interest thereon to the date of maturity; or (b) pursuant to an escrow or trust agreement, cash and/or (i) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America; or (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the Board approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent and the principal of and interest on which will, when due or redeemable at the option of the holder, without further investment or reinvestment of either the principal amount thereof or the interest earnings thereon, provide money in an amount which, together with other moneys, if any, held in such escrow at the same time and available for such purpose, shall be sufficient to provide for the timely payment of the principal of and interest thereon to the date of maturity or earlier redemption; provided, however, that if any of the Bonds are to be redeemed prior to their respective dates of maturity, provision shall be made for the giving of notice of redemption as provided in the Order. Any surplus amount not required to accomplish such defeasance shall be returned to the District.

Upon such deposit as described above, such Bonds 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 have been made as described above, all rights of the District to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorize.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at https://www.spglobal.com/en/. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of September 30, 2022 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $512.5 million, $195.6 million and $316.9 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions. BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at www.buildamerica.com/videos. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at www.buildamerica.com/credit-profiles. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

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

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

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

Possible Effects of Changes in Law on District Bonds

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

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

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

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

Overview

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

Local funding is derived from collections of ad valorem taxes levied on property located within each school district's boundaries. School districts are authorized to levy two types of property taxes: a maintenance and operations ("M&O") tax to pay current expenses and an interest and sinking fund ("I&S") tax to pay debt service on bonds. A school district may not levy an M&O tax rate for the purpose of creating a surplus in M&O tax revenue for the purpose of paying the district's debt service. 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. 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.

Local Funding for School Districts

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

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

Maximum Compressed Tax Rate. The Maximum Compressed Tax Rate (the "MCR") is the tax rate per $100 of valuation of taxable property at which a school district must levy its Tier One Tax Rate to receive the full amount of the Tier One funding to which the school district is entitled. The MCR is equal to the lesser of two alternative calculations: (1) the "State Compression Percentage" (as discussed above) multiplied by 100; or (2) a percentage determined by formula if the school district experienced a year-over-year increase in property value of at least 2.5% (if the increase in property value is less than 2.5%, then MCR is equal to the prior year MCR). However, each year the TEA shall evaluate the MCR for each school district in the State, and for any given year, if a school district's MCR is calculated to be less than 90% of any other school district's MCR for the current year, then the school district's MCR is instead equal to the maximum statewide MCR multipled 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 Texas Legislative Session, a provision of the general appropriations act reduced the maximum MCR for the 2022-2023 school year. It established $0.8941 as the maximum rate and $0.8046 as the floor.

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

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

School districts may levy an Enrichment Tax Rate at a level of their choice, subject to the limitations described under "TAX RATE LIMITATIONS – Public Hearing and Voter-Approval Tax Rate"; however to levy any of the Enrichment Tax Rate in a given year, a school district must levy a Tier One Tax Rate equal to the school district's MCR for such year. Additionally, a school district's levy of Copper Pennies is subject to compression if the guaranteed yield (i.e., the guaranteed level of local tax revenue and State aid generated for each cent of tax effort) of Copper Pennies is increased from one year to the next (see "– 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 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 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,(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 compensation incentive allotment to increase teacher retention in disadvantaged or rural school districts. A school district's total Tier One funding less certain additional allotments 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.

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

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

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

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

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

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

Tax Rate and Funding Equity

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

Furthermore, "property-wealthy" school districts that received additional State funds under the 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. Additionally, school districts and open-enrollment charter schools are entitled to receive an allotment in the form of a formula transition grant, but they will not be entitled to an allotment beginning with the 2024-2025 school year. This grant is meant to ensure a smooth transition into the funding formulas enacted by the 86th Texas Legislature. Furthermore, if the total amount of allotments to which school districts and open-enrollment charter schools are entitled for a school year exceeds $400 million, the Commissioner shall proportionately reduce each district's or school's allotment. The reduction in the amount to which a district or school is entitled may not result in an amount that is less than zero.

Local Revenue Level in Excess of Entitlement

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

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.

2023 Legislative Session

The 88th Texas Legislature commenced on January 10, 2023. The Legislature meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. During this time, the Legislature may enact laws that materially change current law as it relates to the funding of public schools, including the District. Such legislation may include legislation that modifies the process for setting school district tax rates or implements temporary tax relief measures.

During the 88th Texas Legislative Session, the Legislature will consider a general appropriations act and may consider legislation affecting the Finance System and ad valorem taxation procedures, among other legislation affecting school districts and the administrative agencies that oversee school districts. The District can make no representations or predictions regarding the scope of legislation that may be considered during the 88th Legislative Session or the potential impact of such legislation at this time.

THE SCHOOL FINANCE SYSTEM AS APPLIED TO THE DISTRICT

For the 2022-2023 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 local revenue levels must be tested for each future school year and, if local revenues exceed the district's entitlements, the district must reduce its wealth per student by the exercise of one of the permitted wealth equalization options. Accordingly, if the District's local revenues should exceed its entitlements in future school years, it will be required to exercise one or more of the permitted options to reduce local revenues.

If the District were to consolidate (or consolidate its tax base for all purposes) with a district not designated as an excess local revenue 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 an annexing district (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Revenue Level in Excess Entitlement" herein).

For the State fiscal year ending in 2023 (the 2022-2023 school year), the State Compression Percentage was set at 89.41% which means the maximum MCR for the 2022-2023 school year in the State is $0.8941 per $100 of assessed valuation. However, the local compression formula produced a lower MCR for the District, resulting in the application of a MCR of $0.8046 per $100 of taxable value for the 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 voters of the District at an election held on September 9, 1963 in accordance with the provision of Article 2784e-1, Texas Revised Civil Statutes Annotated, as amended.

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

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

I&S Tax Rate Limitations

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

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

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.

Beginning with the 2020 tax year, 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.

AD VALOREM TAX PROCEDURES

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. Reference is made to 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 Waller County and Harris Central Appraisal Districts (each an "Appraisal District" and collectively, the "Appraisal Districts"). Except as described below, each 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, each 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 each Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three 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 applicable 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 Districts are subject to review and change by the applicable Appraisal Review Board. The appraisal rolls, as approved by the applicable Appraisal Review Board, are used by taxing units, such as the District, in establishing their tax rolls and tax rates. See "AD VALOREM TAX PROCEDURES – 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, (2) a $10,000 exemption of the appraised value of the homesteads of persons 65 years of age or older and the disabled, and (3) various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

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

Local Option Homestead Exemptions

The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than $5,000) and (2) an additional exemption of at least $3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. See “THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT.” 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 or disabled.

On May 7, 2022, a constitutional amendment was approved by voters of the State authorizing the legislature to provide for the reduction of the amount of a limitation on the total amount of ad valorem taxes that may be imposed for general elementary and secondary public school purposes on the residence homestead of a person who is 65 years old or older or disabled to reflect any statutory reduction from the preceding tax year in the maximum compressed rate of the maintenance and operations taxes imposed for those purposes on the homestead, effective for the tax year beginning January 1, 2023.

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. 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.

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" and "AD VALOREM TAX PROCEDURES – District Application of Tax Code."

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." This program expired effective December 31, 2022.

For a discussion of how the various exemptions described above are applied by the District, see "AD VALOREM TAX PROCEDURES – District Application of Tax Code."

District and Taxpayer Remedies

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

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

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

Levy and Collection of Taxes

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

District's Rights in the Event of Tax Delinquencies

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

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

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

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

District Application of Tax Code

The District grants the State-mandated general residence homestead exemption of $40,000, and a $10,000 exemption to the market value of the residence homestead of persons 65 years of age or older as well as disabled persons. The District has not granted an additional exemption of 20% of the market value of residence homesteads. Ad valorem taxes are not levied by the District against the exempt value of residence homesteads for the payment of debt. The District has adopted the tax freeze for citizens who are disabled or are 65 years of age or older. The District does not tax nonbusiness personal property or freeport property. The District has not taken action to tax Goods-in-Transit. The District does not participate in any tax increment reinvestment zones and has not adopted a tax abatement policy.

The District collects its own taxes. The District permits partial payments on accounts but does not permit split payments, and discounts are not allowed.

EMPLOYEES' BENEFIT PLANS

Pension Funds

Pension funds for employees of Texas school districts, and any employee in public education in Texas, are administered by the Teacher Retirement System of Texas (the "System"). The individual employees contribute a fixed amount of their salary to the System, the District contributes at a rate determined by the State legislature, and the State contributes funds to the System based on statutory required minimum salary for certified personnel, except any District personnel paid by federally funded programs. For the year ended August 31, 2022, the State contributed $3,210,185 to the TRS on behalf of the District, District employees paid $4,932,574 and the District contributed $2,388,630. For more detailed information concerning the retirement plan, see "APPENDIX B – EXCERPTS FROM THE DISTRICT'S ANNUAL FINANCIAL REPORT" – Note 9.

In June 2012, Government Accounting Standards Board (GASB) Statement No. 68 (Accounting and Financial Reporting for Pensions) was issued to improve accounting and financial reporting by state and local governments regarding 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. This means that reporting entities, such as the District, that contribute to the TRS pension plan now report a liability on the face of their government-wide financial statements. GASB Statement No. 68 applies only to pension benefits and does not apply to Other Post-Employment Benefits (OPEB) or TRS-Care related liabilities.

Other Post-Employment Benefits

In addition to its participation in the TRS, the District contributes to the Texas Public School Retired Employees Group Insurance Program (the "TRS-Care Plan"), a cost-sharing multiple-employer defined OPEB health care plan. The TRS-Care Plan provides health care coverage for certain persons (and their dependents) who retired under the TRS. The TRS-Care Plan is administered through a trust by the TRS Board of Trustees. Contribution rates are legally established in state statute by the 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 the TRS-Care Plan is provided by retiree premium contributions and contributions from the State, active employees, and school districts based upon public school district payroll. For the year ended August 31, 2022, the State contributed $941,010 to the TRS-Care Plan on behalf of the District, District employees paid $400,768 and the District contributed $544,668. For more detailed information concerning the District's funding policy and contributions in connection with the TRS-Care Plan, see "APPENDIX B – EXCERPTS FROM THE DISTRICT'S ANNUAL FINANCIAL REPORT" – Note 10.

GASB Statement No. 75 requires reporting entities, such as the District, to recognize their proportionate share of the net OPEB liability in the TRS-Care Plan and a deferred outflow for the contributions made by the District subsequent to the measurement date in the Statement of Net Position, a government-wide financial statement. As of August 31, 2022, the District's proportionate share of the net OPEB liability and deferred outflow for the contributions made by the District subsequent to the measurement date were $24,632,785 and $544,668, respectively. The calculation of OPEB contributions is unaffected by the change. Such reporting began with the District's fiscal year ended August 31, 2018. To date, the District has met all funding requirements of the TRS-Care Plan.

FINANCIAL POLICIES

Basis of Accounting. 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 *Statement of Auditing Standards No. 69* of the American Institute of Certified Public Accountants. Additionally, the District complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* ("FASRG") and the requirements of contracts and grants of agencies from which it receives funds.

General Fund. The General Fund is used to account for financial resources used for general operations. Any fund balances are considered resources available for current operations. All general tax revenues and other receipts that are not allocated by law or contractual agreement to other fund are accounted for in this fund.

Debt Service Fund. The Debt Service Fund is used to account for revenues collected to pay interest and related costs and to retire long-term debt.

Special Revenue Funds. Special Revenue Funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund. Generally, unused balances are returned to the grantor at the close of specified project periods.

Budgetary Procedures. The Board adopts an "appropriated budget" for the General Fund, Debt Service Fund, and the Special Revenue Funds, which is included in the Special Revenue Funds. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budgeted to actual revenues and expenditures. For each of the funds for which a formal budget is adopted, the same basis of accounting is used to reflect actual revenues and expenditures recognized on the basis of generally accepted accounting principles.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either canceled or appropriately provided for the subsequent year's budget.

The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements:

1. Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning September 1.

2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.

3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approved of a majority of the members of the Board. Amendments are presented to the Board at its regular meeting. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year and are reflected in the official minutes of the Board.

INVESTMENTS

The District invests its investable funds in investments authorized by Texas law in accordance with investment policies approved by the Board. Both State law and the District's investment policies are subject to change. See Table 14 in "APPENDIX A – FINANCIAL INFORMATION REGARDING THE DISTRICT" for a description of the District's investments as of November 30, 2022.

Legal Investments

Under State law, the District is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations 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 of the District or designated investment committee of the District 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 District'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 the District's custodian of the banking deposits issued for the District's 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 SEC Rule 15c3-3; (9) (i) certificates of deposit or share certificates meeting the requirements of Chapter 2256, Texas Government Code (the "Public Funds Investment Act"), 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), Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to SEC 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 as defined in the Public Funds Investment Act, that have a defined termination date, are secured by a combination of cash and obligations described in clauses (1) or (13) in this paragraph, 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) 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) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name 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; and (iv) the agreement to lend securities has a term of one year or less; (12) certain bankers' acceptances with stated maturity of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated not less than "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (13) commercial paper with a stated maturity of 365 days or less that is rated not less than "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; (14) 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 SEC 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.); and (15) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and have either (a) a duration of one year or more and invest exclusively in obligations described in 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. In addition, bond proceeds may be invested in 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.

A political subdivision such as the District may enter into 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) above, other than the prohibited obligations described below, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name 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; and (iv) the agreement to lend securities has a term of one year or less.

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAA" 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.

In addition to authorized investments described above, the Texas law provides that the District may invest in corporate bonds that, at the time of purchase, are rated by a nationally recognized investment rating firm "AA-" or the equivalent and have a stated final maturity that is not later than the third anniversary of the date the corporate bonds were purchased. As used herein, corporate bond means 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, and does not include unsecured debt obligations or debt obligations that, on conversion, would result in the holder becoming a stockholder or shareholder in the entity that issued the debt obligation. The District may not (1) invest in the aggregate more than 15% of its monthly average fund balance, excluding 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 investment officer of the District must sell any corporate bonds not later than seven days after a nationally recognized investment rating firm (1) issues a release that places the corporate bonds or the entity that issued the corporate bonds on negative credit watch or the equivalent, if the corporate bonds are rated "AA-" or the equivalent at the time the release is issued; or (2) changes the rating on the corporate bonds to a rating lower than "AA-" or the equivalent. The District may invest its funds in corporate bonds only if the Board of Trustees of the District (1) amends its investment policy to authorize corporate bonds as an eligible investment; (2) adopts procedures to provide for the monitoring of rating changes in corporate bonds and liquidating the investment in corporate bonds; and (3) identifies the funds eligible to be invested in corporate bonds. The District has taken these steps to authorize the investment of District funds in corporate bonds.

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

Under Texas law, 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, and any additions and changes to market value and the ending value 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) Texas law. No person may invest District funds without express written authority from the Board.

Additional Provisions

Under Texas law, the District is additionally required to: (1) annually review its adopted policies and strategies, (2) require any investment officers with personal business relationships or family relationships with firms seeking to sell securities to the District to disclose the relationship and file a statement with the Texas Ethics Commission and the District, (3) require the registered principal of firms seeking to sell securities to the District to: (a) receive and review the District's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) 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, (5) 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 repurchase agreement, (6) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the District's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, (7) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements and (8) provide specific investment training for the Treasurer, the chief financial officer (if not the Treasurer) and the investment officer.

INFECTIOUS DISEASE OUTBREAK – COVID-19

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

On March 13, 2020, the Governor declared a state of disaster for all counties in the State in response to the Pandemic. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting State business or any order or rule of a State agency (including TEA) that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. Under executive orders of the Governor in effect as of the date of this Official Statement, there are no COVID-19 related operating limits for any business or other establishment. The Governor retains the right to impose additional restrictions on activities.

Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at https://gov.texas.gov/. Neither the information on (nor accessed through) such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

During the 2021-2022 school year, District funding generally returned to ADA-based funding. Pursuant to Texas Education Code, §25.081(b), the State Commissioner of Education approved a reduction in the minimum number of required minutes of operation for all school districts during the first through fourth six-week attendance reporting periods of the 2021–2022 school year. This adjustment ensured stabilized percentage attendance rates comparable to a more typical school year, rather than the low percentage attendance rates caused by the ongoing COVID-19 pandemic. This was a one-time adjustment for 2021-2022 school year offered solely for funding purposes. The funding adjustment did not relieve districts from the statutory operational minutes requirement to operate schools and make schools available for students to attend in person. This adjustment did not hold a district harmless for losses of ADA due to enrollment declines. The District benefited by approximately $2 million in ADA funding from the reduction in the required minutes of operation. The return to funding based on actual attendance as districts transition back from Pandemic operations may have a negative impact on revenues available to districts for operations and maintenance.

In 2020 and 2021, Congress passed three stimulus bills, the Elementary and Secondary Emergency Education Relief Fund ("ESSER I"), the Elementary and Secondary School Emergency Relief Fund ("ESSER II") and the American Rescue Plan Elementary and Secondary School Emergency Relief Fund ("ESSER III"), that provided funding focused on school districts reopening and operating safely, as well as, addressing the impact of the coronavirus pandemic on students. The District was allocated ESSER I funding in the amount of $983,086, ESSER II funding in the amount of $4,399,198, and ESSER III funding in the amount of $9,883,165.

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 continued outbreak of COVID-19 could have an adverse effect on the District's operations and financial condition or its ratings. See "OTHER INFORMATION – Ratings."

The Pandemic negatively affected travel, commerce, and financial markets globally, and may continue to negatively affect economic growth and financial markets worldwide. While the District has experienced growth in its taxable assessed valuation during the Pandemic, a continuation of the Pandemic and the economic impact of the Pandemic could reduce or negatively affect property values within the District in the future. With the changes made to the Finance System in HB3, school funding is increasingly tied to ADA. As a result, student enrollment will be an important factor for M&O funding for the District going forward. The District experienced an increase in student enrollment during the Pandemic. District enrollment was 7,403 in the 2018/2019 school year 2018/19; 7,729 in the 2019/2020 school year; 7,762 in the 2020/2021 school year; and 8,386 in the 2021/2022 school year. See "APPENDIX A – FINANCIAL INFORMATION REGARDING THE DISTRICT." The Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes.

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

EXPOSURE TO OIL AND GAS INDUSTRY

In the past, the greater Houston area has been affected by adverse conditions in the oil and gas industry when they arise. Adverse conditions in the oil and gas industry and spillover effects into other industries could adversely impact the businesses of ad valorem property taxpayers and the property values in the District, resulting in a reduction in property tax revenue. 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. Reductions in oil and gas revenues may also have an adverse effect on State revenues available during the next biennium, which may impact how the State funds education.

WEATHER EVENTS

The District is located near the Texas Gulf Coast. Land and improvements thereon located in this area are susceptible to high winds, heavy rain and flooding caused by hurricanes, tropical storms, and other tropical disturbances. The greater Houston area, including the District, has experienced multiple storms exceeding a 0.2% probability (i.e. "500-year flood" event) since 2015. Several of these storms, including Hurricane Harvey, resulted in damages to District facilities or damages to residential and commercial properties in the District that comprise the District's ad valorem tax base. If a future weather event significantly damaged all or part of the properties comprising the tax base within the District, the assessed value of property within the District could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase the District's tax rate. Texas law allows school districts to increase property tax rates without voter approval upon the occurrence of certain disasters such as floods and upon a gubernatorial or presidential declaration of disaster. See "TAX RATE LIMITATIONS – Public Hearing and Voter-Approval Tax Rate." There can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood or other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District could be adversely affected.

In February 2021, much of Texas, including the District, was impacted by Winter Storm Uri. The District experienced historically low temperatures, ice and snow, and extended power outages. The District sustained damage to multiple campuses and support buildings. The District incurred $2,251,647 of costs due to emergency preparedness measures in advance of the storm as well as recovery and repair following the storm. All costs incurred, less a deductible of $5,000, have been reimbursed from insurance proceeds.

CYBERSECURITY

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

TAX EXEMPTION

Opinion of Bond Counsel

In the opinion of Bond Counsel, under current law, interest on the Bonds (a) is not included in gross income for federal income tax purposes, (b) is not an item of tax preference for purposes of the federal alternative minimum tax, and (c) is taken into account in determining adjusted financial statement income for applicable corporations (as defined in Section 59(k) of the Code) for the alternative minimum tax imposed on such corporations. Except as described in the Section herein "Designation for Purchase by Financial Institutions," no other opinion is expressed by Bond Counsel regarding the tax consequences of the ownership of or the receipt or accrual of interest on the Bonds.

Bond Counsel's opinion is given in reliance upon certifications by representatives of the District as to certain facts relevant to both the opinion and requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and is subject to the condition that there is compliance subsequent to the issuance of the Bonds with all requirements of the Code that must be satisfied in order for interest thereon to remain excludable from gross income for federal income tax purposes. The District has covenanted to comply with the current provisions of the Code regarding, among other matters, certain tax-exempt obligations, the use, expenditure and investment of the proceeds of the Bonds and the timely payment to the United States of any arbitrage rebate amounts with respect to the Bonds. Failure by the District to comply with such covenants, among other things, could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to their date of issue. The District may in its discretion, but has not covenanted to, take any and all such actions as may be required by future changes in the Code and applicable regulations in order that interest on the Bonds remain excludable from gross income for federal income tax purposes.

Customary practice in the giving of legal opinions includes not detailing in the opinion all the assumptions, limitations and exclusions that are a part of the conclusions therein. See "Statement on the Role of Customary Practice in the Preparation and Understanding of Third-Party Legal Opinions", 63 Bus. Law. 1277 (2008)" and "Legal Opinion Principles", 53 Bus. Law. 831 (May 1998), updated by "Statement of Opinion Practices", 74 Bus. Law. 801, 807 (2019). Purchasers of the Bonds should seek advice or counsel concerning such matters as they deem prudent in connection with their purchase of Bonds.

Bond Counsel's opinion represents its legal judgment based in part upon the representations and covenants referenced therein and its review of current law, but is not a guarantee of result or binding on the Internal Revenue Service (the "Service") or the courts. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may come to Bond Counsel's attention after the date of its opinion or to reflect any changes in law or the interpretation thereof that may occur or become effective after such date.

Alternative Minimum Tax

Individuals. Bond Counsel's opinion states that under current law interest on the Bonds is not an item of preference and is not subject to the alternative minimum tax on individuals.

Applicable Corporations. Bond Counsel's opinion also states that under current law interest on the Bonds is taken into account in determining adjusted financial statement income for applicable corporations (as defined in Section 59(k) of the Code) for the alternative minimum tax imposed on such corporations. Under current law, an "applicable corporation" generally is a corporation with average annual adjusted financial statement income for a 3-taxable-year period ending after December 31, 2021, that exceeds $1 billion.

Other Tax Matters

In addition to the matters addressed above, prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including without limitation financial institutions, property and casualty insurance companies, S corporations, foreign corporations subject to the branch profits tax, recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to the applicability and impact of such consequences.

Prospective purchasers of the Bonds should consult their own tax advisors as to the status of interest on the Bonds under the tax laws of any state, local, or foreign jurisdiction.

The Service has a program to audit state and local government obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the Service does audit the Bonds, under current Service procedures, the Service will treat the District as the taxpayer and the owners of the Bonds will have only limited rights, if any, to participate.

There are many events that could affect the value and liquidity or marketability of the Bonds after their issuance, including but not limited to public knowledge of an audit of the Bonds by the Service, a general change in interest rates for comparable securities, a change in federal or state income tax rates, federal or state legislative or regulatory proposals affecting state and local government securities and changes in judicial interpretation of existing law. In addition, certain tax considerations relevant to owners of Bonds who purchase Bonds after their issuance may be different from those relevant to purchasers upon issuance. Neither the opinion of Bond Counsel nor this Official Statement purports to address the likelihood or effect of any such potential events or such other tax considerations and purchasers of the Bonds should seek advice concerning such matters as they deem prudent in connection with their purchase of Bonds.

Original Issue Discount

Some of the Bonds may be sold at initial sale prices that are less than their respective stated redemption prices payable at maturity (collectively, the "Discount Bonds"). The excess of (i) the stated redemption price at maturity of each maturity of the Discount Bonds, over (ii) the initial offering price to the public (excluding bond houses and brokers) at which a substantial amount of each maturity of the Discount Bonds is sold will constitute original issue discount. Original issue discount will accrue for federal income tax purposes on a constant-yield-to-maturity method based on regular compounding; and a holder's basis in such a Bond will be increased by the amount of original issue discount treated for federal income tax purposes as having accrued on the Bond while the holder holds the Bond.

Under the Code, for purposes of determining a holder's adjusted basis in a Discount Bond, original issue discount treated as having accrued while the holder holds the Bond will be added to the holder's basis. Original issue discount will accrue on a constant-yield-to-maturity method based on semiannual compounding. The adjusted basis will be used to determine taxable gain or loss upon the sale or other disposition (including redemption or payment at maturity) of a Discount Bond.

Prospective purchasers of Discount Bonds should consult their own tax advisors as to the calculation of accrued original issue discount and the state and local tax consequences of owning or disposing of such Bonds.

Bond Premium

Bonds purchased, whether upon issuance or otherwise, for an amount (excluding any amount attributable to accrued interest) in excess of their principal amount will be treated for federal income tax purposes as having amortizable bond premium. A holder's basis in such a Bond must be reduced by the amount of premium which accrues while such Bond is held by the holder. No deduction for such amount will be allowed, but it generally will offset interest on the Bonds while so held. Purchasers of such Bonds should consult their own tax advisors as to the calculation, accrual and treatment of amortizable bond premium and the state and local tax consequences of holding such Bonds.

CONTINUING DISCLOSURE OF INFORMATION

In the Order, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the MSRB. This information will be available free of charge from the MSRB via EMMA system at www.emma.msrb.org.

Annual Reports

The District will provide annually to the MSRB, within six (6) months after the end of each fiscal year of the District ending in and after 2023, (1) all quantitative financial information and operating data with respect to the District of the general type included in the Official Statement in APPENDIX A – Tables 1 through 6 and Tables 8 through 14, and including financial statements of the District, if audited financial statements of the District are then available, and (2) if not provided as part of such financial information and operating data, audited financial statements of the District, when and if available. Any financial statements so to be provided shall be (i) prepared in accordance with the accounting principles prescribed by the Texas State Board of Education or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation and (ii) audited, if the District commissions an audit of such statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within six (6) months after any such fiscal year end, then the District shall file unaudited financial statements within such 6-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 United States Securities and Exchange Commission Rule 15c2-12 ("Rule 15c2-12").

The District's current fiscal year end is August 31. Accordingly, it must provide updated information by the last day of February in each year following the end of its fiscal year, unless the District changes its fiscal year. If the District changes its fiscal year, it will submit a notice of such change to the MSRB, and the date of the new fiscal year end prior to the next date by which the District otherwise would be required to provide financial information and operating data.

Event Notices

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

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

The term “Financial Obligation” shall mean, for purposes of the events in clauses (15) and (16), a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing, or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “Financial Obligation” shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in Rule 15c2-12) has been provided to the MSRB consistent with Rule 15c2-12. The District intends to comply with the events in clauses (15) and (16), and the definition of “Financial Obligation,” with reference to Rule 15c2-12, any other applicable federal securities laws, and the guidance provided by the Commission in Release No. 34-83885 dated August 20, 2018 (the “2018 Release”), and any further amendments or written guidance provided by the Commission or its staff with respect to the amendments to Rule 15c2-12 effected by the 2018 Release.

All documents provided to the MSRB shall be accompanied by identifying information, as prescribed by the MSRB.

Limitations and Amendments

The District has agreed to update information and to provide notices of material events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell the Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders and beneficial owners of the Bonds may seek a writ of mandamus to compel the District to comply with its agreement. Nothing in this paragraph is intended or shall act to disclaim, waive or limit the District’s duties under federal or state securities laws.

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 since such offering as well as such changed circumstances and (2) either (a) the Bondholders of a majority in aggregate principal 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 Bondholders 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, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the District amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

Compliance with Prior Undertakings

During the last five (5) years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with Rule 15c2-12.

OTHER INFORMATION

Ratings

It is expected that S&P Global Ratings, a division of S&P Global Inc. ("S&P"), will assign its municipal bond rating of "AA" (stable outlook) to the Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by BAM. The Bonds and the presently outstanding tax supported debt of the District are rated "A1" (negative outlook) and "A+" by Moody's Investors Service, Inc. ("Moody's") and S&P, respectively, without regard to credit enhancement. The District has other issues outstanding that are rated "Aaa" and "AAA" by Moody's and S&P, respectively, by virtue of the guarantee of the Permanent School Fund of the State of Texas. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the views of such organizations and the District makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both of such companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

No Litigation Certificate

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 said Bonds.

Legal Investments and Eligibility to Secure Public Funds in Texas

Under the Texas Public Security Procedures Act (Texas Government Code, Chapter 1201), the Bonds (1) are negotiable instruments, (2) are investment securities to which Chapter 8 of the Texas Uniform Commercial Code applies, and (3) are legal and authorized investments for (A) an insurance company, (B) a fiduciary or trustee, or (C) a sinking fund of a municipality or other political subdivision or public agency of the State. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the Bonds may have to be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency before such Bonds are eligible investments for sinking funds and other public funds. See "OTHER INFORMATION - Ratings" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least $1 million of capital and savings and loan associations.

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

Registration and Qualification of Bonds for Sale

No registration statement relating to the Bonds has been filed with the SEC under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been 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 other jurisdiction in which the Bonds may be offered, sold, or otherwise transferred. This disclaimer of responsibility for registration and 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 in such other jurisdictions.

Legal Matters

The District will furnish a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinions of the Attorney General of the State of Texas to the effect that the Bonds are valid and legally binding obligations of the District, and based upon examination of such transcript of proceedings, the legal opinion of Hunton Andrews Kurth LLP, Houston, Texas, Bond Counsel, with respect to the Bonds being issued in compliance with the provisions of applicable law and the opinion of Bond Counsel that the interest on the Bonds being excludable from gross income for purposes of federal income tax. The Form of Bond Counsel's Opinion is attached hereto as "APPENDIX C – FORM OF BOND COUNSEL'S OPINION."

Bond Counsel did not take part in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein, except that, in its capacity as Bond Counsel, such firm has reviewed the statements and information under the captions and subcaptions "THE BONDS" (except for the information under the subcaptions "Book-Entry-Only System" and "Bondholders' Remedies," as to which no opinion need be expressed), and "CONTINUING DISCLOSURE OF INFORMATION" (except for the information under the subcaption "Compliance with Prior Undertakings," as to which no opinion need be expressed), and such firm is of the opinion that the statements and information contained therein fairly and accurately reflect the provisions of the Order; further, Bond Counsel has reviewed the statements and information contained in this Official Statement under the captions and subcaptions "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS," "CURRENT PUBLIC SCHOOL FINANCE SYSTEM," "TAX RATE LIMITATIONS," "TAX EXEMPTION," and "OTHER INFORMATION – Registration and Qualification of Bonds for Sale," "– Legal Investments and Eligibility to Secure Public Funds in Texas" and "– Legal Matters" (except for the last paragraph as to which no opinion need be expressed), and Bond Counsel is of the opinion that the statements and information contained therein are correct as to matters of law.

The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed upon for the Underwriters by their counsel, Bracewell LLP, Houston, Texas. The legal fee of such firm is contingent upon the sale and delivery of the Bonds. The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Financial Advisor

In its role as Financial Advisor, Post Oak Municipal Advisors LLC has relied on the District for certain information concerning the District and the Bonds. The fee of the Financial Advisor for services with respect to the Bonds is contingent upon 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.

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

Underwriting

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the District at a price of $179,531,673.66 (representing the principal amount of the Bonds, plus a net premium in the amount of $11,172,133.10, less an underwriting discount of $840,459.44). The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds, and such public offering prices may be changed, from time to time, by the Underwriters.

Additionally, the Underwriters may receive additional compensation from the District for additional services rendered including but not limited to the provision of certain investment services either directly or through a subsidiary.

The Underwriters have reviewed the information in this Official Statement in accordance with and as part of to 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.

One of the Underwriters is BOK Financial Securities, Inc., which is not a bank, and the Bonds are not deposits of any bank and are not insured by the Federal Deposit Insurance Corporation.

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. The District's actual results could differ materially from those discussed in such forward-looking statements.

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

Use of Audited Financial Statements

Whitley Penn, L.L.P., the District's independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein as "APPENDIX B – EXCERPTS FROM THE DISTRICT'S ANNUAL FINANCIAL REPORT," any procedures on any other financial information of the District, including without limitation any of the information contained in this Official Statement.

Miscellaneous

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

Concluding Statement

The information set forth herein has been obtained from the District's records, audited financial statements, and other sources which are considered to be reliable. There is no guarantee that any of 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. The Order authorizing the issuance of the Bonds also approves the form and content of this Official Statement and any addenda, supplement, or amendment thereto and authorizes its further use in the re-offering of the Bonds by the Underwriters. This Official Statement has been approved by the Board for distribution in accordance with the provisions of Rule 15c2-12, as amended.

/s/ *David Kaminski*
President, Board of Trustees
Waller Independent School District

ATTEST:

/s/ *William Warren*
Secretary, Board of Trustees
Waller Independent School District

APPENDIX A

FINANCIAL INFORMATION REGARDING THE DISTRICT

FINANCIAL INFORMATION REGARDING THE DISTRICT

TABLE 1 – VALUATION, EXEMPTIONS AND TAX SUPPORTED DEBT

2022/23 Market Valuation *(Excluding Fully Exempt Property)*		
Established by Waller County Appraisal District and Harris Central Appraisal District		$7,109,037,241
Less Exemptions/Reductions at 100% Market Value:		
Homestead - State Mandated General	($360,557,178)	
Homestead - 10% Appraisal Cap Loss	(293,264,869)	
Homestead - State Mandated Over 65 or Disabled	(30,016,493)	
Homestead - Disabled Veterans & Surviving Spouse	(42,189,868)	
Freeport Exemption	(215,969,281)	
Pollution Control Exemption	(18,924,382)	
Other Exemptions	(815,676)	
Net Value Loss Due to Freeze	(164,937,514)	(1,126,675,261)
2022/23 Taxable Assessed Valuation		$5,982,361,980
Debt Payable from Ad Valorem Taxes:		
Outstanding Unlimited Tax Bonds *(as of December 31, 2022)*	$366,040,000	
Plus: The Bonds	169,200,000	$535,240,000
Interest and Sinking Fund Balance *(as of August 31, 2022)*		$21,768,633
Ratio of Tax Supported Debt to Taxable Assessed Valuation		8.95% (1)
2022/23 Estimated Population		45,283 (2)
Per Capita Taxable Assessed Valuation		$132,111
Per Capita Debt Payable from Ad Valorem Taxes		$11,820 (1)
2022/23 Student Enrollment		8,845 (3)
Per Student Taxable Assessed Valuation		$676,355
Per Student Debt Payable from Ad Valorem Taxes		$60,513 (1)

(1) Includes the Bonds.

(2) Source: Municipal Advisory Council of Texas.

(3) Source: Texas Education Agency - Public Electronic Information Management System ("PEIMS").

TABLE 2 – TAXABLE ASSESSED VALUATIONS BY CATEGORY

Category	Taxable Assessed Value for Fiscal Year Ended August 31, 2023 Amount	2023 % of Total	2022 Amount	2022 % of Total	2021 Amount	2021 % of Total
Real, Residential, Single-family	$3,269,817,543	46.00%	$2,361,070,595	42.98%	$1,979,937,548	40.71%
Real, Residential, Multi-family	175,575,812	2.47%	161,406,102	2.94%	119,310,877	2.45%
Real, Vacant Platted Lots/Tracts	302,604,490	4.26%	216,152,775	3.93%	167,736,340	3.45%
Real, Acreage (Land Only)	142,917,640	2.01%	102,329,463	1.86%	75,361,634	1.55%
Real, Farm and Ranch Improvements	866,343,415	12.19%	737,388,865	13.42%	671,278,797	13.80%
Real, Commercial and Industrial	1,075,222,077	15.12%	845,135,546	15.38%	795,545,128	16.36%
Real, Oil, Gas and Other Minerals Reserves	1,840,120	0.03%	1,641,630	0.03%	1,693,130	0.03%
Real and Intangible Personal, Utilities	215,571,013	3.03%	187,014,167	3.40%	178,943,557	3.68%
Tangible Personal, Business	938,814,266	13.21%	797,339,166	14.51%	812,526,533	16.71%
Tangible Personal, Other	120,330,865	1.69%	83,871,048	1.53%	60,846,858	1.25%
Total Appraised Value Before Exemptions (1)	$7,109,037,241	100.00%	$5,493,349,357	100.00%	$4,863,180,402	100.00%
Less: Total Exemptions/Reductions	(1,126,675,261)		(720,175,916)		(912,081,470)	
Taxable Assessed Value	$5,982,361,980		$4,773,173,441		$3,951,098,932	

Category	Taxable Assessed Value for Fiscal Year Ended August 31, 2020 Amount	2020 % of Total	2019 Amount	2019 % of Total
Real, Residential, Single-family	$1,782,317,047	42.22%	$1,476,757,428	34.23%
Real, Residential, Multi-family	99,789,030	2.36%	58,449,461	1.35%
Real, Vacant Platted Lots/Tracts	148,905,508	3.53%	155,198,430	3.60%
Real, Acreage (Land Only)	54,721,005	1.30%	460,769,095	10.68%
Real, Farm and Ranch Improvements	559,542,854	13.26%	573,140,093	13.29%
Real, Commercial and Industrial	785,516,475	18.61%	736,147,627	17.06%
Real, Oil, Gas and Other Minerals Reserves	1,906,590	0.05%	1,867,850	0.04%
Real and Intangible Personal, Utilities	175,408,375	4.16%	135,202,061	3.13%
Tangible Personal, Business	577,450,455	13.68%	690,171,137	16.00%
Tangible Personal, Other	35,692,495	0.85%	26,331,740	0.61%
Total Appraised Value Before Exemptions (1)	$4,221,249,834	100.00%	$4,314,034,922	100.00%
Less: Total Exemptions/Reductions	(533,793,492)		(819,178,556)	
Taxable Assessed Value	$3,687,456,342		$3,494,856,366	

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

(1) Excludes fully exempt property.

TABLE 3 – VALUATION AND TAX SUPPORTED DEBT HISTORY

Fiscal Year Ended (8/31)	Estimated District Population (1)	Taxable Assessed Valuation (2)	Taxable Assessed Valuation Per Capita	Tax Supported Debt Outstanding at End of Year	Tax Supported Debt Per Capita	Ratio of Tax Supported Debt To Taxable Assessed Valuation
2019	45,298	$3,494,856,366	$77,153	$114,125,000	$2,519	3.27%
2020	40,725	3,687,456,342	90,545	314,855,000	7,731	8.54%
2021	41,901	3,951,098,932	94,296	377,370,000	9,006	9.55%
2022	44,388	4,773,173,441	107,533	366,040,000	8,246	7.67%
2023	45,283	5,982,361,980	132,111	527,905,000 (3)	11,658 (3)	8.82% (3)

(1) Source: Municipal Advisory Council of Texas.

(2) Established by the Waller County Appraisal District and the Harris Central Appraisal District. Subject to change during the ensuing year.

(3) Includes the Bonds.

TABLE 4 – TAX RATE, LEVY, AND COLLECTION HISTORY

Tax Year	Tax Rate	General Fund	Interest & Sinking Fund	Tax Levy	Collections [1] % Current	Collections [1] % Total	Fiscal Year Ending
2018	$1.44000	$1.04000	$0.40000	$50,105,274	97.28%	100.06%	8/31/2019
2019	1.37000	0.97000 [2]	0.40000	53,343,849	96.90%	99.25%	8/31/2020
2020	1.36640	0.96640 [2]	0.40000	57,898,933	97.07%	99.83%	8/31/2021
2021	1.32090	0.88090 [2]	0.44000	63,085,174	96.91%	99.42%	8/31/2022
2022	1.29460	0.85460 [2]	0.44000	80,663,214 [3]	---------- (In Process) ----------		8/31/2023

[1] Excludes penalties and interest.

[2] See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" for a discussion of the compression of maintenance and operations tax rates under HB 3.

[3] Source: The District's adopted budget for the 2022-23 fiscal year.

TABLE 5 – TEN LARGEST TAXPAYERS [1]

Name of Taxpayer	Nature of Property	2022/23 Taxable Assessed Valuation	% of Taxable Assessed Valuation [2]
BNP LLC	Industrial Manufacturing	$275,189,883	4.60%
Goodman Manufacturing Co.	Industrial Manufacturing	241,601,798	4.04%
DXC Technology Services Inc.	Technology	118,372,852	1.98%
Seaway Crude Pipeline LP	Oil & Gas Pipeline	84,773,820	1.42%
Bridgeland Development LP	Residential	69,784,350	1.17%
Flowchem LLP	Manufacturing	56,043,147	0.94%
Centerpoint Energy	Electric Utility/Power Plant	50,121,642	0.84%
Sealy Kickapoo Road LLC	Industrial Manufacturing	40,999,985	0.69%
LGI Homes Texas LLC	Residential	40,615,139	0.68%
PV Apartments Inc.	Residential	36,092,790	0.60%
			16.94%

[1] Source: The Waller County Appraisal District and the Harris Central Appraisal District.

[2] Approximately 17% of the District's taxable assessed valuation is concentrated in its ten largest taxpayers. Adverse development affecting such taxpayers could adversely affect the taxable assessed valuation in the District resulting in less local tax revenue or future increase in ad valorem tax rates.

TABLE 6 – TAX ADEQUACY

Principal and Interest Requirements (2022/23)	$ 24,644,973 [1]
$0.4162 Tax Rate on 2022/23 Taxable Assessed Valuation at 99% Collection Produces	$ 24,649,605 [2]
Maximum Principal and Interest Requirements (2028/29)	$ 32,553,800 [1]
$0.5497 Tax Rate on 2022/23 Taxable Assessed Valuation at 99% Collection Produces	$ 32,556,193 [2]
Average Principal and Interest Requirements (2022/23 – 2052/53)	$ 28,651,314 [1]
$0.4838 Tax Rate on 2022/23 Taxable Assessed Valuation at 99% Collection Produces	$ 28,653,241 [2]

[1] Includes the Bonds.

[2] Based on 2022/23 taxable assessed valuation of $5,982,361,980. The District may be required to use Tier One funds in order to demonstrate compliance with the 50-cent Test. See "TAX RATE LIMITATIONS - I&S Tax Rate Limitations."

TABLE 7 – ESTIMATED OVERLAPPING DEBT

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

Taxing Entity	Gross Tax Supported Debt	As of	Estimated Percent Overlapping	Overlapping Tax Supported Debt
Waller Independent School District	$535,240,000 [1]	12/31/2022	100.00%	$535,240,000
Bauer Landing WC&ID	17,030,000	12/31/2022	100.00%	17,030,000
Harris County	1,770,442,125	12/31/2022	0.40%	7,081,768
Harris County Department of Education	20,185,000	12/31/2022	0.40%	80,740
Harris County Flood Control District	797,615,000	12/31/2022	0.40%	3,190,460
Harris County Hospital District	76,385,000	12/31/2022	0.40%	305,540
Harris County Municipal Utility District No. 319	38,025,000	12/31/2022	100.00%	38,025,000
Harris County Municipal Utility District No. 405	2,660,000	12/31/2022	100.00%	2,660,000
Harris County Municipal Utility District No. 434	32,675,000	12/31/2022	100.00%	32,675,000
Harris County WC&ID No. 159	41,190,000	12/31/2022	0.12%	49,428
Northwest Freeway Municipal Utility District	8,380,000	12/31/2022	100.00%	8,380,000
Port of Houston Authority	445,749,397	12/31/2022	0.40%	1,782,998
Prairie View, City of	9,095,011	12/31/2022	100.00%	9,095,011
Waller County	47,572,000	12/31/2022	34.25%	16,293,410
Waller County Municipal Utility District No. 33	3,000,000	12/31/2022	100.00%	3,000,000
Waller, City of	18,960,000	12/31/2022	100.00%	18,960,000
Total Direct and Overlapping Debt				$693,849,355
Ratio of Total Direct and Overlapping Debt to 2022/23 Taxable Assessed Valuation				11.60%
Total Direct and Overlapping Debt per Capita				$15,323

Source: Municipal Advisory Council of Texas.

[1] Includes the Bonds.

TABLE 8 – TAX-SUPPORTED DEBT SERVICE REQUIREMENTS

Fiscal Year Ending (8/31)	Outstanding Debt Service	Plus: The Bonds Principal	Plus: The Bonds Interest	Plus: The Bonds Total	Total Debt Service
2023	$ 20,932,825	$ -	$ 3,712,148	$ 3,712,148	$ 24,644,973
2024	20,933,013	-	7,724,700	7,724,700	28,657,713
2025	20,630,650	-	7,724,700	7,724,700	28,355,350
2026	20,625,375	-	7,724,700	7,724,700	28,350,075
2027	20,613,725	3,095,000	7,647,325	10,742,325	31,356,050
2028	21,810,350	3,250,000	7,488,700	10,738,700	32,549,050
2029	21,811,850	3,420,000	7,321,950	10,741,950	32,553,800
2030	21,811,625	3,595,000	7,146,575	10,741,575	32,553,200
2031	21,809,625	3,780,000	6,962,200	10,742,200	32,551,825
2032	21,809,075	3,970,000	6,768,450	10,738,450	32,547,525
2033	21,806,150	4,175,000	6,564,825	10,739,825	32,545,975
2034	21,812,250	4,390,000	6,350,700	10,740,700	32,552,950
2035	21,811,950	4,615,000	6,125,575	10,740,575	32,552,525
2036	21,808,975	4,850,000	5,888,950	10,738,950	32,547,925
2037	21,808,900	5,100,000	5,640,200	10,740,200	32,549,100
2038	20,374,875	5,360,000	5,378,700	10,738,700	31,113,575
2039	20,374,750	5,635,000	5,103,825	10,738,825	31,113,575
2040	20,373,575	5,925,000	4,814,825	10,739,825	31,113,400
2041	20,375,350	6,230,000	4,510,950	10,740,950	31,116,300
2042	20,374,400	6,550,000	4,191,450	10,741,450	31,115,850
2043	20,371,850	6,885,000	3,855,575	10,740,575	31,112,425
2044	20,371,950	7,235,000	3,502,575	10,737,575	31,109,525
2045	20,374,811	7,610,000	3,131,450	10,741,450	31,116,261
2046	20,370,673	7,955,000	2,782,100	10,737,100	31,107,773
2047	16,532,011	8,280,000	2,457,400	10,737,400	27,269,411
2048	16,531,078	8,620,000	2,119,400	10,739,400	27,270,478
2049	16,531,955	8,970,000	1,767,600	10,737,600	27,269,555
2050	16,533,878	9,340,000	1,401,400	10,741,400	27,275,278
2051	-	9,720,000	1,020,200	10,740,200	10,740,200
2052	-	10,115,000	623,500	10,738,500	10,738,500
2053	-	10,530,000	210,600	10,740,600	10,740,600
	$ 571,327,493	$ 169,200,000	$ 147,663,248	$ 316,863,248	$ 888,190,740

TABLE 9 – INTEREST AND SINKING FUND BUDGET PROJECTION

Interest and Sinking Fund Balance, as of August 31, 2022	$21,768,633
Plus: 2022/23 Budgeted Interest and Sinking Fund Taxes - Current	26,012,622 (1)
Plus: 2022/23 Budgeted Interest and Sinking Fund Taxes - Delinquent	355,447 (1)
Plus: 2022/23 Budgeted Other Local Revenue	213,300 (1)
Plus: Capitalized Interest from the Bonds	3,712,148
Less: I&S Fund Tax Supported Debt Service Requirements, Fiscal Year Ending August 31, 2023	(24,644,973) (2)
Estimated Interest and Sinking Fund Balance, as of August 31, 2023	$27,417,177

(1) Source: The District's adopted budget for the 2022-23 fiscal year.
(2) Includes the Bonds.

TABLE 10 – AUTHORIZED BUT UNISSUED UNLIMITED TAX BONDS

Purpose	Date Authorized	Amount Authorized	Authorization Used to Date	Authorization Used This Issue (1)	Unused Authorization
School Buildings	11/8/2022	$363,471,018	$0	$175,000,000	$188,471,018

(1) Includes premium charged against voted authorization.

TABLE 11 – OTHER OBLIGATIONS

In fiscal year 2022, the District reported several leases in accordance with GASB Statement No. 87 Leases. The District is the lessee for copiers and postage machines. The District's incremental borrowing rate used to calculate the present value of the lease liability was 7.5% from the financial institution. The ending lease liability as of August 31, 2022 was $82,342. The District is required to make monthly payments of approximately $3,662. The copiers and postage machines have a three-to five-year useful life.

The future principal and interest lease payments as of August 31, 2022, were as follows:

Fiscal Year Ended (8/31)	Principal	Interest	Total
2023	$23,455	$5,380	$28,835
2024	25,276	3,559	28,835
2025	24,935	1,640	26,575
2026	8,113	320	8,433
2027	563	4	567
Total	$82,342	$10,903	$93,245

Source: The District's Annual Financial Report for the fiscal year ended August 31, 2022

TABLE 12 – GENERAL FUND REVENUE AND EXPENDITURE HISTORY

	Fiscal Year Ended August 31,				
	2022	2021	2020	2019	2018
Revenues:					
Local, Intermediate and Out-of-State	$ 46,686,753	$ 44,776,913	$ 38,187,460	$ 37,716,140	$ 32,972,213
State Program Revenues	36,644,274	33,081,256	33,185,121	29,314,108	31,308,435
Federal Program Revenues	4,064,373	1,704,934	886,691	953,658	1,077,853
Total Revenues	$ 87,395,400	$ 79,563,103	$ 72,259,272	$ 67,983,906	$ 65,358,501
Expenditures:					
Instruction	$ 45,863,800	$ 44,149,094	$ 47,658,235	$ 40,840,390	$ 38,144,048
Instruction Resources and Media Services	601,913	611,777	659,836	686,742	605,435
Curriculum and Instructional Staff Development	1,644,813	605,856	900,032	861,670	901,352
Instructional Leadership	1,332,308	2,418,616	2,243,187	2,214,207	2,127,833
School Leadership	3,910,984	3,818,723	4,201,253	4,172,969	3,761,898
Guidance, Counseling & Evaluation Services	2,918,962	2,865,241	2,927,606	2,783,260	2,191,593
Social Work Services	38,275	-	3,362	-	-
Health Services	490,721	402,450	399,616	455,299	430,019
Student Transportation	4,758,300	4,003,929	4,504,460	4,401,791	4,083,082
Extracurricular Activities	2,025,155	1,818,322	2,091,080	1,994,948	1,655,254
General Administration	2,921,814	3,004,853	3,124,108	2,944,217	2,663,331
Facilities Maintenance and Operations	7,070,927	7,203,690	6,392,665	6,696,688	7,157,093
Security and Monitoring Services	709,475	664,306	675,509	503,367	515,210
Data Processing Services	2,455,254	2,111,833	2,481,163	2,294,370	1,571,682
Community Services	3,531	61,158	69,845	75,845	68,377
Debt Service	28,269	-	-	-	-
Capital Outlay	11,494	-	131,359	1,252,580	2,407,059
Payments Related to Shared Services Agreements	180,718	-	-	-	-
Payments to Juvenile Justice Alt. Ed. Prgm.	3,994	-	-	-	-
Other Intergovernmental Charges	685,849	628,427	546,043	504,553	503,129
Total Expenditures	$ 77,656,556	$ 74,368,275	$ 79,009,359	$ 72,682,896	$ 68,786,395
Excess (Deficiency) of Revenues Over Expenditures	$ 9,738,844	$ 5,194,828	$ (6,750,087)	$ (4,698,990)	$ (3,427,894)
Other Financing Sources (Uses):					
Transfers In (Out)	$ -	$ -	$ 596,786	$ 31,464	$ -
Sale of Real or Personal Property	32,250	-	-	-	-
Proceeds from Leases	28,305	-	-	-	-
Property Tax Refunds	(163,961)	-	-	-	-
Other Resource	-	-	1,290,819	-	-
Total Other Financing Sources (Uses)	$ (103,406)	$ -	$ 1,887,605	$ 31,464	$ -
Special Items:					
Extraordinary Items (Source) - Disaster Recovery	$ 1,058,641	$ 1,188,006	$ -	$ -	$ -
Extraordinary Items (Use) - Disaster Recovery	(587,133)	(1,663,780)	-	-	-
Total Special Items	$ 471,508	$ (475,774)	$ -	$ -	$ -
Net Change in Fund Balance	$ 10,106,946 [(1)]	$ 4,719,054	$ (4,862,482) [(2)]	$ (4,667,526) [(2)]	$ (3,427,894) [(2)]
Beginning Fund Balance	9,674,259	4,955,205	9,817,687	14,485,213	17,913,107
Ending Fund Balance	$ 19,781,205	$ 9,674,259	$ 4,955,205	$ 9,817,687	$ 14,485,213

Source: The District's audited financial statements.

[(1)] A portion of the surplus being added to the general fund balance is attributable to the use of ESSER funding to offset eligible expenses in the general fund and one-time adjustments to State funding resulting from modifications made by TEA to stabilize attendance rates in light of the COVID-19 pandemic. For additional information, see "INFECTIOUS DISEASE OUTBREAK – COVID-19.".

[(2)] Fund balance declines in fiscal years 2018 through 2020 are attributed to reductions in federal and state funding and necessary expenditures related to the COVID-19 Pandemic.

TABLE 13 – DEBT SERVICE FUND REVENUE AND EXPENDITURE HISTORY

	Fiscal Year Ended August 31,				
	2022	2021	2020	2019	2018
Revenues:					
Local, Intermediate and Out-of-State	$ 22,669,133	$ 18,247,916	$ 15,740,638	$ 14,316,740	$ 12,444,309
State Program Revenues	93,637	109,726	122,867	145,312	188,811
Total Revenues	$ 22,762,770	$ 18,357,642	$ 15,863,505	$ 14,462,052	$ 12,633,120
Expenditures:					
Principal on Long-Term Debt	$ 11,330,000	$ 5,295,000	$ 5,075,000	$ 4,105,000	$ 4,000,000
Interest on Long-Term Debt	13,985,488	13,637,008	8,481,049	5,337,675	5,143,366
Bond Issuance Costs and Fees	68,453	6,173	5,731	34,351	16,050
Total Expenditures	$ 25,383,941	$ 18,938,181	$ 13,561,780	$ 9,477,026	$ 9,159,416
Excess (Deficiency) of Revenues Over Expenditures	$ (2,621,171)	$ (580,539)	$ 2,301,725	$ 4,985,026	$ 3,473,704
Other Financing Sources (Uses):					
Property Tax Refunds	$ (67,864)	$ -	$ -	$ -	$ -
Premium or Discount on Issuance of Bonds	-	3,007,275	8,004,406	-	-
Payment to Escrow Agent	-	-	-	(2,915,623)	(2,201,653)
Total Other Financing Sources (Uses)	$ (67,864)	$ 3,007,275	$ 8,004,406	$ (2,915,623)	$ (2,201,653)
Net Change in Fund Balance	$ (2,689,035)	$ 2,426,736	$ 10,306,131	$ 2,069,403	$ 1,272,051
Beginning Fund Balance	24,457,668	22,030,932	11,724,801	9,655,398	8,383,347
Ending Fund Balance	$ 21,768,633	$ 24,457,668	$ 22,030,932	$ 11,724,801	$ 9,655,398

Source: The District's audited financial statements.

TABLE 14 – CURRENT INVESTMENTS

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

Description	Book Value [1]	Market Value	Percent of Total Market Value
LoneStar Investment Pool	$ 77,984,274	$ 77,984,274	71.42%
Texas Class Investment Pool	20,075,206	20,075,206	18.39%
Bank Deposits	11,128,458	11,128,458	10.19%
	$ 109,187,938	$ 109,187,938	100.00%

[1] Unaudited.

APPENDIX B

EXCERPTS FROM THE DISTRICT'S ANNUAL FINANCIAL REPORT

For the Year Ended August 31, 2022

The information contained in this Appendix consists of excerpts from the Waller Independent School District Annual Financial Report for the Year Ended August 31, 2022, and is not intended to be a complete statement of the District's financial condition. Reference is made to the complete Report for further information.

The District has not requested Whitley Penn LLP, CPAs, to reissue its audited financial statements and Whitley Penn LLP, CPAs, has not performed any procedures in connection with the Official Statement.

Houston Office
3737 Buffalo Speedway
Suite 1600
Houston, Texas 77098
713.621.1515 Main

whitleypenn.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Waller Independent School District
Waller, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Waller Independent School District (the "District"), as of and for the year ended August 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the District, as of August 31, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining nonmajor fund financial statements, required Texas Education Agency (TEA) schedules, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

To the Board of Trustees
Waller Independent School District

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Schedule L-1 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Whitley Penn LLP

Houston, Texas
January 12, 2023

Waller
Independent School District

As management of the Waller Independent School District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended August 31, 2022.

Financial Highlights

The assets and deferred outflows of the District exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by $13,564,200 *(net position).* Of this amount, unrestricted net position amounted to a deficit of ($24,218,873). This deficit was caused by the net pension and net OPEB liabilities recognized in fiscal year 2022. This recognition of such liabilities does not affect the financial stability of the District nor does it change how the District conducts its financial decision making. Rather, the District is reflecting its portion of the liabilities that the State of Texas manages and operates.

- The District's total net position at year end increased by $5,167,495. The significant increase was mainly due to increase in property taxes, state aid, and charges for services.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of $114,323,970, a decrease of $88,078,240 in comparison with the prior year. This decrease is primarily due to increases in construction on bond projects and expenditures related to COVID-19.
- During the year, the District's revenues for governmental activities in the amount of $123,278,426 exceeded total expenses of $118,128,424 by $5,150,002 .
- The general fund reported a fund balance this year of $19,781,205. Of this amount, $19,407,981 is for unassigned use by the District.
- The District's total bonded debt decreased by $11,330,000 (3 percent) during the current fiscal year. There was a cash defeasance in the amount of $4,978,059 during fiscal year 2022. The par amount of the refunded bonds was $4,930,000 of Unlimited Tax Refunding Bonds, Series 2012 and Series 2013.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements include three components: (1) management's discussion and analysis (this section), (2) the basic financial statements, and (3) required supplementary information.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. They include the Statement of Net Position and the Statement of Activities that provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

The *Statement of Net Position* presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base.

The *Statement of Activities* presents information showing how the government's net position changed during the current fiscal year. All changes in net position are reported for all of the current year's revenues and expenses regardless of when cash is received or paid. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objects. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. The fund financial statements provide detailed information about the District's most significant funds, not the District as a whole.

- Some funds are required by State law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has the following kinds of funds:

Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains several individual governmental funds organized according to their type. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the District's most significant funds. The District's major governmental funds are the General Fund, Debt Service Fund, and Capital Projects Fund. Data for the remaining governmental funds are combined into a single, aggregated presentation.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. The Texas Education Agency also requires the District to present a budgetary comparison statement for one of its special revenue funds (child nutrition) and the debt service fund.

Proprietary funds

These funds include the enterprise fund. The District's vending machine fund activity is reported in the enterprise fund.

Fiduciary fund

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position on page 28 and Statement of Changes in Fiduciary Net Position on page 29.

Notes to the Financial Statements

The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 31 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. Required supplementary information can be found starting on page 60 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $13,564,200 at the close of the most recent fiscal year.

The largest portion of the District's net position $12,629,342 reflects its investment in capital assets (e.g., land, buildings and improvements, furniture and equipment, construction in progress), less any outstanding related debt used to acquire those assets. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

As of August 31, 2022 and 2021, the District's net position included the following:

Table I
Waller Independent School District
Comparative Schedule of Net Position
August 31, 2022 and 2021

	Governmental Activities			Business-Type Activities		
	2022	2021	Change	2022	2021	Change
Current and Other Assets	$ 148,748,310	$ 218,965,221	$ (70,216,911)	$ 1,069	$ (21,932)	$ 23,001
Capital Assets	348,415,156	269,388,276	79,026,880	-	-	-
Total Assets	497,163,466	488,353,497	8,809,969	1,069	(21,932)	23,001
Deferred Charge on Refunding	2,150,837	2,768,128	(617,291)	-	-	-
Deferred Outflow - Pension	9,263,062	12,395,947	(3,132,885)	-	-	-
Deferred Outflow - OPEB	9,970,601	9,807,493	163,108	-	-	-
Total Deferred Outflows	21,384,500	24,971,568	(3,587,068)	-	-	-
Long-Term Liabilities	444,541,378	470,848,794	(26,307,416)	-	-	-
Other Liabilities	30,306,174	13,059,171	17,247,003	6,971	1,463	5,508
Total Liabilities	474,847,552	483,907,965	(9,060,413)	6,971	1,463	5,508
Deferred Inflow - Pension	12,996,943	3,469,764	9,527,179	-	-	-
Deferred Inflow - OPEB	17,133,369	17,760,937	(627,568)	-	-	-
Total Deferred Inflows	30,130,312	21,230,701	8,899,611	-	-	-
Net Position						
Net Investment in Capital Assets	12,629,342	17,757,301	(5,127,959)	-	-	-
Restricted	25,153,731	26,296,466	(1,142,735)	-	-	-
Unrestricted	(24,212,971)	(35,867,368)	11,654,397	(5,902)	(23,395)	17,493
Total Net Position	$ 13,570,102	$ 8,186,399	$ 5,383,703	$ (5,902)	$ (23,395)	$ 17,493

Approximately $12.6 million of the District's net position represent investments in capital assets net of related debt.

Changes in net position. The District's total revenues for governmental activities were $123.3 million. A portion, 55 percent, of the District's revenue comes from local property taxes, 26 percent comes from state aid – formula grants, while 17 percent relates to charges for services and operating grants, and the remaining 2 percent relates to investment earnings and other miscellaneous revenue.

Total cost of all programs and services for governmental activities was $118,128,424. The net position of the District's governmental activities for the current year increased by $5,150,002 .

Key elements of the governmental activities of the District are reflected in the following table.

Table II
Waller Independent School District
Comparative Schedule of Changes in Net Position
For the Years Ended August 31, 2022 and 2021

	Governmental Activities			Business-Type Activities		
	2022	2021	Change	2022	2021	Change
Revenues						
Program Revenues:						
Charges for Services	$ 2,281,931	$ 681,916	$ 1,600,015	$ 101,825	$ 35,960	$ 65,865
Operating Grants and Contributions	18,832,459	19,472,017	(639,558)	-	-	-
General Revenues:						
Property Taxes	68,114,405	62,729,357	5,385,048	-	-	-
State Aid - Formula Grants	32,519,137	28,866,309	3,652,828	-	-	-
Grants and contributions not restricted	-	-	-	-	3,358	(3,358)
Interest Earnings	1,026,736	376,827	649,909	-	-	-
Miscellaneous	-	-	-	-	-	-
Extraordinary item - disaster recovery	471,508	1,188,006	(716,498)	-	-	-
Special item - gain on sale of asset	32,250	-	32,250	-	-	-
Total Revenues	123,278,426	113,314,432	9,963,994	101,825	39,318	62,507
Expenses						
Instruction	52,303,621	52,618,650	(315,029)	-	-	-
Instrucitonal Resources and Media	690,799	661,871	28,928	-	-	-
Curriculum and staff development	2,698,676	659,525	2,039,151	-	-	-
Instructional leadership	1,498,452	3,747,545	(2,249,093)	-	-	-
School leadership	4,106,239	4,151,422	(45,183)	-	-	-
Guidance, counseling, and evaluation services	4,049,718	4,521,962	(472,244)	-	-	-
Social work services	59,077	41,088	17,989	-	-	-
Health services	601,412	429,218	172,194	-	-	-
Student transportation	5,081,636	4,299,765	781,871	-	-	-
Food service	4,390,580	3,688,426	702,154	-	-	-
Extracurricular activities	2,743,224	1,956,153	787,071	-	-	-
General administration	3,017,238	3,405,038	(387,800)	-	-	-
Facilities maintenance and operations	7,755,223	7,114,444	640,779	-	-	-
Security and monitoring services	808,120	696,295	111,825	-	-	-
Data processing services	2,825,026	3,747,003	(921,977)	-	-	-
Community services	94,461	178,135	(83,674)	-	-	-
Interest on long-term debt	12,319,708	12,526,293	(206,585)	-	-	-
Bond issuance costs and fees	68,453	553,148	(484,695)	-	-	-
Facilities maintenance and repairs	12,146,200	198,786	11,947,414	-	-	-
Payments related to shared services	180,718	-	180,718	-	-	-
Payments to Juvenile Justice Alternative Education Programs	3,994	-	3,994	-	-	-
Other governmental charges	685,849	628,427	57,422	-	-	-
Vending	-	-	-	84,332	58,066	26,266
Total Expenses	118,128,424	105,823,194	12,305,230	84,332	58,066	26,266
Increase (Decrease) in Net Position	5,150,002	7,491,238	(2,341,236)	17,493	(18,548)	36,041
Net Position - Beginning, restated	8,186,399	695,161	7,491,238	(23,395)	(4,847)	(18,548)
Net Position - Ending	$ 13,570,102	$ 8,186,399	$ 5,383,703	$ (5,902)	$ (23,395)	$ 17,493

Financial Analysis of the District's Funds

As the District completed the year, its governmental funds (as presented starting on 18) reported a combined fund balance of $114.3 million, which is a decrease of $88.1 million from last year.

Over the course of the year, the Board of Trustees revised the District's budget a number of times. These budget items fall into three categories. The first category includes amendments and supplemental appropriations that were provided shortly after the school year began. The second category involved moving funds from program areas that did not need or use all of the resources originally appropriated to them. The third category involved changes in state program revenues.

General Fund Budgetary Highlights

There were budget amendments for the 2021-2022 school year required to meet various needs throughout the District approved by the Board of Trustees. Final amended budget for student transportation were higher than the original budget by $1.6 million primarily due to additional bus drivers along with increased overtime and fuel costs.

Capital Asset and Long-Term Debt Activity

Capital Assets

At August 31, 2022, the District had $348.4 million (net of depreciation and amortization) invested in a broad range of capital assets, including land, buildings, furniture and equipment, and right-to-use assets used for instruction, transportation, athletics, administration, and maintenance. This amount represents a net increase of $79,026,880 (including additions and deductions) over last year. Additional details on capital assets can be found in the notes to the financial statements.

	Governmental Activities	
	2022	**2021**
Land	$ 15,152,974	$ 15,152,974
Buildings and Improvements	342,303,798	175,183,286
Furniture and equipment	7,604,490	7,427,657
Vehicles	12,371,706	12,146,916
Right-to-use assets	103,721	-
Construction in Progress	34,326,882	119,613,832
Total	411,863,571	329,524,665
Accumulated Depreciation and Amortization		
Buildings and Improvements	(52,077,781)	(48,175,697)
Furniture and equipment	(3,461,129)	(3,546,364)
Vehicles	(7,885,314)	(8,414,328)
Right-to-use assets	(24,191)	-
Total Accumulated Depreciation and Amortization	(63,448,415)	(60,136,389)
Net Capital Assets	$ 348,415,156	$ 269,388,276

Long-Term Debt

At year-end, the District had $366.0 million in general obligation debt at a coupon interest rate of 2.0-5.0% outstanding. The District's general obligation bonds carried the highest possible rating, according to national rating agencies. Additional details on long-term debt can be found in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The District's elected and appointed officials considered many factors when setting the fiscal year 2022-2023 budget and tax rates. Some of these factors include the changing economy, the impact of the coronavirus pandemic, statewide safety and security concerns, an increase in enrollment, an increase in property values while property tax rates have decreased due to the tax relief imposed by the 86th and 87th Texas Legislative Sessions. The District's property values and student enrollment have steadily increased on average 14% and 4%, respectively, over the last 7 years creating a need for additional teaching staff, instructional support staff and related instructional resources. These factors along with the District's budget priorities of creating and offering a competitive compensation package for employees, maintaining existing facilities while keeping up with enrollment growth, and increasing general operating fund balance to stabilize the District's financial condition were taken into consideration when adopting the budget for 2022-2023. The District's general operating fund balance is expected to increase by at least $1 million by the close of 2022-2023 fiscal year.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances as well as demonstrate accountability for funds the District receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Audrey Ambridge, Chief Financial Officer, at (936) 931-0314.

BASIC FINANCIAL STATEMENTS

Waller
Independent School District

WALLER INDEPENDENT SCHOOL DISTRICT

Exhibit A-1

STATEMENT OF NET POSITION

August 31, 2022

Data Control Codes		Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total
	Assets			
1110	Cash and Cash Equivalents	$ 133,624,569	$ 1,069	$ 133,625,638
1120	Current Investments	2,183,433	-	2,183,433
1220	Property Taxes - Delinquent	4,800,778	-	4,800,778
1230	Allowance for Uncollectible Taxes	(83,890)	-	(83,890)
1240	Due from Other Governments	7,815,125	-	7,815,125
1290	Other Receivables, Net	6,180	-	6,180
1410	Prepaid Items	402,115	-	402,115
	Capital Assets Not Subject to Depreciation and Amortization:			
1510	Land	15,152,974	-	15,152,974
1580	Construction in Progress	34,326,882	-	34,326,882
	Capital Assets Net Of Depreciation and Amortization:			
1520	Buildings and Improvements, Net	290,226,017	-	290,226,017
1530	Furniture and Equipment, Net	8,629,753	-	8,629,753
1550	Right-to-use assets, net	79,530	-	79,530
1000	**Total Assets**	497,163,466	1,069	497,164,535
	Deferred Outflows Of Resources			
	Deferred Charge for Refunding	2,150,837	-	2,150,837
	Deferred Outflow Related to TRS Pension	9,263,062	-	9,263,062
	Deferred Outflow Related to TRS OPEB	9,970,601	-	9,970,601
1700	**Total Deferred Outflows of Resources**	21,384,500	-	21,384,500
	Liabilities			
2110	Accounts Payable	24,894,571	6,816	24,901,387
2140	Interest Payable	598,723	-	598,723
2160	Accrued Wages Payable	4,753,653	155	4,753,808
2180	Due to Other Governments	31,616	-	31,616
2300	Unearned Revenue	27,611	-	27,611
	Noncurrent Liabilities:			
2501	Due Within One Year	7,368,830	-	7,368,830
2502	Due in More Than One Year	400,499,952	-	400,499,952
2540	Net Pension Liability	12,039,811	-	12,039,811
2545	Net Other Post-Employment Benefits (OPEB) Liabilities	24,632,785	-	24,632,785
2000	**Total Liabilities**	474,847,552	6,971	474,854,523
	Deferred Inflows Of Resources			
	Deferred Inflows - Pension	12,996,943	-	12,996,943
	Deferred Outflows - OPEB	17,133,369	-	17,133,369
2600	**Total Deferred Inflows of Resources**	30,130,312	-	30,130,312
	Net Position			
3200	Net Investment in Capital Assets	12,629,342	-	12,629,342
	Restricted For:			
3820	Federal and State Programs	2,546,442	-	2,546,442
3850	Debt Service	22,607,289	-	22,607,289
3900	Unrestricted	(24,212,971)	(5,902)	(24,218,873)
3000	**Total Net Position**	$ 13,570,102	$ (5,902)	$ 13,564,200

WALLER INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended August 31, 2022

			Program Revenue	
Data Control Codes	Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions
	Primary government			
	Governmental activities:			
11	Instruction	$ 52,303,621	$ 768,905	$ 8,112,167
12	Instructional resources and media services	690,799	83,657	7,615
13	Curriculum and staff development	2,698,676	17,994	1,172,008
21	Instructional leadership	1,498,452	17,993	145,421
23	School leadership	4,106,239	44,982	50,703
31	Guidance, counseling, and evaluation services	4,049,718	35,986	1,219,530
32	Social work services	59,077	-	17,380
33	Health services	601,412	33,481	1,504,639
34	Student transportation	5,081,636	53,979	66,380
35	Food service	4,390,580	211,543	5,698,189
36	Extracurricular activities	2,743,224	798,380	(9,685)
41	General administration	3,017,238	35,986	849
51	Facilities maintenance and operations	7,755,223	143,060	429,389
52	Security and monitoring services	808,120	8,996	40,679
53	Data processing services	2,825,026	26,989	271,027
61	Community services	94,461	-	102,804
72	Interest on long-term debt	12,319,708	-	-
73	Bond issuance costs and fees	68,453	-	-
81	Facilities maintenance and repairs	12,146,200	-	3,364
93	Payments related to shared services arrangements	180,718	-	-
95	Payments to Juvenile Justice Alternative Education Programs	3,994	-	-
99	Intergovernmental charges	685,849	-	-
TG	**Total Governmental Activities**	118,128,424	2,281,931	18,832,459
	Business-type activities			
35	Vending	84,332	101,825	-
TB	**Total Business-Type Activities**	84,332	101,825	-
TP	**Total Primary Government**	$ 118,212,756	$ 2,383,756	$ 18,832,459

Data Control Codes	Functions/Programs	Net (Expense) Revenue and Changes in Net Position — Primary Government: Governmental Activities	Business-type Activities	Total
	Primary government			
	Governmental activities:			
11	Instruction	$ (43,422,549)	$ -	$ (43,422,549)
12	Instructional resources and media services	(599,527)	-	(599,527)
13	Curriculum and staff development	(1,508,674)	-	(1,508,674)
21	Instructional leadership	(1,335,038)	-	(1,335,038)
23	School leadership	(4,010,554)	-	(4,010,554)
31	Guidance, counseling, and evaluation services	(2,794,202)	-	(2,794,202)
32	Social work services	(41,697)	-	(41,697)
33	Health services	936,708	-	936,708
34	Student transportation	(4,961,277)	-	(4,961,277)
35	Food service	1,519,152	-	1,519,152
36	Extracurricular activities	(1,954,529)	-	(1,954,529)
41	General administration	(2,980,403)	-	(2,980,403)
51	Facilities maintenance and operations	(7,182,774)	-	(7,182,774)
52	Security and monitoring services	(758,445)	-	(758,445)
53	Data processing services	(2,527,010)	-	(2,527,010)
61	Community services	8,343	-	8,343
72	Interest on long-term debt	(12,319,708)	-	(12,319,708)
73	Bond issuance costs and fees	(68,453)	-	(68,453)
81	Facilities maintenance and repairs	(12,142,836)	-	(12,142,836)
93	Payments related to shared services arrangements	(180,718)	-	(180,718)
95	Payments to Juvenile Justice Alternative Education Programs	(3,994)	-	(3,994)
99	Intergovernmental charges	(685,849)	-	(685,849)
TG	**Total Governmental Activities**	(97,014,034)	-	(97,014,034)
	Business-type activities			
35	Vending	-	17,493	17,493
TB	**Total Business-Type Activities**	-	17,493	17,493
TP	**Total Primary Government**	(97,014,034)	17,493	(96,996,541)
	General revenues			
	Taxes:			
MT	Property Taxes, Levied for General Purposes	45,479,262	-	45,479,262
DT	Property Taxes, Levied for Debt Service	22,635,143	-	22,635,143
SF	State Aid - Formula Grants	32,519,137	-	32,519,137
IE	Investment Earnings	1,026,736	-	1,026,736
EXT	Extraordinary item - disaster recovery	471,508		471,508
SI	Special item - gain on sale of asset	32,250	-	32,250
TR	**Total General Revenues**	102,164,036	-	102,164,036
CN	Change in net position	5,150,002	17,493	5,167,495
NB	**Net Position - Beginning, Restated**	8,420,100	(23,395)	8,396,705
NE	**Net Position - Ending**	$ 13,570,102	$ (5,902)	$ 13,564,200

WALLER INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS
August 31, 2022

Data Control Codes		General Fund	Debt Service Fund	Capital Projects Fund
	Assets			
1110	Cash and Cash Equivalents	$ 17,571,640	$ 19,712,808	$ 93,094,502
1120	Current Investments	-	2,183,433	-
	Receivables:			
1220	Delinquent Property Taxes Receivables	3,339,134	1,461,644	-
1230	Allowance for Uncollectible Taxes (Credit)	(59,624)	(24,266)	-
1240	Receivables from Other Governments	4,143,055	-	-
1260	Due from Other Funds	3,220,681	-	-
1290	Other Receivables	6,180	-	-
1410	Prepaid Items	373,224	-	813
1000	**Total Assets**	$ 28,594,290	$ 23,333,619	$ 93,095,315
	Liabilities, Deferred Inflows, and Fund Balances			
	Liabilities:			
2110	Accounts Payable	$ 1,086,843	$ 127,607	$ 23,231,006
2160	Accrued Wages Payable	4,387,505	-	1,203
2170	Due to Other Funds	-	-	139
2180	Payable to Other Governments	31,616	-	-
2300	Unearned Revenues	27,611	-	-
2000	**Total Liabilities**	5,533,575	127,607	23,232,348
	Deferred Inflows of Resources			
	Deferred Inflows - Property Taxes	3,279,510	1,437,379	-
2600	**Total Deferred Inflows of Resources**	3,279,510	1,437,379	-
	Fund Balances:			
	Non-Spendable:			
3430	Prepaid Items	373,224	-	-
	Restricted:			
3450	Federal/State Funds Grant Restrictions	-	-	-
3470	Capital Acquisitions And Contractual Oblig.	-	-	69,862,967
3480	Debt Service	-	21,768,633	-
	Committed:			
3545	Campus activities	-	-	-
3600	**Unassigned**	19,407,981	-	-
3000	**Total Fund Balances**	19,781,205	21,768,633	69,862,967
4000	**Total Liabilities, Deferred Inflows, and Fund Balances**	$ 28,594,290	$ 23,333,619	$ 93,095,315

See notes to the financial statements.

WALLER INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

August 31, 2022

Data Control Codes		Nonmajor Governmental Funds	Total Governmental Funds
	Assets		
1110	Cash and Cash Equivalents	$ 3,245,619	$ 133,624,569
1120	Current Investments	-	2,183,433
	Receivables:		
1220	Delinquent Property Taxes Receivables	-	4,800,778
1230	Allowance for Uncollectible Taxes (Credit)	-	(83,890)
1240	Receivables from Other Governments	3,672,070	7,815,125
1260	Due from Other Funds	-	3,220,681
1290	Other Receivables	-	6,180
1410	Prepaid Items	28,078	402,115
1000	**Total Assets**	$ 6,945,767	$ 151,968,991
	Liabilities, Deferred Inflows, and Fund Balances		
	Liabilities:		
2110	Accounts Payable	$ 449,115	$ 24,894,571
2160	Accrued Wages Payable	364,945	4,753,653
2170	Due to Other Funds	3,220,542	3,220,681
2180	Payable to Other Governments	-	31,616
2300	Unearned Revenues	-	27,611
2000	**Total Liabilities**	4,034,602	32,928,132
	Deferred Inflows of Resources		
	Deferred Inflows - Property Taxes	-	4,716,889
2600	**Total Deferred Inflows of Resources**	-	4,716,889
	Fund Balances:		
	Non-Spendable:		
3430	Prepaid Items	19,722	392,946
	Restricted:		
3450	Federal/State Funds Grant Restrictions	2,546,442	2,546,442
3470	Capital Acquisitions And Contractual Oblig.	-	69,862,967
3480	Debt Service	-	21,768,633
	Committed:		
3545	Other Committed	364,723	364,723
3600	**Unassigned**	(19,722)	19,388,259
3000	**Total Fund Balances**	2,911,165	114,323,970
4000	**Total Liabilities, Deferred Inflows, and Fund Balances**	$ 6,945,767	$ 151,968,991

See notes to the financial statements.

Waller
Independent School District

WALLER INDEPENDENT SCHOOL DISTRICT *Exhibit C-2*

RECONCILIATION OF BALANCE SHEET FOR GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

August 31, 2022

Data Control Codes		
	Total Fund Balance, Governmental Funds	$ 114,323,970
	Amounts reported for governmental activities in the statement of net position (A-1) are different because:	
1	Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets at historical cost, net of accumulated depreciation and amortization, where applicable.	348,415,156
2	Property taxes receivable have been levied and are due this year, but are not available soon enough to pay for the current period's expenditures, these property taxes and related penalty and interest amounts (net of allowance for uncollectible accounts).	4,716,889
3	Deferred charge on refunding	2,150,837
4	Deferred outflows relating to pension activities	9,263,062
5	Deferred outflows relating to other-post employment benefit	9,970,601
	Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
6	General obligation bonds	(366,040,000)
7	Premiums on issuance	(41,677,276)
8	Leases payable	(82,342)
9	Accrued compensated absences	(69,164)
10	Net pension liability	(12,039,811)
11	Net other-post employment benefit liability	(24,632,785)
12	Accrued interest payable	(598,723)
13	Deferred inflows relating to pension activities	(12,996,943)
14	Deferred inflows relating to other-post employment benefit	(17,133,369)
19	**Net Position of Governmental Activities**	$ 13,570,102

WALLER INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS

For the Year Ended August 31, 2022

Data Control Codes		General Fund	Debt Service Fund	Capital Projects Fund
	Revenues			
5700	Local and Intermediate Sources	$ 46,686,753	$ 22,669,133	$ 832,211
5800	State Program Revenues	36,644,274	93,637	-
5900	Federal Program Revenues	4,064,373	-	-
5020	**Total Revenues**	87,395,400	22,762,770	832,211
	Expenditures			
	Current:			
0011	Instruction	45,863,800	-	-
0012	Instruction Resources and Media Services	601,913	-	-
0013	Curriculum and Staff Development	1,644,813	-	-
0021	Instructional Leadership	1,332,308	-	-
0023	School Leadership	3,910,984	-	-
0031	Guidance, Counseling and Evaluation Services	2,918,962	-	-
0032	Social Work Services	38,275	-	-
0033	Health Services	490,721	-	-
0034	Student Transportation	4,758,300	-	1,480,912
0035	Food Services	-	-	-
0036	Extracurricular Activities	2,025,155	-	114,055
0041	General Administration	2,921,814	-	-
0051	Facilities Maintenance and Operations	7,070,927	-	273,301
0052	Security and Monitoring Services	709,475	-	-
0053	Data Processing Services	2,455,254	-	-
0061	Community Services	3,531	-	-
	Debt Service:			
0071	Principal on Long-Term Debt	21,379	11,330,000	-
0072	Interest on Long-Term Debt	6,890	13,985,488	-
0073	Bond Issuance Costs and Fees	-	68,453	-
	Capital Outlay:			
0081	Facilities Acquisition and Construction	11,494	-	95,926,790
	Intergovernmental:			
0093	Payments Related To Shared Services Arrangements	180,718	-	-
0095	Payments To Juvenile Justice Alt. Ed. Prgm.	3,994	-	-
0099	Other Intergovernmental Charges	685,849	-	-
6030	**Total Expenditures**	77,656,556	25,383,941	97,795,058
1100	Excess (Deficiency) of Revenues Over Expenditures	9,738,844	(2,621,171)	(96,962,847)
	Other Financing Sources (Uses):			
7912	Sale Of Real Or Personal Property	32,250	-	-
7913	Proceeds From Leases	28,305	-	-
8949	Property Tax Refunds	(163,961)	(67,864)	-
7080	**Total Other Financing Sources (Uses)**	(103,406)	(67,864)	-
	Extraordinary Items			
7919	Extraordinary Items (Source) - Disaster Recovery	1,058,641	-	-
8913	Extraordinary Items (Use) - Disaster Recovery	(587,133)	-	-
	Total Extraordinatry Items	471,508	-	-
1200	Net Change In Fund Balances	10,106,946	(2,689,035)	(96,962,847)
0100	**Fund Balance - September 1 (Beginning), restated**	9,674,259	24,457,668	166,825,814
3000	**Fund Balance - August 31 (Ending)**	$ 19,781,205	$ 21,768,633	$ 69,862,967

See notes to the financial statements.

WALLER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended August 31, 2022

Data Control Codes		Nonmajor Governmental Funds	Total Governmental Funds
	Revenues		
5700	Local and Intermediate Sources	$ 1,104,858	$ 71,292,955
5800	State Program Revenues	519,714	37,257,625
5900	Federal Program Revenues	15,403,905	19,468,278
5020	**Total Revenues**	17,028,477	128,018,858
	Expenditures		
	Current:		
0011	Instruction	6,282,666	52,146,466
0012	Instruction Resources and Media Services	79,765	681,678
0013	Curriculum and Staff Development	1,233,311	2,878,124
0021	Instructional Leadership	167,687	1,499,995
0023	School Leadership	99,665	4,010,649
0031	Guidance, Counseling and Evaluation Services	1,297,989	4,216,951
0032	Social Work Services	17,380	55,655
0033	Health Services	114,833	605,554
0034	Student Transportation	103,688	6,342,900
0035	Food Services	4,769,440	4,769,440
0036	Extracurricular Activities	635,633	2,774,843
0041	General Administration	38,327	2,960,141
0051	Facilities Maintenance and Operations	271,921	7,616,149
0052	Security and Monitoring Services	41,906	751,381
0053	Data Processing Services	298,235	2,753,489
0061	Community Services	105,971	109,502
	Debt Service:		
0071	Principal on Long-Term Debt	-	11,351,379
0072	Interest on Long-Term Debt	-	13,992,378
0073	Bond Issuance Costs and Fees	-	68,453
	Capital Outlay:		
0081	Facilities Acquisition and Construction	3,364	95,941,648
	Intergovernmental:		
0093	Payments Related To Shared Services Arrangements	-	180,718
0095	Payments To Juvenile Justice Alt. Ed. Prgm.	-	3,994
0099	Other Intergovernmental Charges	-	685,849
6030	**Total Expenditures**	15,561,781	216,397,336
1100	Excess (Deficiency) of Revenues Over Expenditures	1,466,696	(88,378,478)
	Other Financing Sources (Uses):		
7912	Sale Of Real Or Personal Property	-	32,250
7913	Proceeds From Leases	-	28,305
8949	Property Tax Refunds	-	(231,825)
7080	**Total Other Financing Sources (Uses)**	-	(171,270)
	Special Item		
7919	Extraordinary Items (Source)	-	1,058,641
8913	Extraordinary Items (Use)	-	(587,133)
		-	471,508
1200	Net Change In Fund Balances	1,466,696	(88,078,240)
0100	**Fund Balance - September 1 (Beginning), restated**	1,444,469	202,402,210
3000	**Fund Balance - August 31 (Ending)**	$ 2,911,165	$ 114,323,970

WALLER INDEPENDENT SCHOOL DISTRICT

Exhibit C-4

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended August 31, 2022

Data Control Codes		
	Net Change in Fund Balances - Total Governmental Funds	$ (88,078,240)
	Amounts reported for governmental activities in the statement of activities (B-1) are different because:	
	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 as depreciation and amortization expense.	
1	Capitalized expenditures reclassified to assets.	85,837,050
2	Depreciation and amortization expense taken to Statement of Activities.	(6,166,158)
3	Net effect of other retirements and adjustments to capital assets	(719,428)
4	Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	361,942
	Bond and other debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond and other debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
5	Principal paid on bonds and leases	11,351,379
6	Issuance of leases	(28,305)
	Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
7	Increase in interest payable not recognized in the fund statements	18,683
8	Increase in accrued compensated absences payable	(69,164)
9	Amortization of premium/discount	2,177,641
10	Amortization of deferred charge on refunding	(617,291)
11	Changes in net pension liabilities and related deferred outflows and inflows of resources	668,919
12	Changes in net OPEB liabilities and related deferred outflows and inflows of resources	412,974
	Change in Net Position of Governmental Activities	$ 5,150,002

WALLER INDEPENDENT SCHOOL DISTRICT *Exhibit D-1*

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
August 31, 2022

	Business-type Activities
	Enterprise Fund
Assets	
Current assets:	
Cash and cash equivalents	$ 1,069
Total assets	1,069
Liabilities	
Current Liabilities:	
Accounts Payable	$ 6,816
Accrued Expenses	155
Total Liabilities	6,971
Net Position	
Unrestricted	(5,902)
Total Net Position	$ (5,902)

WALLER INDEPENDENT SCHOOL DISTRICT

Exhibit D-2

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended August 31, 2022

	Business-type Activities
	Enterprise Fund
Operating Revenues	
Local and Intermediate Sources	$ 101,825
Total Operating Revenues	101,825
Operating Expenses	
Payroll Costs	12,233
Supplies and Materials	72,099
Total Operating Expenses	84,332
Operating Income (Loss)	17,493
Net Position (Deficit) - September 1 (Beginning)	(23,395)
Net Position (Deficit) - August 31 (Ending)	$ (5,902)

WALLER INDEPENDENT SCHOOL DISTRICT *Exhibit D-3*

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended August 31, 2022

	Business-type Activities	
	Enterprise Fund	
Cash Flows from Operating Activities		
Cash Received from User Charges	$	101,825
Cash Payments for Suppliers		(100,756)
Net Cash Provided by Operating Activities		1,069
Cash and Cash Equivalents at Beginning of Year		-
Cash and Cash Equivalents at End of Year	$	1,069
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities		
Operating Income (Loss)	$	17,493
Change in Assets and Liabilities:		
Decrease (increase) in accounts payable		5,353
Decrease (increase) in accrued liabilities		155
Decrease (increase) in interfund payables		(21,932)
Net Cash Provided by (Used for) Operating Activities	$	1,069

WALLER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
August 31, 2022

	Custodial Fund
Assets	
Current Assets:	
Cash and cash equivalents	$ 235,156
Total Assets	$ 235,156
Net Position	
Restricted for student activities	$ 235,156

WALLER INDEPENDENT SCHOOL DISTRICT *Exhibit E-2*

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Year Ended August 31, 2022

	Custodial Fund
Additions	
Revenues from student activities	$ 405,651
Total Additions	405,651
Deductions	
Payments for student activities	373,201
Total Deductions	373,201
Change in net position	32,450
Net Position - Beginning, restated	202,706
Net Position - Ending	$ 235,156

Waller
Independent School District

Note 1 - Summary of Significant Accounting Policies

The Waller Independent School District (the "District") is an independent 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 the registered voters of the District and has fiscal accountability over all activities within the jurisdiction of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in the Statement of Auditing Standards of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

The following is a summary of the most significant accounting policies.

A. Reporting Entity

The District's Board has responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. All powers and duties not specifically delegated by statute to the Texas Education Agency (TEA) or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgement for the lawfulexercise of those powers and duties by the Board. The District receives funding from local, state, and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental reporting entity and there are no component units included within the District's reporting entity.

B. Government-Wide and Fund Financial Statements

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

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the district, school lunch charges, etc. The "grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes and other items not properly included among program revenues are reported instead as *general revenues.*

Interfund activities between governmental funds and between governmental and proprietary funds appear as due to or 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 Balance and on the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position. All interfund transactions between governmental funds and between governmental and internal service funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to or due from on the government-wide Statement of Net Position.

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.

Note 1 - Summary of Significant Accounting Policies (continued)

B. Government-Wide and Fund Financial Statements (continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

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

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

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The District considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

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

The District reports the following major governmental funds:

- G*eneral Fund* - The District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- *Debt Service Fund* - 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.
- *Capital Projects Fund* - 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.

Note 1 - Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Additionally, the District reports the following fund type:

Governmental Funds:

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

Proprietary Funds:

- *Enterprise Funds* - The District's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in an enterprise fund. The District has one enterprise fund.

- *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 has no internal service funds.

Fiduciary 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 has no Private Purpose Trust Funds.

- *Custodial Fund* - The District accounts for resources held for others in a custodial fund. This fund uses the economic resources measurement focus and accrual basis. The District's Custodial Fund is the Student Activity Fund.

D. Implementation of New Accounting Standards

The following GASB pronouncements were effective during fiscal year 2022.

GASB Statement No. 87 *Leases* was issued in June 2017 and was effective for periods beginning after June 15, 2021. This Statement established a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The District has evaluated the effects of this Statement and has determined that it does impact to the financial statements. The District has incorporated such leases into its capital assets and long-term liabilities on both the face of the financial statements and the note disclosures.

GASB Statement No. 89 *Accounting for Interest Cost Incurred before the end of a Construction Period,* was issued in June 2018 and was effective for periods beginning after December 15, 2020.This Statement requires that interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost was incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement should be handled prospectively. The District has evaluated the effects of this Statement and has determined that it does not impact the financial statements.

Note 1 - Summary of Significant Accounting Policies (continued)

D. Implementation of New Accounting Standards (continued)

GASB Statement No. 93 *Replacement of Interbank Offered Rates* was issued in June 2020 and had various effective dates. The Statement establishes accounting and financial reporting requirements related to the replacement of the interbank offered rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. During the current fiscal year paragraphs 13 and 14 were effective and pertained to lease modifications***.*** The District has evaluated the effects of this standard and has determined that this Statement does not impact its financial statements.

GASB Statement No. 97 *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32* was issued in June 2020. This Statement provides guidance regarding the financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans. The Statement will also enhance (1) information related to Section 457 plans that meet the definition of a pension plan and the benefits provided through those plans and (2) investment information for all Section 457 plans. Paragraphs 4 and 5 of the Statement were effective immediately whereas the remaining requirements of this Statement are effective for periods beginning after June 15, 2021. The District has evaluated the effects of this standard and has determined that this Statement does not impact to the financial statements.

GASB Statement No. 98 *The Annual Comprehensive Financial Report* in October 2021. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. The requirements of the Statement are effective for fiscal years ending after December 15, 2021. The District has evaluated the effects of this standard and has determined that this Statement does not impact its financial statements.

E. Deposits and Investments

For purposes of the statement of cash flows for proprietary funds, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, investment pools, and short-term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments, with maturity of three months or less when purchased, to be cash equivalents. For cash management purposes, the District transfers balances to either a money market mutual or an externally pooled investment account. The cash is transferred back to the District as needed.

Investments consist primarily of U.S. government agency securities, commercial paper, and municipal bonds. The District's investments are carried at fair value based on quoted market prices at year end, in accordance with U.S. generally accepted accounting principles. Investments having a maturity of three months or less are reported as cash and cash equivalents. The District categorizes fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs. The District's local government investment pools are recorded at amortized costs as permitted by GASB Statement No. 79 *Certain Investment Pools and Pool Participants.*

Note 1 - Summary of Significant Accounting Policies (continued)

F. Receivables and Payables

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.

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. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

G. Inventories and Prepaid Items

Inventories consisting of supplies and materials are stated at cost (average cost method) and they include consumable custodial, maintenance, transportation, instructional and office supplies. Inventories of governmental funds are recorded as expenditures when the supplies and materials are used or consumed (consumption method) rather than when purchased. Inventories of food commodities inventory are recorded at fair market value supplied by the Texas Department of Agriculture on the date received. Commodity inventory items are recorded as expenditures when distributed to individual campuses and revenue is recognized for an equal amount.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements using the consumption method of accounting.

H. Capital Assets

Capital assets, which include land, buildings, furniture and equipment are reported in the applicable governmental or business-type activities columns 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 are recorded at estimated fair market 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.

Land and construction in progress are not depreciated. Buildings, furniture and equipment, and right-to-use asset of the District are depreciated/amortized using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	20 - 40
Buildings and improvements	20 - 40
Vehicles	10
Office Equipment	5 - 25
Computer Equipment	5 - 25
Right-to-use leased equipment	3 - 5

Note 1 - Summary of Significant Accounting Policies (continued)

I. Long-Term Obligations

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

J. Deferred Outflows/Inflows of Resources

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

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

- *Deferred outflows of resources for refunding* **-** Reported in the government-wide statement of net position, this deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

- *Deferred outflows of resources for pension* - Reported in the government-wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of 1) differences between projected and actual earnings on pension plan investments, 2) changes in actuarial assumptions, 3) differences between expected and actual actuarial experiences, and 4) changes in the District's proportional share of pension liabilities. The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The deferred outflows resulting from differences between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The remaining pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.

Note 1 - Summary of Significant Accounting Policies (continued)

J. Deferred Outflows/Inflows of Resources (continued)

- *Deferred outflows of resources for other post-employment benefits (OPEB)* - Reported in the government-wide financial statement of net position, this deferred outflow results from OPEB plan contributions made after the measurement date of the net OPEB liability and the results of 1) differences between projected and actual earnings on plan investments, 2) changes in actuarial assumptions, 3) differences between expected and actual actuarial experiences, and 4) changes in the District's proportional share of net OPEB liabilities. The deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the next fiscal year. The deferred outflows resulting from differences between projected and actual earnings on plan investments will be amortized over a closed five-year period. The remaining OPEB related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with post-employment benefits through the plan.

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

- *Deferred inflows of resources for unavailable revenues* - Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District reported property taxes that are unavailable as deferred inflows of resources on the fund financial statements.

- *Deferred inflows of resources for pension* - Reported in the government-wide financial statement of net position, these deferred inflows result primarily from 1) differences between projected and actual earnings on pension plan investments, 2) changes in actuarial assumptions, 3) differences between expected and actual actuarial experiences, and 4) changes in the District's proportional share of pension liabilities. The deferred inflows resulting from differences between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The remaining pension related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.

- *Deferred inflows of resources for other post-employment benefits (OPEB)* **-** Reported in the government-wide financial statement of net position, these deferred inflows result primarily from 1) changes in actuarial assumptions, 2) differences between expected and actual actuarial experiences, and 3) changes in the District's proportional share of net OPEB liabilities. These OPEB related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with post-employment benefits through the plan.

K. Pension

The fiduciary net position of 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' 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.

Note 1 - Summary of Significant Accounting Policies (continued)

L. Other Post-Employment Benefits (OPEB)

The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS-Care Plan has been determined using the flow of economic resource 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.

M. Compensated Absences

Eligible employees in positions normally requiring 12 months of service annually shall receive paid vacation days in accordance with administrative regulations that address the following:

- Eligibility criteria;
- Accrual rates and availability;
- Request and approval processes;
- Accumulation and carryover limits; and
- Treatment of vacation days upon separation from service.

N. Fund Balance Classifications

The fund balance in governmental funds has been classified as follows to describe the nature and relative strength of the spending constraints:

- *Non-spendable fund balance* - Represents amounts that are not in spendable form, such as inventory and prepaids, or are required to be maintained intact.

- *Restricted fund balance* - Represents 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* - Represents amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority, i.e., Board of Trustees. To be reported as committed, amounts cannot be used for any other purpose unless the District’s Board of Trustees approves the changes by Board Resolution. Fund balance committed in the nonmajor governmental funds during the fiscal year is committed for campus activities.

- *Assigned fund balance* - Represents amounts the District intends to use for a specific purpose. Intent can be expressed by the District or by an official or body to which the Board of Trustees delegates the authority. The Board of Trustees has retained this authority.

- *Unassigned fund balance* - Represents amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The District establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. A fund balance commitment is further indicated in the budget document as a commitment of the fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District uses the restricted assets first whenever they will have to be returned if they are not used.

Note 1 - Summary of Significant Accounting Policies (continued)

O. Deficit Fund Balance or Net Position

Enterprise fund/business-type activities has a deficit fund balance/net position in the amount of $5,902. The District expects to eliminate this deficit from future revenues.

P. 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 ensure accuracy in building a Statewide data base for policy development and funding plans.

Q. Use of Estimates

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

R. Stewardship, Compliance, and Accountability

Budgetary Data

The Board of Trustees adopts an appropriated budget for the General Fund, Debt Service Fund, and the Food Service Fund. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds and then compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 in the Required Supplementary Information and the Debt Service Fund and the Food Service Fund Budget reports are presented in Exhibits J-3 and J-2, respectively.

The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements:

1. Prior to August 20, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
3. Prior to September 1, the budget is formally approved and adopted by the Board.

The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level within a fund. The appropriated budgets are prepared by fund and function. Once the budgets have been approved, they can only be amended at the fund and function level by approval of a majority of the members of the Board. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Within each fund-level budget, campus and district leaders are assigned expenditure budgets which they plan and control at the function/object level. All budget appropriations lapse at year end. Increasing or decreasing any one of the functional spending categories, or revenue object accounts and other resources require the approval of the Board. The District made several supplemental budgetary revisions throughout the year, primarily in the general fund. Expenditures in function 71 and 72 exceeded budgeted amounts by approximately $21,379 and $6,890, respectively. These amounts were for reclassification of lease payments to principal and interest payments due to the implementation of GASB No. 87, Leases.

Note 1 - Summary of Significant Accounting Policies (continued)

S. Leases

Lessee: The District is a lessee for a noncancellable lease of equipment. The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of $5,000 or more.

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

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

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

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

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Note 2 - Deposits and Investments

A. Cash and Cash Equivalents

District Policies and Legal and Contractual Provisions Governing Deposits

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. At August 31, 2022, the carrying amount of the District's cash deposits (cash and interest-bearing accounts) was $1,881,541 and the bank balance was $3,131,407. The District's cash deposits at August 31, 2022 were entirely covered by FDIC Insurance or by pledged collateral held by the District's agent bank in the District's name.

B. Investments

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 a governmental entity 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 entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas and its agencies; (2) guaranteed or secured certificates of deposit issued by state and national banks domiciled in Texas; (3) obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality not less than an "A"; (4) No load money market funds with a weighted average maturity of 90 days or less; (5) fully collateralized repurchase agreements; (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies OR one nationally recognized credit agency and is fully secured by an irrevocable letter of credit; (7) secured corporate bonds rated not lower than "AA-" or the equivalent; (8) public funds investment pools; and (9) guaranteed investment contracts for bond proceeds investment only, with a defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas

Public Funds Investment Act in an amount equal to the bond proceeds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. Waller Independent School District is in substantial compliance with the requirements of the Act and with local policies. Additional policies and contractual provisions governing investments for Waller Independent School District are specified below:

Credit Risk: To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments to the top ratings issued by nationally recognized statistical rating organizations (NRSROs). As of August 31, 2022, the district's investments were rated AAA.

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 held by the District or its agent.

Note 2 - Deposits and Investments (continued)

B. Investments (continued)

Concentration of Credit Risk: To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District limits investments to less than 5% of its total investments. The District further limits investments in a single issuer when they would cause investment risks to be significantly greater in the governmental activities, individual major funds, aggregate non-major funds, and fiduciary fund types than they are in the primary government. Usually, this limitation is 20%.

Interest Rate Risk: This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year-end, the District does not have a formal investment policy that limits investment maturities as means of managing exposure to fair value losses arising from increasing interest rates.

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. the hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below. In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

As of August 31, 2022, the District’s cash and investment balances, the weighted average maturity, and the credit ratings of these investments were as follows:

	Carrying Value	Weighted Average Maturity (Days)	Credit Rating
Governmental Activities			
Cash and deposits	$ 1,645,316	N/A	N/A
Certificates of deposit	2,183,433	229	N/A
Investment Pools			
Lone Star Corporate Overnight Plus Fund	127,851,996	65	AAA
Lone Star Government Overnight Fund	4,127,257	87	AAA
	131,979,253		
Total Investments	134,162,686	68	
Total Governmental Activities	135,808,002		
Business-type Activities:			
Cash and deposits	1,069	N/A	N/A
Total Business-type Activities	1,069		
Fiduciary Funds			
Cash and deposits	235,156	N/A	N/A
Total Fiduciary Funds	235,156		
Total	$ 136,044,227		

Note 3 - Receivables and Unearned Revenues

Receivables as of August 31, 2022, for the District's individual major and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
Governmental activities				
Property Taxes	$ 3,339,134	$ 1,461,644	$ -	$ 4,800,778
Due from other governments	4,143,055	-	3,672,070	7,815,125
Other Receivables	6,180	-	-	6,180
Gross receivables	7,488,369	1,461,644	3,672,070	12,622,083
Less: Allowance for doubtful accounts	(59,624)	(24,266)	-	(83,890)
Net total governmental activities	7,428,745	1,437,378	3,672,070	12,538,193
Net total receivables	$ 7,428,745	$ 1,437,378	$ 3,672,070	$ 12,538,193

Unearned revenue at year end consisted of the following:

	State Entitlements
General fund	$ 27,611
Total Unearned revenue	$ 27,611

Note 4 - Interfund Receivables, Payables, and Transfers

Interfund balances consist of short-term lending/borrowing arrangements that result primarily from payroll and other regularly occurring charges that are paid by the general fund and then charged back to the appropriate other fund. Additionally, some lending/borrowing may occur between two or more nonmajor governmental funds.

Interfund transfers are defined as “flows of assets without equivalent flow of assets in return and without a requirement for repayment.” The District did not make any transfers for the fiscal year ended August 31, 2022.

As of August 31, 2022, the District's interfund balances were as follows:

	Receivable Fund	
Payable Fund	**General Fund**	**Total**
Nonmajor Governmental Funds	$ 3,220,542	$ 3,220,542
Capital Projects Fund	139	139
Total	$ 3,220,681	$ 3,220,681

Note 5 - Capital Assets

Capital asset activity for the governmental activities of the District for the year ended August 31, 2022, are as follows:

	Balance September 1, 2021 as restated	Additions	(Transfers, Adjustments, and Retirements)	August 31, 2022
Governmental Activities:				
Capital assets, not being depreciated/amortized:				
Land	$ 15,152,974	$ -	$ -	$ 15,152,974
Construction in progress	119,613,832	33,164,533	(118,451,483)	34,326,882
Total Capital assets, not being depreciated/amortized	134,766,806	33,164,533	(118,451,483)	49,479,856
Capital assets, being depreciated/amortized:				
Buildings & Improvements	175,183,286	168,425,274	(1,304,762)	342,303,798
Furniture & Equipment	7,427,657	941,107	(764,274)	7,604,490
Vehicles	12,146,916	1,729,314	(1,504,524)	12,371,706
Right-to-use leased equipment	75,416	28,305	-	103,721
Total Capital assets, being depreciated/amortized	194,833,275	171,124,000	(3,573,560)	362,383,715
Less accumulated depreciation/amortization for:				
Buildings & Improvements	(48,175,697)	(4,601,473)	699,389	(52,077,781)
Furniture & Equipment	(3,546,364)	(601,503)	686,738	(3,461,129)
Vehicles	(8,414,328)	(938,991)	1,468,005	(7,885,314)
Right-to-use leased equipment	-	(24,191)	-	(24,191)
Total Accumulated depreciation/amortization	(60,136,389)	(6,166,158)	2,854,132	(63,448,415)
Governmental Capital Assets	$ 269,463,692	$ 198,122,375	$ (119,170,911)	$ 348,415,156

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

Function	Depreciation and Amortization Expense
Governmental Activities:	
Instruction	$ 3,684,255
Instructional resources and media services	48,171
Curriculum and staff development	131,779
Instructional leadership	107,212
School leadership	324,921
Guidance, counseling and evaluation services	233,603
Social work services	3,063
Health services	39,272
Student transportation	380,805
Extracurricular activities	162,072
General administration	233,832
Facilities maintenance and operations	563,618
Security and monitoring services	56,779
Data processing services	196,493
Community services	283
Total Governmental Activities	$ 6,166,158

Construction Commitments

The District has active construction projects as of August 31, 2022 including renovations and site improvements. All accumulated resources for capital projects are restricted. At August 31, 2022, estimated construction commitments with contractors were as follows:

Project	Approved Construction Budget	Construction in Progress	Remaining Commitment
Waller Junior High	$ 57,407,080	$ 27,183,104	$ 30,223,976
Renovation of Waller HS to Schultz Junior High	8,390,000	6,213,341	2,176,659
Renovation of Schultz JHS to Holleman ES	5,082,000	832,324	4,249,676
Roberts Road ES Security Vestibule	974,167	98,113	876,054
	$ 71,853,247	$ 34,326,882	$ 37,526,365

Note 6 - Long-Term Liabilities

General Obligation Bonds

Bonded indebtedness of the District is reflected in the General Long-Term Debt Account Group. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. A summary of changes in general long-term debt for the year ended August 31, 2022 is as follows:

Description	Original Issuance Amount	Interest Rate (%)	Balance 9/1/21 as restated	Increase	Decrease	Balance 8/31/22	Due in One Year
Refunding Bonds, Series 2012	$ 9,180,000	2.00% to 3.00%	$ 4,665,000	$ -	$ (4,665,000)	$ -	$ -
Refunding Bonds, Series 2013	5,525,000	3.00% to 3.50%	1,900,000	-	(1,275,000)	625,000	300,000
Refunding Bonds, Series 2014	8,500,000	3.00% to 4.00%	4,545,000	-	(1,455,000)	3,090,000	1,515,000
Refunding Bonds, Series 2015	7,180,000	4%	7,180,000	-	-	7,180,000	-
Building Bonds, Series 2016	93,545,000	2.50% to 5.00%	85,465,000	-	(1,530,000)	83,935,000	1,610,000
Building Bonds, Series 2020	205,805,000	2.00% to 5.00%	205,805,000	-	(2,405,000)	203,400,000	2,520,000
Building Bonds, Series 2020A	67,810,000	2.00% to 5.00%	67,810,000	-	-	67,810,000	1,390,000
Total			377,370,000	-	(11,330,000)	366,040,000	7,335,000
Other District Obligations:							
Premium on Bonds			43,854,917	-	(2,177,641)	41,677,276	-
Leases Payable			75,416	28,305	(21,379)	82,342	23,455
Compensated Absences			-	69,164	-	69,164	10,375
Total Other Obligations			43,930,333	97,469	(2,199,020)	41,828,782	33,830
Total District Obligations			$ 421,300,333	$ 97,469	$ (13,529,020)	$ 407,868,782	$ 7,368,830

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, 2022. Debt service requirements for bonds are as follows:

Year Ending August 31,	Principal	Interest	Totals
2023	$ 7,335,000	$ 13,597,826	$ 20,932,826
2024	7,690,000	13,243,013	20,933,013
2025	7,755,000	12,875,650	20,630,650
2026	8,085,000	12,540,375	20,625,375
2027	8,415,000	12,198,725	20,613,725
2028-2032	55,185,000	53,867,525	109,052,525
2033-2037	68,240,000	40,808,225	109,048,225
2038-2042	73,185,000	28,687,950	101,872,950
2043-2047	82,970,000	15,051,295	98,021,295
2048-2052	47,180,000	2,416,910	49,596,910
	$ 366,040,000	$ 205,287,494	$ 571,327,494

In April 2022, the Board authorized the defeasance and optional redemption of certain outstanding maturities of the District's outstanding Unlimited Tax Refunding Bonds, Series 2012 in the amount of $3,945,000 and the Unlimited Tax Refunding Bonds, Series 2013 in the amount of $985,000 (the "refunded bonds"). On April 14, 2022, there was a deposit to Escrow Fund in the amount of $4,978,058.97 to defease $4,930,000 of the refunded bonds.

Prior Year's Refunding of Long Term Debt

In prior years, the District defeased certain general obligation debt by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the refunded debt. Accordingly, the trust account assets and the liability for the defeased debt are not included in the District's financial statements. At August 31, 2022, there are no defeased bonds outstanding.

Note 7 – Revenues from Local, Intermediate, and Out-of-State Sources

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 Governmental Funds	Nonmajor Enterprise Fund
Property Taxes	$ 45,473,224	$ 22,511,064	$ -	$ -	$ 67,984,288	$ -
Tuition and Fees	86,361	-	-	-	86,361	-
Food Service Activity	-	-	-	236,334	236,334	101,825
Rent	62,092	-	-	-	62,092	-
Extracurricular Activities	128,725	-	-	-	128,725	-
Insurance Recovery	709,624	-	-	-	709,624	-
Investment Income	36,456	158,069	832,211	-	1,026,736	-
Donations and gifts	250	-	-	-	250	-
Local Grants	190,021	-	-	868,524	1,058,545	-
Total	$ 46,686,753	$ 22,669,133	$ 832,211	$ 1,104,858	$ 71,292,955	$ 101,825

Note 8 - Leases

In fiscal year 2022, the District reported several leases in accordance with GASB Statement No. 87 *Leases.* The District is the lessee for copiers and postage machines. The District's incremental borrowing rate used to calculate the present value of the lease liability was 7.5% from the financial institution. The ending lease liability as of August 31, 2022 was $82,342. The District is required to make monthly payments of approximately $3,662. The copiers and postage machines have a three-to five-year useful life.

The future principal and interest lease payments as of August 31, 2022, were as follows:

Year Ending August 31	Principal	Interest	Totals
2023	$ 23,455	$ 5,380	$ 28,835
2024	25,276	3,559	28,835
2025	24,935	1,640	26,575
2026	8,113	320	8,433
2027	563	4	567
	$ 82,342	$ 10,903	$ 93,245

Note 9 - Defined Benefit Pension Plan

Plan Description

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

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

Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the internet at https://www.trs.texas.gov/TRS%20Documents/acfr-2021.pdf , selecting About TRS, then Publications, then Financial Reports or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698.

Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic postemployment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

Texas Government Code section 821.006 prohibits benefit improvements, if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. Actuarial implications of the funding provided in the manner are determined by the System's actuary.

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

Note 9 - Defined Benefit Pension Plan (continued)

Contributions

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

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

	Contribution Rates Fiscal Year	
	2022	**2021**
Member (Employee)	8.00%	7.70%
Non-employer contributing agency (State)	7.75%	7.50%
District	7.75%	7.50%

	Fiscal Year 2022
Employer (District)	$ 2,388,630
Employee (Member)	4,932,574
Non-employer Contributing Entity	
On-behalf Contributions (State)	3,210,185

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

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

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

- All public schools, charter schools, and regional educational service centers must contribute 1.5 percent of the member's salary beginning in fiscal year 2020, gradually increasing to 2 percent in fiscal year 2025.
- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

Note 9 - Defined Benefit Pension Plan (continued)

Actuarial Assumptions

The total pension liability in the August 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Component	Result
Valuation Date	August 31, 2020, rolled forward to August 31, 2021
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.25%
Long-term Expected Rate	7.25%
Municipal Bond Rate as of August 2020	1.95% - The source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index"
Last year ending August 31 in Projection Period (100 years)	2120
Inflation	2.30%
Salary Increases	3.05% to 9.05% including inflation
Benefit changes during the year	None
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions are used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2020. These assumptions are further described the 2020 TRS ACFR, which includes actuarial valuation report dated November 9, 2020.

Discount Rate

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

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

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

Note 9 - Defined Benefit Pension Plan (continued)

Discount Rate (continued)

Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2021 are summarized below:

Asset Class[1]	Target Allocation[2]	Long-Term Expected Geometric Real Rate of Return[3]	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.00%	3.60%	0.94%
Non-U.S. Developed	13.00%	4.40%	0.83%
Emerging Markets	9.00%	4.60%	0.74%
Private Equity	14.00%	6.30%	1.36%
Stable Value			
Government Bonds	16.00%	-0.20%	0.01%
Absolute Return	0.00%	1.10%	0.00%
Stable Value Hedge Funds	5.00%	2.20%	0.12%
Real Return			
Real Estate	15.00%	4.50%	1.00%
Energy, Natural Resources & Infrastructure	6.00%	4.70%	0.35%
Commodities	0.00%	1.70%	0.00%
Risk Parity	8.00%	2.80%	0.28%
Leverage			
Cash	2.00%	-0.70%	-0.01%
Asset Allocation Leverage	-6.00%	-0.50%	0.03%
Inflation Expectation			2.20%
Volatility Drag[4]			-0.95%
Expected Return	100.00%		6.90%

[1] Absolute Return includes Credit Sensitive Investments.
[2] Target allocations are based on the fiscal year 2021 policy model.
[3] Capital Market Assumptions come from Aon Hewitt as of August 31, 2021.
[4] The volatility drag results from the conversion between arithmetic and geometric mean returns.

Discount Rate Sensitivity Analysis

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

	Discount Rate		
	1% Decrease (6.25%)	**Current (7.25%)**	**1% Increase (8.25%)**
District's proportional share of the net pension liability	$ 26,308,898	$ 12,039,811	$ 463,250

Note 9 - Defined Benefit Pension Plan (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

At August 31, 2022, the District reported a liability of $12,039,811 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	$	12,039,811
State's proportionate share that is associated with the District		19,414,825
Total	$	31,454,636

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

At August 31, 2022, the District's proportion of the collective net pension liability was 0.0473% which was a decrease of 0.0001% from its proportion measured as of August 31, 2020.

All future statutorily required contributions will be made from the General Fund.

Changes Since the Prior Actuarial Valuation

There were no changes in assumptions since the prior measurement date.

For the year ended August 31, 2022, the District recognized pension expense of $1,718,842. The District also recognized an additional on-behalf revenue and expense of $77,618 representing for support provided by the State.

At August 31, 2022, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 20,148	$ (847,612)
Changes in assumptions	4,255,838	(1,855,180)
Net difference between projected and actual earnings on pension plan investments	-	(10,095,225)
Changes in proportion and differences between District contributions and proportionate share of contributions	2,598,447	(198,926)
District contributions subsequent to the measurement date	2,388,629	-
Total	$ 9,263,062	$ (12,996,943)

Note 9 - Defined Benefit Pension Plan (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Deferred outflows of resources resulting from District contributions subsequent to the measurement date in the amount of $2,388,629 will be recognized as a reduction of the net pension liability in the year ended August 31, 2023. The net amounts of the District's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended August 31,	Pension Expense Amount
2023	$ (724,681)
2024	(770,656)
2025	(1,741,377)
2026	(2,826,058)
2027	(34,552)
Thereafter	(25,186)
	$ (6,122,510)

Note 10 - 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 TRS-Care program was established in 1986 by the Texas Legislature.

The TRS Board of Trustees administers the TRS-Care program and the related fund in accordance with Texas Insurance Code Chapter 1575. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. The Board may adopt rules, plans, procedures, and orders reasonably necessary to administer the program, including minimum benefits and financing standards.

OPEB Plan Fiduciary Net Position

Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at https://www.trs.texas.gov/TRS%20Documents/cafr_2021.pdf, or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698, or by calling (512) 542-6592.

Benefits Provided

TRS-Care provides health insurance coverage to retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. There are no automatic post-employment benefit changes; including automatic COLAs.

Note 10 - Defined Other Post-Employment Benefit Plans (continued)

Benefits Provided (continued)

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

TRS-Care Monthly for Retirees

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

Contributions

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25 percent of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65 percent of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public or charter school. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	Contribution Rates	
	2022	**2021**
Member	0.65%	0.65%
Non-employer contributing agency	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private funding	1.25%	1.25%

	Fiscal Year 2022
Employer (District)	$ 544,668
Employee (Member)	400,768
Non-employer Contributing Entity	
On-behalf Contributions (State)	941,010

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.

Note 10 - Defined Other Post-Employment Benefit Plans (continued)

Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2020. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2021. The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. In addition to the demographic assumptions, salary increases and inflation rates used for members of TRS are identical to the assumptions employed in the August 31, 2021 TRS annual pension actuarial valuation.

The rates of mortality, retirement, termination and disability incidence are identical to the assumptions used to value the pension liabilities of the Teacher Retirement System of Texas (TRS). The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017. 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 for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables. The rates were projected on a fully generational basis using the ultimate improvement rates from mortality projection scale MP-2018.

Component	Result
Valuation Date	August 31, 2020, rolled forward to August 31, 2021
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	1.95% as of August 31, 2021
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claim costs.
Projected Salary Increases	3.05% to 9.05% including inflation
Healthcare Trend Rates	The initial medical trend rates were 8.50 percent for Medicare retirees and 7.10 percent for non-Medicare retirees. There was an initial prescription drug trend rate of 8.50 percent for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25 percent over a period of 12 years.
Election Rates	Normal Retirement: 65 percent participation rate prior to age 65 and 40 percent participation rate after age 65. Pre-65 retirees: 25 percent are assumed to discontinue coverage at age 65.
Ad hoc post-employment benefit changes	None

Note 10 - Defined Other Post-Employment Benefit Plans (continued)

Discount Rate

The plan is a pay-as-you-go plan. As such, a single discount rate must be used that is equal to the prevailing municipal bond rate. The single discount rate changed from 2.33 percent as of August 31, 2020 to 1.95 percent, as of August 31, 2021. This change increased the Total OPEB Liability. The following presents the Net OPEB Liability of the plan using the discount rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher, as well as what the Net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower, .95 percent or one percentage point higher, 2.95 percent, than the AA/Aa rate. The source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."

Discount Rate Sensitivity Analysis

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

	Discount Rate		
	1% Decrease (0.95%)	Current Rate (1.95%)	1% Increase (2.95%)
District's proportionate share of the Net OPEB Liability	$ 29,712,815	$ 24,632,785	$ 20,634,636

OPEB Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEBs

At August 31, 2022, the District reported a liability of $24,632,785 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	$ 24,632,785
State's proportionate share that is associated with District	33,002,442
Total	$ 57,635,227

The Net OPEB Liability was measured as of August 31, 2020 and rolled forward to August 31, 2021 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The District's proportion of the Net OPEB Liability was based on the District's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2020 through August 31, 2021.

At August 31, 2021, the District's proportion of the collective Net OPEB Liability was 0.0639% which was an increase of 0.0001% from its proportion measured as of August 31, 2020.

All future statutorily required contributions will be made from the General Fund.

Note 10 - Defined Other Post-Employment Benefit Plans (continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEBs (continued)

Healthcare Cost Trend Rates – The following schedule shows the impact of the Net OPEB Liability if a healthcare trend rate that is 1% less than and 1% greater than the health trend rates assumed.

	Healthcare Cost Trend Rate		
	1% Decrease	Current	1% Increase
District's proportionate share of the Net OPEB Liability	$ 19,951,739	$ 24,632,785	$ 30,913,585

Changes Since the Prior Actuarial Valuation

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

For the year ended August 31, 2022, the District recognized OPEB expense of $131,697. The District also recognized negative on-behalf expense and revenue of $1,218,042 for support provided by the State.

At August 31, 2022, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 1,060,558	$ (11,923,991)
Changes in actuarial assumptions	2,728,370	(5,209,378)
Difference between projected and actual investment earnings	26,744	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	5,610,261	-
Contributions paid to TRS subsequent to the measurement date	544,668	-
Total	$ 9,970,601	$ (17,133,369)

The $544,668 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending August 31, 2023. The net amounts of the District's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended August 31:	OPEB Expense Amount
2023	$ (1,641,183)
2024	(1,641,786)
2025	(1,641,621)
2026	(993,225)
2027	(115,397)
Thereafter	(1,674,224)
	$ (7,707,436)

Note 10 - Defined Other Post-Employment Benefit Plans (continued)

Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2022, 2021, and 2020, the subsidy payments received by TRS-Care on-behalf of the District were $245,505, $272,780, and $254,556, respectively. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements of the District.

Note 11 - Accumulated Unpaid Vacation and Sick Leave Benefits

The balance of accumulated unpaid vacation and sick leave at August 31, 2022 was $69,164 and is presented as other long-term liabilities in the these financial statements.

Note 12 - Extraordinary Item – Disaster Recovery

During the fiscal year, District's facilities experienced damage due to frozen pipes and leaking roofs as the result of the historic winter weather event that occurred in February 2021. The extraordinary gain of $471,508 is the net of insurance recovery in the amount of $1,058,641 and the total expenditures of $587,133.

Note 13 - Prior Period Adjustments

In the current year, the following corrections came to the attention of management that necessitated adjusting beginning fund balance/net position for the following activities. The effect of these corrections is summarized as follows:

	Governmental Activities	Custodial Fund	Nonmajor Governmental Funds	Campus Acitivity Fund
Fund Balance/Net position at August 31, 2021, as previously reported	$ 8,186,399	$ 436,407	$ 1,210,768	$ -
Prior period adjustment:				
GASB No. 84 correction	233,701	(233,701)	233,701	233,701
Fund Balance/Net position at September 1, 2021, as restated	$ 8,420,100	$ 202,706	$ 1,444,469	$ 233,701

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

HUNTON
ANDREWS KURTH

Hunton Andrews Kurth LLP
600 Travis, Suite 4200
Houston, Texas 77002
+1.713.220.4200 Phone
+1.713.220.4285 Fax
HuntonAK.com

February 22, 2023

WE HAVE ACTED as Bond Counsel for the Waller Independent School District (the "District") in connection with an issue of bonds (the "Bonds") described as follows:

WALLER INDEPENDENT SCHOOL DISTRICT UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2023, dated February 15, 2023, in the aggregate principal amount of $169,200,000.

The Bonds mature, bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Bonds and in the order (the "Order") adopted by the Board of Trustees of the District authorizing their issuance.

WE HAVE ACTED as Bond Counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Bonds from gross income under federal income tax law. In such capacity we have examined the Constitution and laws of the State of Texas; federal income tax law; and a transcript of certain certified proceedings pertaining to the issuance of the Bonds, as described in the Order. The transcript contains certified copies of certain proceedings of the District; certain certifications and representations and other material facts within the knowledge and control of the District, upon which we rely; and certain other customary documents and instruments authorizing and relating to the issuance of the Bonds. We have also examined executed Bond No. ICI-1 of this issue.

WE HAVE NOT BEEN REQUESTED to examine, and have not investigated or verified, any original proceedings, records, data or other material, but have relied upon the transcript of certified proceedings. We have not assumed any responsibility with respect to the financial condition or capabilities of the District or the disclosure thereof in connection with the sale of the Bonds. Our role in connection with the District's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

BASED ON SUCH EXAMINATION, it is our opinion as follows:

(1) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently in effect; the Bonds constitute valid and legally binding obligations of the District enforceable in accordance with the terms and conditions thereof, except to the extent that the rights and remedies of the owners of the Bonds may be limited by laws heretofore or hereafter enacted relating to bankruptcy,

insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors of political subdivisions and the exercise of judicial discretion in appropriate cases; and the Bonds have been authorized and delivered in accordance with law; and

(2) The Bonds are payable, both as to principal and interest, from the receipts of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property located within the District, which taxes have been pledged irrevocably to pay the principal of and interest on the Bonds.

BASED ON OUR EXAMINATION AS DESCRIBED ABOVE, it is further our opinion that under current law and subject to the restrictions hereinafter described, interest on the Bonds (a) is not included in gross income for federal income tax purposes, (b) is not an item of tax preference for purposes of the federal alternative minimum tax and (c) and (c) may have to be taken into account by applicable corporations (as defined in Section 59(k) of the Code) for the alternative minimum tax imposed on such corporations for tax years beginning after December 31, 2022. The opinion in (a) and (b) of the preceding sentence is subject to the condition that there is compliance subsequent to the issuance of the Bonds with all requirements of the Code that must be satisfied in order that interest thereon not be included in gross income for federal income tax purposes. Failure by the District to comply with the Covenants (as defined below), among other things, could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to their date of issue. The District may in its discretion, but has not covenanted to, take any and all such actions as may be required by future changes in the Code and applicable regulations in order that interest on the Bonds remain excludable from gross income for federal income tax purposes. We express no opinion regarding other federal tax consequences of the ownership of or receipt or accrual of interest on the Bonds.

EXCEPT AS DESCRIBED HEREIN, we express no opinions as to any other matters.

IN PROVIDING THE FOREGOING OPINIONS, Without undertaking to verify the same by independent investigation, we have relied on certifications by representatives of the District as to certain facts relevant to both our opinion and requirements of the Code. The District has covenanted to comply with the current provisions of the Code regarding, among other matters, the use, expenditure and investment of the proceeds of the Bonds and the timely payment to the United States of any arbitrage rebate amounts with respect to the Bonds, all as set forth in the proceedings and documents relating to the issuance of the Bonds (the “Covenants”).

IN ADDITION, EXCEPT AS DESCRIBED ABOVE, we express no opinion as to any federal, state or local tax consequences under present law, or future legislation, resulting from the ownership of, receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations, such as the Bonds, may result in collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who are deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations and individuals otherwise qualified for the earned income credit. For the foregoing reasons, prospective purchasers should consult their tax advisors as to the consequences of investing in the Bonds.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

16118/16723/10446

APPENDIX D

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

MEMBER: [NAME OF MEMBER]

BONDS: $__________ in aggregate principal amount of [NAME OF TRANSACTION] [and maturing on]

Policy No: _____

Effective Date: _________

Risk Premium: $__________
Member Surplus Contribution: $ _________
Total Insurance Payment: $_________

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: ______________________________________

Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
200 Liberty Street, 27th floor
New York, New York 10281
Telecopy:
212-962-1524 (attention: Claims)