(See "Continuing Disclosure Information" herein.)

OFFICIAL STATEMENT

Dated February 9, 2022

Ratings:
S&P: : "AAA"/ "AA" (Underlying)
Moody's: "Aaa"/ "Aa1" (Underlying)
PSF Guranteed
(See "OTHER INFORMATION - Ratings" and "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "Tax Matters" herein.

$176,370,000
ARLINGTON INDEPENDENT SCHOOL DISTRICT
(Tarrant County, Texas)
UNLIMITED TAX SCHOOL BUILDING AND REFUNDING BONDS, SERIES 2022

Dated: February 15, 2022 **Due: As shown on Page 2**
(Interest accrues from Delivery Date)

PAYMENT TERMS . . . Interest on the $176,370,000 Arlington Independent School District Unlimited Tax School Building and Refunding Bonds, Series 2022 (the "Bonds") will accrue from the delivery date and will be payable initially on August 15, 2022 and each February 15 and August 15 thereafter, until stated maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be issued as fully registered obligations in the denominations of $5,000 of principal amount or any integral multiple thereof for any one stated maturity. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in authorized denominations thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. The principal and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is U.S. Bank Trust Company, National Association, Dallas, Texas (see "THE BONDS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including Sections 45.001 and 45.003(b)(1), Texas Education Code, as amended, Chapters 1207 and 1371, Texas Government Code, as amended, and an order passed by the Board of Trustees of the District (defined below) on February 8, 2022, in which the Board delegated to an officer of the District (the "Pricing Officer") authority to complete the sale of the Bonds. The terms of the sale were included in a "Pricing Certificate," which completed the sale of the Bonds on February 9, 2022 (the Bond Order and Pricing Certificate are jointly referred to as the "Order") and, with respect to the portion of the Bonds that are issued for school building construction and equipment purposes, an election held by the Arlington Independent School District (the "District") on November 5, 2019, and are direct obligations of the District, payable from an annual ad valorem tax levied, without legal limitation as to rate or amount, on all taxable property located within the District, as provided in the Order authorizing the issuance of the Bonds (see "THE BONDS - Authority for Issuance"). **The District has received conditional approval for the payment of the Bonds to be guaranteed by the Permanent School Fund of Texas (see "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").**

MATURITY SCHEDULE
See Schedule on Page 2

PURPOSE . . .Proceeds from the sale of the Bonds will be used (i) for acquisition, construction and equipment of school buildings in the District and the purchase of school sites and school buses, (ii) to refund a portion of the District's outstanding debt (the "Refunded Bonds") for debt service savings (see "PLAN OF FINANCING"; also see Schedule I for a detailed listing of the Refunded Bonds and their call date), and (iii) to pay the costs associated with the issuance of the Bonds.

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the Underwriters and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel (see Appendix C, "Form of Bond Counsel's Opinion"). Certain legal matters will be passed upon for the Underwriters by their counsel, Holland & Knight LLP, Houston, Texas.

DELIVERY . . . It is expected that the Bonds will be available for delivery through DTC on or about March 3, 2022 (the "Delivery Date").

SIEBERT WILLIAMS SHANK & CO., LLC

FROST BANK **PIPER SANDLER & CO.**
RAYMOND JAMES **RBC CAPITAL MARKETS**

MATURITY SCHEDULE

$145,445,000 Serial Bonds

Principal Amount	Maturity 2/15	Interest Rate	Initial Yield	CUSIP[1]	Principal Amount	Maturity 2/15	Interest Rate	Initial Yield	CUSIP[1]
$ 2,010,000	2023	5.000%	0.670%	0418267A0	$ 7,190,000	2034	5.000%	1.750% [2]	0418267M4
545,000	2024	5.000%	0.940%	0418267B8	7,260,000	2035	5.000%	1.790% [2]	0418267N2
4,510,000	2025	5.000%	1.070%	0418267C6	7,630,000	2036	5.000%	1.810% [2]	0418267P7
5,330,000	2026	5.000%	1.230%	0418267D4	8,015,000	2037	5.000%	1.820% [2]	0418267Q5
6,245,000	2027	5.000%	1.310%	0418267E2	7,480,000	2038	4.000%	2.010% [2]	0418267R3
5,535,000	2028	5.000%	1.380%	0418267F9	7,785,000	2039	4.000%	2.040% [2]	0418267S1
5,815,000	2029	5.000%	1.470%	0418267G7	8,105,000	2040	4.000%	2.070% [2]	0418267T9
6,110,000	2030	5.000%	1.540%	0418267H5	8,435,000	2041	4.000%	2.090% [2]	0418267U6
6,420,000	2031	5.000%	1.600%	0418267J1	8,780,000	2042	4.000%	2.110% [2]	0418267V4
6,760,000	2032	5.000%	1.660% [2]	0418267K8	9,135,000	2043	4.000%	2.140% [2]	0418267W2
6,840,000	2033	5.000%	1.710% [2]	0418267L6	9,510,000	2044	4.000%	2.170% [2]	0418267X0

(Interest to accrue from date of delivery)

$30,925,000 Term Bond

$30,925,000 4.000% Term Bonds Maturing February 15, 2047, Priced to Yield 2.240%[2], CUSIP[1]: 0418267Y8

(Interest to accrue from the date of delivery)

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

Mandatory Sinking Fund Redemption... The Bonds issued as term bonds, which mature on February 15, 2047, are also subject to mandatory redemption in part prior to maturity at a price of par plus accrued interest to the redemption date as described under "THE BONDS – Mandatory Sinking Fund Redemption."

___

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. CUSIP numbers are provided for convenience of reference only. None of the District, the Financial Advisor, or the Underwriters take any responsibility for the accuracy of such numbers.

(2) Yield calculated based on the assumption that the Bonds will be called on the first optional call date, February 15, 2031, at par.

USE OF INFORMATION IN THE OFFICIAL STATEMENT

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

Certain information set forth herein has been obtained from the District and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Financial Advisor or the Underwriters. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM – PSF Continuing Disclosure Undertaking" and "CONTINUING DISCLOSURE INFORMATION" for a description of the undertakings of the Texas Education Agency (the "TEA") and the District, respectively, to provide certain information on a continuing basis.

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

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 appendices attached hereto, to obtain information essential to making an informed investment decision.

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.

NONE OF THE DISTRICT, ITS FINANCIAL ADVISOR, OR THE UNDERWRITERS MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY ("DTC") OR ITS BOOK-ENTRY-ONLY SYSTEM DESCRIBED UNDER "THE BONDS – BOOK-ENTRY-ONLY SYSTEM" OR THE AFFAIRS OF THE TEXAS EDUCATION AGENCY ("TEA") DESCRIBED UNDER "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM," AS SUCH INFORMATION HAS BEEN PROVIDED BY DTC AND THE TEA, RESPECTIVELY.

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

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

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.

TABLE OF CONTENTS

APPENDICES

The cover page hereof, this page, Schedule I and 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 District is a political subdivision located in Tarrant County, Texas. The District is approximately 88.22 square miles in area (see "INTRODUCTION – Description of the District").

THE BONDS .... The $176,370,000 Unlimited Tax School Building and Refunding Bonds, Series 2022 (the "Bonds") are issued in part as serial bonds maturing on February 15 in each of the years 2023 through 2044, and in part as term bonds (the "Term Bonds") maturing on February 15, 2047 inclusive (see "THE BONDS – Description of the Bonds").

PAYMENT OF INTEREST .... Interest on the Bonds accrues from the date of initial delivery to the Underwriters (the "Delivery Date") and is payable initially on August 15, 2022 and each February 15 and August 15 thereafter until maturity or prior redemption (see "THE BONDS – Description of the Bonds" and "THE BONDS – Optional Redemption").

AUTHORITY FOR ISSUANCE .... The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas, including Sections 45.001 and 45.003(b)(1), Texas Education Code, as amended, Chapters 1207 and 1371, Texas Government Code, as amended, an order passed by the Board of Trustees of the District on February 8, 2022, and, with respect to the portion of the Bonds that are issued for school building construction and equipment purposes, an election held in the District on November 5, 2019 (the "Election") (see "THE BONDS - Authority for Issuance"). In the Bond Order, the Board delegated to an officer of the District, pursuant to certain provisions of Chapters 1207 and 1371 of the Texas Government Code, as amended, authority to complete the sale of the Bonds. The terms of the sale were included in a "Pricing Certificate," which completed the sale of the Bonds on February 9, 2022 (the Bond Order and the Pricing Certificate are jointly referred to as the "Order"). The Bonds represent the third installment of $966,000,000 in principal amount of bonds approved at the Election. See "TABLE 9 – Authorized But Unissued Unlimited Tax Bonds."

SECURITY FOR THE BONDS .... The Bonds constitute direct obligations of the District, payable from a continuing direct annual ad valorem tax levied by the District, without legal limit as to rate or amount, on all taxable property within the District. Additionally, the District has received conditional approval for the payment of the Bonds to be guaranteed by the corpus of the Permanent School Fund of Texas (see "THE BONDS - Security and Source of Payment").

PERMANENT SCHOOL FUND GUARANTEE .... The District has made application to the Texas Education Agency and has received conditional approval for payment of the Bonds to be guaranteed by the Permanent School Fund (see "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").

TAX EXEMPTION.......................... In the opinion of Bond Counsel, the interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under the caption "TAX MATTERS" herein.

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

The Bonds issued as term bonds that mature on February 15, 2047 are also subject to mandatory redemption in part prior to maturity at a price of par plus accrued interest to the redemption date as described under "THE BONDS – Mandatory Sinking Fund Redemption."

USE OF PROCEEDS .... Proceeds from the sale of the Bonds will be used (i) for acquisition, construction and equipment of school buildings and the purchase of school sites and school buses, (ii) to refund a portion of the District's outstanding debt (the "Refunded Bonds") for debt service savings and (ii) for payment of the costs associated with the issuance of the Bonds. See " "PLAN OF FINANCING – Sources and Uses of Proceeds" and Schedule I for a detailed listing of the Refunded Bonds and their call date.

RATINGS .... The Bonds are rated "AAA" by S&P Global Ratings ("S&P") and "Aaa" by Moody's Investors Service, Inc. ("Moody's") by virtue of the guarantee of the Permanent School Fund of the State of Texas. The Bonds and the currently outstanding debt of the District are rated "AA" by S&P and "Aa1" by Moody's without regard to credit enhancement. See "OTHER INFORMATION - Ratings" and "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM".

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

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

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended June 30	Estimated District Population(1)	Taxable Assessed Valuation(2)	Per Capita Taxable Assessed Valuation	Tax Supported Debt Outstanding at End of Year(3)	Per Capita Tax Supported Debt	Ratio of Tax Supported Debt to Taxable Assessed Valuation	% of Total Tax Collections
2018	382,230	$24,852,974,719 (4)	$ 65,021	$ 824,135,796	$ 2,156	3.32%	100.17%
2019	383,950	27,724,047,506 (4)	72,207	766,072,018	1,995	2.76%	99.17%
2020	386,180	31,092,102,305	80,512	978,886,926	2,535	3.15%	98.80%
2021	386,180	32,074,210,610	83,055	1,137,776,926	2,946	3.55%	99.27%
2022	390,540	34,116,003,960	87,356	1,185,949,956 (5)	3,037 (5)	3.48% (5)	44.91% (6)

(1) Source: The District.
(2) Fiscal years ending in 2018 through 2021 are as reported in the District's comprehensive annual financial report, and fiscal year ending in 2022 is as reported by the Tarrant Appraisal District on the District's annual State Property Tax Reports. Such values are subject to change during the ensuing year.
(3) Does not include interest accreted on outstanding capital appreciation bonds.
(4) The Taxable Assessed Values include the tax incremental values within Zone No. 1 (as defined herein) and the maintenance and operation taxes levied on the tax incremental values of Zone No. 1 are not available for the District's general use (see "TAX RATE LIMITATIONS - Tax Increment Financing Zones"). The City of Arlington closed Zone No. 1 on December 31, 2018.
(5) Includes the Bonds and excludes the Refunded Bonds. Also excludes portions of the District's Unlimited Tax Refunding Bonds, Series 2009 and Unlimited Tax Refunding Bonds, Taxable Series 2013 that have been called for redemption and will be paid with cash on February 15, 2022.
(6) Partial year collections through September 30, 2021.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	For Fiscal Year Ended				
	2021	2020	2019	2018	2017
Beginning Balance	$222,384,766	$198,007,461	$201,892,152	$199,453,235	$204,724,888
Total Revenue	576,744,391	532,811,829	521,188,909	518,258,564	515,346,024
Total Expenditures	547,417,185	508,434,524	514,821,080	515,118,870	520,232,220
Other Financing Sources (Uses)	(7,215,924)	-	(10,252,520)	(700,777)	(385,457)
Ending Balance	$244,496,048	$222,384,766	$198,007,461	$201,892,152	$199,453,235

For additional information regarding the District, please contact:

Darla Moss		George Williford		Erick Macha
Chief Financial Officer		Managing Director		Senior Vice President
Arlington Independent School District	or	Hilltop Securities Inc.	or	Hilltop Securities Inc.
690 East Lamar Blvd		717 North Harwood, Suite 3400		717 North Harwood, Suite 3400
Arlington, Texas 76011		Dallas, Texas 75201		Dallas, Texas 75201
(682) 867-7243		(214) 953-8705		(214) 953-4033

DISTRICT OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

Board of Trustees	Length of Service	Term Expires	Occupation
Kecia Mays President	7 Years	2023	Auditor, State Comptroller's Office
Bowie Hogg Vice President	13 Years	2023	Healthcare Executive
Melody Fowler Secretary	3 Years	2024	Teacher, Higher Education
Sarah McMurrough Board Member	Newly Elected	2024	Literacy Coach
Dr. Aaron D. Reich Board Member	12 Years	2024	Owner, TRINU Healthcare
David Wilbanks Board Member	2 Years	2022	Business Consultant
Justin Chapa Board Member	4 Years	2022	Attorney

SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Service with the District	Total School District Service
Dr. Marcelo Cavazos	Superintendent	22 Years	31 Years
Darla Moss	Chief Financial Officer	1 Year	17 Years
Dr. Steven Wurtz	Chief Academic Officer	8 Years	21 Years
Dr. Tracie Brown	Chief Schools Officer	6 Years	24 Years
Dr. Michael Hill	Assistant Superintendent of Administration	18 Years	25 Years
Scott Kahl	Assistant Superintendent of Human Resources	8 Years	8 Years
Dr. Natalie Lopez	Assistant Superintendent of Research and Accountability	4 Years	15 Years
Kelly Horn	Assistant Superintendent of Facility Services	6 Years	18 Years
Eric Upchurch	Assistant Superintendent of Technology	1 Year	1 Year
Dr. Christi Buell	Assistant Superintendent of School Leadership (ES)	6 Years	26 Years
Dr. Laina McDonald	Assistant Superintendent of School Leadership (Secondary)	2 Years	36 Years
Alice Hamrick	Executive Director of Finance	6 Years	18 Years
Barry Fox	Executive Director of Teaching and Learning	7 Years	18 Years
Tamela Horton	Executive Director of Instruction of Transformation Learning	6 Years	29 Years
Patty Bustamante	Executive Director of Special Learning Services	3 Years	23 Years
Anita Foster	Executive Director of Communications and Marketing	3 Years	3 Years
Mark Strand	Executive Director of Human Resources	35 Years	42 Years
Dr. Shahveer Dhalla	Executive Director of School Leadership	16 Years	16 Years
Dr. Theodore Jarchow	Executive Director of School Leadership	4 Years	22 Years
Dr. Stephanie Lee	Executive Director of School Leadership	8 Years	23 Years
Claudia Morales-Herrera	Executive Director of School Leadership	9 Years	26 Years
Grayson Toperzer	Executive Director of School Leadership	7 Years	25 Years
Dr. Kristina Turner	Executive Director of School Leadership	2 Years	17 Years
Corey Robinson	Executive Director of Facility Services	11 Years	11 Years
Tim Edwards	Chief Internal Auditor	7 Years	7 Years

CONSULTANTS AND ADVISORS

Independent Auditors.. Whitley Penn, LLP
Fort Worth, Texas

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

Financial Advisor.. Hilltop Securities Inc.
Dallas, Texas

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OFFICIAL STATEMENT
RELATING TO

$176,370,000
ARLINGTON INDEPENDENT SCHOOL DISTRICT
UNLIMITED TAX SCHOOL BUIDLING AND REFUNDING BONDS, SERIES 2022

INTRODUCTION

This Official Statement, which includes the Appendices and Schedule I hereto, provides certain information regarding the issuance of $176,370,000 Arlington Independent School District Unlimited Tax School Building and Refunding Bonds, Series 2022 (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Order (as defined below) authorizing the issuance and sale of the Bonds, except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Bonds and certain information regarding the Arlington Independent School District (the "District") and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District's Financial Advisor, Hilltop Securities Inc. ("HilltopSecurities"), Dallas, Texas.

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

DESCRIPTION OF THE DISTRICT . . . The District is a political subdivision located in Tarrant County, Texas. The District is governed by a seven-member Board of Trustees (the "Board"), the members of which 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 covers approximately 88.22 square miles in Tarrant County, encompassing the City of Arlington, the Town of Pantego, the City of Dalworthington Gardens, and the Tarrant County portion of the City of Grand Prairie. For additional information regarding the District, see "Appendix A – General Information Regarding the District."

PLAN OF FINANCING

PURPOSE . . . A portion of the proceeds from the sale of the Bonds will be used to refund a portion of the District's outstanding debt (the "Refunded Bonds") for debt service savings. See Schedule I for a detailed listing of the Refunded Bonds and their redemption date at par. See "THE BONDS – Purpose".

REFUNDED BONDS . . . The principal and interest due on the Refunded Bonds are to be paid on the redemption date of such Refunded Bonds as set forth in Schedule I, from funds to be deposited pursuant to a certain Deposit Agreement (the "Deposit Agreement") between the District and the paying agent/registrar for the Refunded Bonds. The Order provides that from the proceeds of the sale of the Bonds received from the Underwriters and the required contribution to the refunding by the District, the District will deposit with the paying agent/registrar for the Refunded Bonds on the date of delivery of the Bonds the amount necessary to accomplish the discharge and final payment of the Refunded Bonds on the redemption date. Such funds will be held by the paying agent/registrar for the Refunded Bonds in cash and applied to redeem the Refunded Bonds on the redemption date.

The District's financial advisor or the paying agent/registrar for the Refunded Bonds will execute a certificate verifying that the funds on deposit pursuant to the Deposit Agreement will be sufficient to pay, when due, the amount necessary to accomplish the discharge and final payment of the Refunded Bonds on the redemption date (the "Sufficiency Certificate").

By the deposit of cash with each paying agent/registrar for the Refunded Bonds pursuant to the Deposit Agreement, the District will have effected the defeasance of all of the Refunded Bonds in accordance with applicable law. It is the opinion of Bond Counsel that as a result of such defeasance and in reliance upon the Sufficiency Certificate, the Refunded Bonds will be outstanding only for the purpose of receiving payments from the cash held for such purpose by the paying agent/registrar for the Refunded Bonds, and such Refunded Bonds will not be deemed as being outstanding obligations of the District payable from taxes nor for the purpose of applying any limitation on the issuance of debt.

Defeasance of the Refunded Bonds will cancel the guarantee of the Texas Permanent School Fund with respect thereto.

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds will be dated February 15, 2022. The Bonds will accrue interest from the date of initial delivery to the Underwriters (the "Delivery Date"), and such interest is payable initially on August 15, 2022 and on each February 15 and August 15 thereafter, until stated maturity or prior redemption. The Bonds will mature on the dates, in the principal amounts, and will bear interest at the rates set forth on page 2 of this Official Statement, and such interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

Interest on the Bonds is payable to the registered owner appearing on the bond registration books of the Paying Agent/Registrar on the Record Date (as defined below) and such interest shall be paid by the Paying Agent/Registrar (i) by check sent by United States Mail, first class postage prepaid, to the address of the registered owner recorded in the bond register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. The principal of the Bonds is payable at maturity or upon prior redemption, upon their presentation and surrender to the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Bonds, all payments will be made as described under "THE BONDS - Book-Entry-Only System" herein.

The Bonds will be issued only in fully registered form 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. The Bonds will be issued in denominations of $5,000 of principal amount or any integral thereof within a stated maturity. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** The principal of and interest on the Bonds will be payable by the Paying Agent/Registrar 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 and the tax levied for their payment pursuant to authority conferred by the Constitution and the laws of the State of Texas, including Sections 45.001 and 45.003(b)(1), Texas Education Code, as amended, Chapters 1207 and 1371, Texas Government Code, as amended, the Order passed by the Board on February 8, 2022, and with respect to the portion of the Bonds that are issued for school building construction and equipment purposes, a bond referendum approved by a majority of the participating voters of the District at an election held on November 5, 2019 (the "Election"). The Bonds represent the third installment of $996,000,000 in principal amount of bonds approved at the Election. See "TABLE 9 – Authorized But Unissued Unlimited Tax Bonds."

In the Bond Order, the Board delegated to an officer of the District, pursuant to certain provisions of Chapters 1207 and 1371, Texas Government Code, as amended, authority to complete the sale of the Bonds. The terms of the sale were included in a "Pricing Certificate," which completed the sale of the Bonds on February 9, 2022 (the Bond Order and the Pricing Certificate are jointly referred to herein as the "Order").

SECURITY AND SOURCE OF PAYMENT . . . All taxable property within the District is subject to a continuing direct annual ad valorem tax levied by the District, without legal limit as to rate or amount, sufficient to provide for the payment of principal of and interest on the Bonds. See "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" herein. Additionally, the District has applied for and has received conditional approval for the payment of the Bonds to be guaranteed by the Permanent School Fund of Texas.

PURPOSE . . .Proceeds from the sale of the Bonds will be used (i) for acquisition, construction and equipment of school buildings in the District and the purchase of school sites and school buses, (ii) to refund a portion of the District's outstanding debt (the "Refunded Bonds") for debt service savings and (iii) for payment of the costs associated with the issuance of the Bonds.

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

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

MANDATORY SINKING FUND REDEMPTION... In addition to the optional redemption provision described above, the Bonds maturing on February 15, 2047 (the "Term Bonds") are subject to mandatory sinking fund redemption in the following amounts (subject to reduction as hereinafter provided) on the following dates at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the date of redemption.

Term Bonds Maturing February 15, 2047	
Redemption Date	Amount
2/15/2045	$ 9,900,000
2/15/2046	10,300,000
2/15/2047[(1)]	10,725,000

____

(1) Stated maturity.

Approximately forty-five (45) days immediately preceding each of the mandatory redemption dates specified above that the Term Bonds are to be mandatorily redeemed, the Paying Agent/Registrar shall select by lot the numbers of the Term Bonds within the applicable maturity to be redeemed on the next following February 15 from moneys set aside for that purpose in the Interest and Sinking Fund. Any Term Bonds not selected for prior redemption shall be paid on the date of their stated maturity.

The principal amount of the Term Bonds for a Stated Maturity required to be redeemed on a mandatory redemption date may be reduced, at the option of the District, by the principal amount of Term Bonds of like Stated Maturity which, at least 45 days prior to the mandatory redemption date, (1) shall have been acquired by the District and delivered to the Paying Agent/Registrar for cancellation or (2) shall have been redeemed pursuant to the optional redemption provisions set forth above and not theretofore credited against a mandatory redemption requirement.

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

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

DTC NOTICES... 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 or any such notice. Redemption of portions of the Bonds by the District will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bonds from the beneficial owners. Any such selection of Bonds to be redeemed will not be governed by the Order and will not be conducted by the District or the Paying Agent/Registrar. Neither the District nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Bonds for redemption. See "THE BONDS - BOOK-ENTRY-ONLY SYSTEM" herein.

DEFEASANCE... The Order provides for the defeasance of the Bonds when the payment of the principal of and premium, if any, on such Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent, or other authorized entity, in trust (1) money sufficient to make such payment or (2) Defeasance Securities to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds, and thereafter the District will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased bonds, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The Order provides that the term "Defeasance Securities" means (a) direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by the United States and (b) 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 governing body of the District 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. The District has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the District moneys in excess of the amount required for such defeasance.

Upon such deposit as described above, such Bonds shall no longer be regarded as being outstanding or unpaid. The District has reserved the option, however, to be exercised at the time of the defeasance of the Bonds, to call for redemption, at an earlier date, those Bonds which have been defeased to their maturity date, if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call such Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of such Bonds immediately following the making of the firm banking and financial arrangements and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Upon such deposit as described above, such defeased Bonds shall no longer be regarded to be outstanding or unpaid. Furthermore, the Permanent School Fund Guarantee will terminate with respect to the Bonds defeased in the manner provided above.

AMENDMENTS. . . The District may amend the Order without the consent of or notice to any registered owners of the Bonds in any manner not detrimental to the interests of such registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the District may, with the consent of holders who own in the aggregate a majority of the principal amount of the Bonds then Outstanding, amend, add to, or rescind any of the provisions of the Order; provided that, without the consent of all holders of Outstanding Bonds, no such amendment, addition, or rescission shall (1) extend the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount thereof, the redemption price of the Bonds, or the rate of interest thereon, or in any other way modify the terms of payment of the principal or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount of Bonds required to be held by Holders for consent to any such amendment, addition, or rescission.

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 The Depository Trust Company ("DTC"), New York, New York, while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Underwriters 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 any notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds) or any notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust &

Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

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

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

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

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

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

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is U.S. Bank Trust Company, National Association, Dallas, Texas (the "Paying Agent/Registrar"). 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 bank or trust company or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

In the event the Book-Entry-Only System should be discontinued, interest on the Bonds will be payable to the registered owner appearing on the bond registration books of the Paying Agent/Registrar on the Record Date (as defined below) and such interest shall be paid by the Paying Agent/Registrar (i) by check sent United States Mail, first class postage prepaid, to the address of the registered owner recorded in the bond register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. The principal of the Bonds is payable at maturity or redemption, upon their presentation and surrender to the Paying Agent/Registrar. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the designated corporate office of the Paying Agent/Registrar is located is authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due. So long as Cede & Co. is the registered owner of the Bonds, payments of the principal and interest on the Bonds will be made as described in "THE BONDS – Book-Entry-Only System."

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, printed Bond certificates will be delivered to registered owners and thereafter the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender of such printed certificates to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity 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. Neither the District nor the Paying Agent/Registrar shall be required transfer or exchange any Bond (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or (ii) within 45 days prior to its redemption date; provided, however, such limitation on transfer or exchange shall not be applicable to a transfer or exchange by the registered owner of the uncalled balance of a Bond called for redemption in part.

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

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

BONDHOLDERS' REMEDIES . . . The Order provides that if the District defaults in the payment of principal, interest or redemption price on the Bonds when due, or the District defaults in the performance or observance of any other covenant, agreement or obligation of the District, the failure to perform which materially, adversely affects the rights of the registered owners, including, but not limited to, their prospect or ability to be repaid in accordance with the Order, and the continuation thereof for a period of

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

SOURCES AND USES OF PROCEEDS . . . The proceeds from the sale of the Bonds, plus a contribution from the District, will be applied approximately as follows:

Sources of Funds	
Par Amount of Bonds	$ 176,370,000.00
Net Reoffering Premium	33,630,130.75
District Contribution	5,121,793.75
Total Sources of Funds	$ 215,121,924.50
Uses of Funds	
Deposit to Construction Fund	$ 196,943,128.00
Deposit to Escrow Fund	16,806,486.46
Deposit to Debt Service Fund	4,539.69
Cost of Issuance and Underwriters' Discount	1,367,770.35
Total Uses of Funds	$ 215,121,924.50

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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

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

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

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

HISTORY AND PURPOSE

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

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

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

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

While the School District Bond Guarantee Program and the Charter District Bond Guarantee Program relate to different types of bonds issued for different types of Texas public schools, and have different program regulations and requirements, a bond guaranteed under either part of the Guarantee Program has the same effect with respect to the guarantee obligation of the Fund thereto, and all guaranteed bonds are aggregated for purposes of determining the capacity of the Guarantee Program (see

“Capacity Limits for the Guarantee Program”). The Charter District Bond Guarantee Program as enacted by State law has not been reviewed by any court, nor has the Texas Attorney General (the “Attorney General”) been requested to issue an opinion, with respect to its constitutional validity.

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

MANAGEMENT AND ADMINISTRATION OF THE FUND PRIOR TO THE IMPLEMENTATION OF SB 1232

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

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

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

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

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

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

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

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

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

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

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

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

- Mineral interests associated with Fund lands.

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

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

MANAGEMENT TRANSITION TO THE PSF CORPORATION

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

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

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

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

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

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

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

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

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

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

THE TOTAL RETURN CONSTITUTIONAL AMENDMENT

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

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

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

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

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

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

ANNUAL DISTRIBUTIONS TO THE AVAILABLE SCHOOL FUND1

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

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

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

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

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

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

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

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

ASSET ALLOCATION OF FUND PORTFOLIOS

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

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

PSF STRATEGIC ASSET ALLOCATIONS

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

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

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

COMPARATIVE INVESTMENT SCHEDULE - PSF(SBOE)[1]

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

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

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

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

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

LIQUID ACCOUNT FAIR VALUE AT AUGUST 31, 2021[1]

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

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

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[1] In millions of dollars.

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

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

COMPARATIVE INVESTMENT SCHEDULE - PSF(SLB)

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

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

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

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

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

THE SCHOOL DISTRICT BOND GUARANTEE PROGRAM

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

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

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

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

Generally, the regulations that govern the School District Bond Guarantee Program (the "SDBGP Rules") limit guarantees to certain types of notes and bonds, including, with respect to refunding bonds issued by school districts, a requirement that the bonds produce debt service savings, and that bonds issued for capital facilities of school districts must have been voted as unlimited tax debt of the issuing district. The Guarantee Program Rules include certain accreditation criteria for districts applying for a guarantee of their bonds, and limit guarantees to districts that have less than the amount of annual debt service per average daily attendance that represents the 90th percentile of annual debt service per average daily attendance for all school districts, but such limitation will not apply to school districts that have enrollment growth of at least 25% over the previous five school years. The SDBGP Rules are codified in the Texas Administrative Code at 19 TAC section 33.65 and are available at http://ritter.tea.state.tx.us/rules/tac/chapter033/ch033a.html#33.65.

THE CHARTER DISTRICT BOND GUARANTEE PROGRAM

The Charter District Bond Guarantee Program became effective March 3, 2014. The SBOE published final regulations in the Texas Register that provide for the administration of the Charter District Bond Guarantee Program (the "CDBGP Rules"). The CDBGP Rules are codified at 19 TAC section 33.67 and are available at http://ritter.tea.state.tx.us/rules/tac/chapter033/ch033a.html#33.67.

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

As of March 2021 (the most recent date for which data is available), the percentage of students enrolled in open-enrollment charter schools (excluding charter schools authorized by school districts) to the total State scholastic census was approximately 6.83%. At February 11, 2022, there were 191 active open-enrollment charter schools in the State and there were 911 charter school campuses active under such charters (though as of such date, 27 of such campuses are not currently serving students for various reasons). Section 12.101, Texas Education Code, as amended by the Legislature in 2013, limits the number of charters that the Education Commissioner may grant to 215 charters as of the end of fiscal year 2014, with the number increasing in each fiscal year thereafter through 2019 to a total number of 305 charters. While legislation limits the number of charters that may be granted, it does not limit the number of campuses that may operate under a particular charter. For information regarding the capacity of the Guarantee Program, see "Capacity Limits for the Guarantee Program." The Act provides that the Education Commissioner may not approve the guarantee of refunding or refinanced bonds under the Charter District Bond Guarantee

Program in a total amount that exceeds one-half of the total amount available for the guarantee of charter district bonds under the Charter District Bond Guarantee Program.

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

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

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

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

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

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

CAPACITY LIMITS FOR THE GUARANTEE PROGRAM

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

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

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

Changes in SBOE-determined multiplier for State Capacity Limit

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

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

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

On July 18, 2016, the IRS issued final regulations enacting the IRS Notice (the "Final IRS Regulations"). The Final IRS Regulations are effective for bonds sold on or after October 17, 2016. The IRS Notice, the Proposed IRS Regulations and the Final IRS Regulations establish a static capacity for the Guarantee Program based upon the cost value of Fund assets on

December 16, 2009, multiplied by five. On December 16, 2009, the cost value of the Guarantee Program was $23,463,730,608 (estimated and unaudited), thereby producing an IRS Limit of approximately $117.3 billion.

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

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

Based upon historical performance of the Fund, the legal restrictions relating to the amount of bonds that may be guaranteed has generally resulted in a lower ratio of guaranteed bonds to available assets as compared to many other types of credit enhancements that may be available for Texas school district bonds and charter district bonds. However, the ratio of Fund assets to guaranteed bonds and the growth of the Fund in general could be adversely affected by a number of factors, including Fund investment performance, investment objectives of the Fund, an increase in bond issues by school districts in the State or legal restrictions on the Fund, changes in State laws that implement funding decisions for school districts and charter districts, which could adversely affect the credit quality of those districts, the implementation of the Charter District Bond Guarantee Program, or significant changes in distributions to the ASF. The issuance of the IRS Notice and the Final IRS Regulations resulted in a substantial increase in the amount of bonds guaranteed under the Guarantee Program. As the amount of guaranteed bonds approaches the IRS Limit, the SBOE is seeking changes to the existing federal tax law requirements regarding the Guarantee Program with the objective of obtaining an increase in the IRS Limit, but no assurances can be given that the SBOE will be successful in that undertaking. The implementation of the Charter School Bond Guarantee Program has also increased the total amount of guaranteed bonds.

2017 LEGISLATIVE CHANGES TO THE CHARTER DISTRICT BOND GUARANTEE PROGRAM

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

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

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

Since the initial authorization of the Charter District Bond Guarantee Program, the Act has established a bond guarantee reserve fund in the State treasury (the "Charter District Reserve Fund"). Formerly, the Act provided that each charter district that has a bond guaranteed must annually remit to the Education Commissioner, for deposit in the Charter District Reserve Fund, an amount equal to 10% of the savings to the charter district that is a result of the lower interest rate on its bonds due to the guarantee by the PSF. SB 1480 modified the Act insofar as it pertains to the Charter District Reserve Fund. Effective September 1, 2017, the Act provides that a charter district that has a bond guaranteed must remit to the Education Commissioner, for deposit in the Charter District Reserve Fund, an amount equal to 20% of the savings to the charter district that is a result of the lower interest rate on the bond due to the guarantee by the PSF. The amount due shall be paid on receipt by the charter district of the bond proceeds. However, the deposit requirement will not apply if the balance of the Charter District Reserve Fund is at least equal to 3.00% of the total amount of outstanding guaranteed bonds issued by charter districts. At December 31, 2021, the Charter District Reserve Fund contained $72,968,033, which represented approximately 2.1% of the guaranteed charter district bonds. The Reserve Fund is held and invested as a non-commingled fund under the administration of the PSF staff.

CHARTER DISTRICT RISK FACTORS

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

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

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

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

INFECTIOUS DISEASE OUTBREAK

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

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

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

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

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

RATINGS OF BONDS GUARANTEED UNDER THE GUARANTEE PROGRAM

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

VALUATION OF THE PSF AND GUARANTEED BONDS

Permanent School Fund Valuations

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

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

(2) At August 31, 2021, mineral assets, sovereign and other lands and internally managed discretionary real estate, external discretionary real estate investments, domestic equities, and cash managed by the SLB had book values of approximately $13.4 million, $183.7 million, $4,655.9 million, $4.7 million, and $699.2 million, respectively, and market values of approximately $2,720.4 million, $629.3 million, $4,636.6 million, $1.8 million, and $699.2 million, respectively. At December 31, 2021, the PSF had a book value of $39,841,061,222 and a market value of $56,168,194,806. December 31, 2021 values are based on unaudited data, which is subject to adjustment.

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Permanent School Fund Guaranteed Bonds

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

____

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

(2) At August 31, 2021 (the most recent date for which such data is available), the TEA expected that the principal and interest to be paid by school districts and charter districts over the remaining life of the bonds guaranteed by the Guarantee Program was $144,196,223,433, of which $48,937,061,511 represents interest to be paid. As shown in the table above, at August 31, 2021, there were $95,259,161,922 in principal amount of bonds guaranteed under the Guarantee Program. Using the IRS Limit of $117,318,653,038 (the IRS Limit is currently the Capacity Limit), net of the Capacity Reserve, as of December 31, 2021, 6.49% of the Guarantee Program's capacity was available to the Charter District Bond Guarantee Program. As of December 31, 2021, the amount of outstanding bond guarantees represented 82.68% of the Capacity Limit (which is currently the IRS Limit). December 31, 2021 values are based on unaudited data, which is subject to adjustment.

Permanent School Fund Guaranteed Bonds by Category[(1)]

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

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(1) Represents original principal amount; does not reflect any subsequent accretions in value for compound interest bonds (zero coupon securities). The amount shown excludes bonds that have been refunded and released from the Guarantee Program.

(2) At December 31, 2021 (based on unaudited data, which is subject to adjustment), there were $96,973,094,043 of bonds guaranteed under the Guarantee Program, representing 3,520 school district issues, aggregating $97,006,213,263 in principal amount and 89 charter district issues, aggregating $3,408,646,000 in principal amount. At December 31, 2021, the CDBGP Capacity was $7,612,220,802 (based on unaudited data, which is subject to adjustment).

DISCUSSION AND ANALYSIS PERTAINING TO FISCAL YEAR ENDED AUGUST 31, 2021

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

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

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

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

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

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

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

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

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

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

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

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

OTHER EVENTS AND DISCLOSURES

The State Investment Ethics Code governs the ethics and disclosure requirements for financial advisors and other service providers who advise certain State governmental entities, including the PSF. In accordance with the provisions of the State Investment Ethics Code, the SBOE periodically modifies its code of ethics, which occurred most recently in April 2018. The SBOE code of ethics includes prohibitions on sharing confidential information, avoiding conflict of interests and requiring disclosure filings with respect to contributions made or received in connection with the operation or management of the Fund. The code of ethics applies to members of the SBOE as well as to persons who are responsible by contract or by virtue of being a TEA PSF staff member for managing, investing, executing brokerage transactions, providing consultant services, or acting as a custodian of the PSF, and persons who provide investment and management advice to a member of the SBOE, with or without compensation under certain circumstances. The code of ethics is codified in the Texas Administrative Code at 19 TAC sections 33.5 et seq. and is available on the TEA web site at http://ritter.tea.state.tx.us/rules/tac/chapter033/ch033a.html#33.5.

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

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

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

PSF CONTINUING DISCLOSURE UNDERTAKING

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

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

Annual Reports

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

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

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

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

Event Notices

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

Availability of Information

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

Limitations and Amendments

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

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

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

Compliance with Prior Undertakings

During the last five years, the TEA has not failed to substantially comply with its previous continuing disclosure agreements in accordance with Rule 15c2-12.

SEC Exemptive Relief

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

STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS

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

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

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

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

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

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

During the 2019 Legislative Session, the State Legislature made numerous changes to the current public school finance system, the levy and collection of ad valorem taxes, and the calculation of defined tax rates, including particularly those contained in House Bill 3 ("HB 3") and Senate Bill 2 ("SB 2"). In some instances, the provisions of HB 3 and SB 2 will require further interpretation in connection with their implementation in order to resolve ambiguities contained in the bills. The District is still in the process of (a) analyzing the provisions of HB 3 and SB 2, and (b) monitoring the on-going guidance provided by TEA. The information contained herein under the captions "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" and "TAX RATE LIMITATIONS" is subject to change, and only reflects the District's understanding of HB 3 and SB 2 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, and the Property Tax Code (as defined herein) for definitive requirements for the levy and collection of ad valorem taxes, the calculation of the defined tax rates, and the administration of the current Texas public school finance system.

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

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

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

2021 Regular and Special Legislative Sessions. . . The 87th Texas Legislature concluded on May 31, 2021. The Legislature meets in regular session in odd-numbered years, for 140 days. When the Legislature is not in session, the Governor of Texas 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.

To date, the Governor has called three special sessions in 2021, a first special session that began on July 8, 2021, a second special session that began on August 7, 2021 and a third special session that began on September 20, 2021 and ended on October 19, 2021.

During the 87th Texas Legislative Session, the Legislature approved a general appropriations act and legislation affecting the Finance System and ad valorem taxation procedures, among other legislation affecting school districts and the administrative agencies that oversee school districts. Of note, House Bill 1525 contained a number of technical modifications to the Finance System as established under HB 3 during the 86th Legislative Session. During the second called special session, the Legislature approved bills addressing virtual learning, taxation of the elderly and disabled and residence homesteads and related hold harmless provisions for school districts, and other matters that may impact the District. During the third called special session, the Legislature passed Senate Joint Resolution No. 2 ("SJR 2"), which proposes a constitutional amendment to increase the residential homestead exemption from ad valorem taxation for public schools from $25,000 to $40,000, and its enabling legislation Senate Bill 1. The constitutional amendment proposed by SJR 2 will be presented to the voters in May 2022. The District is in the process of evaluating the legislation that passed during the 87th Texas Legislative Session and the called special sessions and how such laws may impact the District. The District can make no representations or predictions regarding the impact of the legislation passed at this time.

Local Funding for School Districts. . . During the 2019 Legislative Session, the State Legislature made several significant changes to the funding methodology for school districts (the "2019 Legislation"). The 2019 Legislation orders a school district's M&O tax rate into two distinct parts: the "Tier One Tax Rate", which is the local M&O tax rate required for a school district to receive any part of the basic level of State funding (referred to herein as "Tier One") under the Foundation School Program, as further described below, and the "Enrichment Tax Rate," which is any local M&O tax effort in excess of its Tier One Tax Rate. The 2019 Legislation amended formulas for the State Compression Percentage and Maximum Compressed Tax Rate (each as described below) to compress M&O tax rates in response to year-over-year increases in property values across the State and within a school district, respectively. The discussion in this subcaption "Local Funding For School Districts" is generally intended to describe funding provisions applicable to all school districts; however, there are distinctions in the funding formulas for school districts that generate local M&O tax revenues in excess of the school districts' funding entitlements, as further discussed under the subcaption "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Revenue Level In Excess of Entitlement" herein.

State Compression Percentage. The "State Compression Percentage" for the State fiscal year ending in 2020 (the 2019-2020 school year) is a statutorily-defined percentage of the rate of $1.00 per $100 at which a school district must levy its Tier One Tax Rate to receive the full amount of the Tier One funding to which a school district is entitled. For the State fiscal year ending in 2020, the State Compression Percentage is set at 93% per $100 of taxable value. Beginning in the State fiscal year ending in 2021, the State Compression Percentage is the lesser of three alternative calculations: (1) 93% or a lower percentage set by appropriation for a school year; (2) a percentage determined by formula if the estimated total taxable property value of the State (as submitted annually to the State Legislature by the State Comptroller) has increased by at least 2.5% over the prior year and (3) the prior year State Compression Percentage. For any year, the maximum State Compression Percentage is 93%.

Maximum Compressed Tax Rate. Pursuant to the 2019 Legislation, beginning with the State fiscal year ending in 2021 (the 2020-2021 school year) the Maximum Compressed Tax Rate (the "MCR") is the tax rate per $100 of valuation of taxable property at which a school district must levy its Tier One Tax Rate to receive the full amount of the Tier One funding to which the school district is entitled. The MCR is equal to the lesser of three alternative calculations: (1) the school district's prior year MCR; (2) a percentage determined by formula if the school district experienced a year-over-year increase in property value of at least 2.5%; or (3) the product of the State Compression Percentage for the current year multiplied by $1.00. However, each year the TEA shall evaluate the MCR for each school district in the State, and for any given year, if a school district's MCR is calculated to be less than 90% of any other school district's MCR for the current year, then the school district's MCR is instead equal to the school district's prior year MCR, until TEA determines that the difference between the school district's MCR and any other school district's MCR is not more than 10%. These compression formulas are intended to more closely equalize local generation of Tier One funding among districts with disparate tax bases and generally reduce the Tier One Tax Rates of school districts as property values increase.

Tier One Tax Rate. For the 2019-2020 school year, the Tier One Tax Rate is the State Compression Percentage multiplied by (i) $1.00, or (ii) for a school district that levied an M&O tax rate for the 2018-2019 school year that was less than $1.00 per $100 of taxable value, the total number of cents levied by the school district for the 2018-2019 school year for M&O purposes; effectively setting the Tier One Tax Rate for the State fiscal year ending in 2020 for most school districts at $0.93. Beginning in the 2020-2021 school year, 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 $0.93 for the 2019-2020 school year, or equal to the school district's MCR for the 2020-2021 and subsequent years. Additionally, a school district's levy of Copper Pennies is subject to compression if the guaranteed yield (i.e., the guaranteed level of local tax revenue and State aid generated for each cent of tax effort) of Copper Pennies is increased from one year to the next (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts – *Tier Two*").

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

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

The current public school finance system also provides an Existing Debt Allotment ("EDA") to subsidize debt service on eligible outstanding school district bonds, an Instructional Facilities Allotment ("IFA") to subsidize debt service on newly issued bonds, and a New Instructional Facilities Allotment ("NIFA") to subsidize operational expenses associated with the opening of a new instructional facility. IFA primarily addresses the debt service needs of property-poor school districts. For the 2020-2021 State fiscal biennium, the State Legislature appropriated funds in the amount of $1,323,444,300 for the EDA, IFA, and NIFA.

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

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

For the 2019-2020 State fiscal year, the Basic Allotment for school districts with a Tier One Tax Rate equal to $0.93, is $6,160 for each student in ADA and is revised downward for school districts with a Tier One Tax Rate lower than $0.93. For the State fiscal year ending in 2021 and subsequent State fiscal years, the Basic Allotment for a school district with a Tier One Tax Rate equal to the school district's MCR, is $6,160 (or a greater amount as may be provided by appropriation) for each student in ADA and is revised downward for a school district with a Tier One Tax Rate lower than the school district's MCR. The Basic Allotment is then supplemented for all school districts by various weights to account for differences among school districts and their student populations. Such additional allotments include, but are not limited to, increased funds for students in ADA who: (i) attend a qualified special education program; (ii) are diagnosed with dyslexia or a related disorder; (iii) are economically disadvantaged or (iv) have limited English language proficiency. Additional allotments to mitigate differences among school districts include but are not limited to: (i) a transportation allotment for mileage associated with transporting students who reside two miles or more from their home campus; (ii) a fast growth allotment (for school districts in the top 25% of enrollment growth relative to other school districts); (iii) a college, career and military readiness allotment to further Texas' goal of increasing the number of students who attain a post-secondary education or workforce credential and (iv) a teacher incentive allotment to increase teacher compensation retention in disadvantaged or rural school districts. A school district's total Tier One funding, divided by $6,160, is a school district's measure of students in "Weighted Average Daily Attendance" ("WADA"), which serves to calculate Tier Two funding.

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 2020-2021 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 2020-2021 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. Accordingly, the increase in the guaranteed yield from $31.95 per Copper Penny per student in WADA for the 2018-2019 school year to $49.28 per Copper Penny per student in WADA for the 2019-2020 school year requires school districts to compress their levy of Copper Pennies by a factor of 0.64834. As such, school districts that levied an Enrichment Tax Rate of $0.17 in school year 2018-2019 must reduce their Enrichment Tax Rate to approximately $0.138 per $100 taxable value for the 2019-2020 school 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 2020-2021 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 2020-2021 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 2020-2021 State fiscal biennium on new bonds issued by school districts in the 2020-2021 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 2019 Legislative Session, the State Legislature appropriated funds in the amount of $100,000,000 for each fiscal year of the 2020-2021 State fiscal biennium for NIFA allotments.

Tax Rate and Funding Equity. The Commissioner may adjust a school district's funding entitlement if the funding formulas used to determine the school district's entitlement result in an unanticipated loss or gain for a school district. Any such adjustment requires preliminary approval from the Legislative Budget Board and the office of the Governor, and such adjustments may only be made through the 2020-2021 school year.

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

Furthermore, "property-wealthy" school districts that received additional State funds under the public school finance system prior to the enactment of the 2019 Legislation are entitled to an equalized wealth transition grant on an annual basis through the 2023-2024 school year in an amount equal to the amount of additional revenue such school district would have received under former Texas Education Code Sections 41.002(e) through (g), as those sections existed on January 1, 2019. This grant is phased out through the 2023-2024 school year as follows: (1) 20% reduction for the 2020-2021 school year; (2) 40% reduction for the 2021-2022 school year; (3) 60% reduction for the 2022-2023 school year and (4) 80% reduction for the 2023-2024 school year.

LOCAL REVENUE LEVEL IN EXCESS OF ENTITLEMENT. . . A school district that has sufficient property wealth per student in ADA to generate local revenues on the school district's Tier One Tax Rate and Copper Pennies in excess of the school district's respective funding entitlements (a "Chapter 49 school district"), is subject to the local revenue reduction provisions contained in Chapter 49 of 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.

Whereas prior to the 2019 Legislation, the recapture process had been based on the proportion of a school district's assessed property value per student in ADA, recapture is now measured by the "local revenue level" (being the M&O tax revenues generated in a school district) in excess of the entitlements appropriated by the State Legislature each fiscal biennium. Therefore, school districts are now guaranteed that recapture will not reduce revenue below their statutory entitlement. The changes to the wealth transfer provisions are expected to reduce the cumulative amount of recapture payments paid by school districts by approximately $3.6 billion during the 2020-2021 State fiscal biennium.

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

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

CURRENT PUBLIC SCHOOL FINANCE SYSTEM AS APPLIED TO THE DISTRICT

For the 2021-2022 fiscal year, the District was not designated as an "excess local revenue" district by the TEA. Accordingly, the District has not been required to exercise one of the wealth equalization options permitted under applicable State law. As a district with local revenue less than the maximum permitted level, the District may benefit in the future by agreeing to accept taxable property or funding assistance from, or agreeing to consolidate with, a property-rich district to enable such district to reduce its wealth per student to the permitted level.

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

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

INFECTIOUS DISEASE OUTBREAK – COVID-19

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

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in Texas in response to the Pandemic. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency (including TEA) that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has since issued a number of executive orders relating to COVID-19 preparedness, mitigation, and phased reopening of the State. However, on March 2, 2021, the Governor issued Executive Order GA-34, which supersedes most of the executive orders relating to COVID-19 and provides, generally, for the reopening of the State to 100%, ends the COVID-19 mask mandate, and supersedes any conflicting order issued by local officials in response to COVID-19, among other things and subject to certain limitations. Executive Order GA-34 became effective on March 10, 2021 and remains in effect until amended, rescinded, or superseded by the Governor. On May 18, 2021, Governor Abbott issued Executive Order GA-36, which supersedes Executive Order GA-34 in part. Executive Order GA-36 prohibits governmental entities in Texas, including counties, cities, school districts, public health authorities, and government officials from requiring or mandating any person to wear a face covering and subjects a governmental entity or official to a fine of up to $1,000 for noncompliance. Notwithstanding the above, Executive Order GA-36 provides for public schools to continue to follow policies regarding the wearing of face coverings to the extent reflected in current guidance by TEA, until June 4, 2021. However, Executive Order GA-36 requires TEA to revise its guidance such that, effective 11:59 p.m. on June 4, 2021, no student, teacher, parent, or other staff member or visitor may be required to wear a face covering. Executive Order GA-36 remains in force and effect unless it is modified, amended, rescinded, or superseded by the Governor. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at http://gov.texas.gov/. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

On June 5, 2021, TEA issued updated public planning health guidance in accordance with Executive Order GA-34 to address on campus and virtual instruction, administrative and extracurricular activities, and school visits. Within the guidance, TEA instructs schools to provide parental and public notices of the school district's plan for on-campus instruction (posted one week prior to the commencement of in person education, and then again provided at time of enrollment or at the earliest practical time after enrollment) in order to mitigate COVID-19 within their facilities and confirms the attendance requirements for promotion (which may be completed by virtual education). The guidance further details screening mechanisms, identification of symptoms, and procedures for confirmed, suspected, and exposed cases. Certain actions, such as notification to health department officials and closure of high-traffic areas, will be required in the instance of confirmed cases. Schools are highly encouraged to engage in mitigation practices promoting health and hygiene consistent with CDC guidelines (including social distancing, facial coverings, frequent disinfecting of all areas, limiting visitations, etc.) to avoid unnecessary exposure to others in prevent the spread of COVID-19. Pursuant to Executive Order GA-36, TEA shall revise its guidance such that, effective 11:59 p.m. on June 4, 2021, no student, teacher, parent, or other staff member or visitor may be required to wear a face covering.

The TEA advised districts that for the 2020-2021 school year district funding will return to being based on ADA calculations requiring attendance to be taken. However, the TEA is crafting an approach for determining ADA that provides districts with several options for determining daily attendance. These include, remote synchronous instruction, remote asynchronous instruction, on campus instruction, and the Texas Virtual Schools Network. To stabilize funding expectations, TEA has announced that the State will provide a "hold harmless" to Texas school systems for the 2020-2021 school year. Under this "hold harmless" provision, state funding will be made available to school districts in line with attendance projections made prior to the public health crisis even if the district has experienced a decline in enrollment and attendance so long as the district maintains or increases its current level of on-campus attendance. Additional information regarding the plans for the 2020-2021 school year may be obtained from the TEA. Following the 2020-2021 school year, the return to funding based on ADA calculations requiring attendance to be taken during the Pandemic may have a negative impact on revenues available to the District for operations and maintenance if students do not take part in the instruction options made available by the District.

The full extent of the ongoing impact of COVID-19 on the District's longer-term operational and financial performance will depend on future developments, many of which are outside of its control, including the effectiveness of the mitigation strategies discussed above, the duration and spread of COVID-19, and future governmental actions, all of which are highly uncertain and cannot be predicted. The District continues to monitor the spread of COVID-19 and is working with local, state, and national agencies to address the potential impact of the Pandemic upon the District. While the potential impact of the Pandemic on District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District's operations and financial condition.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. These negative impacts may reduce or negatively affect property values within the District. The financial and operating data contained herein are the latest available but are for the dates and the periods stated herein, which are for periods prior to the economic impact of the Pandemic and efforts to slow it. It is unclear at this time what effect, if any, COVID-19 and resulting economic disruption may have on future assessed values or the collection of taxes, either because of delinquencies or collection and valuation relief resulting from the declared emergency. The Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes.

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

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

In addition to the information about the impact of the COVID-19 pandemic on the District and the Permanent School Fund Guarantee Program provided in the Official Statement, the District may provide voluntary disclosures from time to time on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system (EMMA) relating to the impact of the pandemic on its finances and operations.

AD VALOREM PROPERTY TAXATION

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

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

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

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

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

STATE MANDATED HOMESTEAD EXEMPTIONS. . . State law grants, with respect to each school district in the State, (1) a $25,000 exemption of the appraised value of all homesteads, (2) a $10,000 exemption of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled, and (3) various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

LOCAL OPTION HOMESTEAD EXEMPTIONS. . . The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than $5,000) and (2) an additional exemption of at least $3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The governing body of a school district may not repeal or reduce the amount of the local option homestead exemption described in (1), above, that was in place for the 2014 tax year (fiscal year 2015) for a period ending December 31, 2019. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit.

STATE MANDATED FREEZE ON SCHOOL DISTRICT TAXES. . . Except for increases attributable to certain improvements, a school district is prohibited from increasing the total ad valorem tax on the homestead of persons sixty-five (65) years of age or older or of disabled persons above the amount of tax imposed in the year such homestead qualified for such exemption. This freeze is transferable to a different homestead if a qualifying taxpayer moves and, under certain circumstances, is also transferable to the surviving spouse of persons sixty-five (65) years of age or older, but not the disabled.

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

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

Certain goods, that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days ("Goods-in-Transit"), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer's motor vehicle, boat, or heavy equipment inventory.

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

TEMPORARY EXEMPTION FOR QUALIFIED PROPERTY DAMAGED BY A DISASTER. . . The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. Except in situations where the territory is declared a disaster on or after the date the taxing unit adopts a tax rate for the year in which the disaster declaration is issued, the governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the governor declares the area to be a disaster area. For more information on the exemption, reference is made to Section 11.35 of the Property Tax Code. On April 13, 2020, the Attorney General of Texas released his opinion that "a court would likely conclude that the Legislature intended to limit the temporary tax exemption to apply to property physically harmed as a result of a declared disaster. Thus, purely economic, non-physical damage to property caused by the COVID-19 disaster is not eligible for the temporary tax exemption provided by section 11.35 of the Tax Code." Tex. Att'y Gen. Op. No. KP-0299 (2020).

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

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

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

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

For a discussion of how the various exemptions described above are applied by the District, see "TAX RATE LIMITATIONS – District Application of Tax Code" herein.

DISTRICT AND TAXPAYER REMEDIES. . .Under certain circumstances, taxpayers and taxing units, including the District, may appeal the determinations of the Appraisal District by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units such as the District may bring suit against the Appraisal District to compel compliance with the Property Tax Code. Beginning in the 2020 tax year, 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 $50 million for the 2020 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.

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TAX RATE LIMITATIONS

M&O TAX RATE LIMITATIONS. . . The District is authorized to levy an M&O tax rate pursuant to the approval of the voters of the District at an election held on January 20, 2001 in accordance with the provisions of Chapter 45, Texas Education Code, as amended.

> The 2019 Legislation established the following maximum M&O tax rate per $100 of taxable value that may be adopted by school districts, such as the District, for the 2019 and subsequent tax years:
>
> For the 2019 tax year, 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 product of the State Compression Percentage multiplied by $1.00. For the 2019 tax year, the state compression percentage has been set at 93%.
>
> For the 2020 and subsequent tax years, 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 "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 "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 – Source and Security of Payment").

Section 45.0031 of the Texas Education Code, as amended, requires a school district to demonstrate to the Texas Attorney General that it has the prospective ability to pay its maximum annual debt service on a proposed issue of bonds and all previously issued bonds, other than bonds approved by voters of a school district at an election held on or before April 1, 1991 and issued before September 1, 1992 (or debt issued to refund such bonds, collectively, "exempt bonds"), from a tax levied at a rate of $0.50 per $100 of assessed valuation before bonds may be issued (the "50-cent Test"). In demonstrating the ability to pay debt service at a rate of $0.50, a school district may take into account EDA and IFA allotments to the school district, which effectively reduces the school district's local share of debt service, and may also take into account Tier One funds allotted to the school district. If a school district exercises this option, it may not adopt an I&S tax until it has credited to the school district's I&S fund an amount equal to all State allotments provided solely for payment of debt service and any Tier One funds needed to demonstrate compliance with the threshold tax rate test and which is received or to be received in that year. Additionally, a school district may demonstrate its ability to comply with the 50-cent Test by applying the $0.50 tax rate to an amount equal to 90% of projected future taxable value of property in the school district, as certified by a registered professional appraiser, anticipated for the earlier of the tax year five (5) years after the current tax year or the tax year in which the final payment for the bonds is due. However, if a school district uses projected future taxable values to meet the 50-cent Test and subsequently imposes a tax at a rate greater than $0.50 per $100 of valuation to pay for bonds subject to the test, then for subsequent bond issues, the Texas Attorney General must find that the school district has the projected ability to pay principal and interest on the proposed bonds and all previously issued bonds subject to the 50-cent Test from a tax rate of $0.45 per $100 of valuation. Once the prospective ability to pay such tax has been shown and the bonds are issued, a school district may levy an unlimited tax to pay debt service. Refunding bonds issued pursuant to Chapter 1207, Texas Government Code, are not subject to the 50-cent Test; however, taxes levied to pay debt service on such bonds (other than bonds issued to refund exempt bonds) are included in maximum annual debt service for calculation of the 50-cent Test when applied to subsequent bond issues that are subject to the 50-cent Test. The Bonds are issued in part for school building purposes pursuant to Chapter 45, Texas Education Code, as new debt and are subject to the 50-cent test. The District has not used State assistance, other than EDA or IFA allotment funding, or projected future taxable values to meet the 50-cent Test to satisfy the 50-cent Test. The District is not currently eligible for EDA nor IFA allotments.

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.

For the 2019 tax year, 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, and a failure to adopt a tax rate by such required date will result in the tax rate for the taxing unit being the lower of the "effective tax rate" calculated for that tax year or the tax rate adopted by the taxing unit for the preceding tax year. "Effective 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.

For the 2019 tax year, the Voter-Approval Tax Rate for a school district is the sum of (i) the State Compression Percentage, multiplied by $1.00; (ii) the greater of (a) the school district's M&O tax rate for the 2018 tax year, less the sum of (1) $1.00, and (2) any amount by which the school district is required to reduce its Enrichment Tax Rate for the 2019 tax year, or (b) $0.04; and (iii) the school district's I&S tax rate. For the 2019 tax year, a school district's M&O tax rate may not exceed the rate equal to the sum of (i) $0.17 and (ii) the product of the State Compression Percentage multiplied by $1.00.

For the 2019 tax year, a school district with a Voter-Approval Tax Rate equal to or greater than $0.97 (excluding the school district's current I&S tax rate) may not adopt tax rate for the 2019 tax year that exceeds the school district's Voter-Approval Tax Rate.

Beginning with the 2020 tax year, 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.

For the 2020 and subsequent tax years, the Voter-Approval Tax Rate for a school district is the sum of (i) the school district's MCR; (ii) the greater of (a) the school district's Enrichment Tax Rate for the preceding year, less any amount by which the school district is required to reduce its current year Enrichment Tax Rate pursuant to Section 48.202(f), Education Code, as amended, or (b) the rate of $0.05 per $100 of taxable value; and (iii) the school district's current I&S tax rate. However, for only the 2020 tax year, if the governing body of the school district does not adopt by unanimous vote an M&O tax rate at least equal to the sum of the school district's MCR plus $0.05, then $0.04 is substituted for $0.05 in the calculation for such school district's Voter-Approval Tax Rate for the 2020 tax year. For the 2020 tax year, and subsequent years, a school district's M&O tax rate may not exceed the rate equal to the sum of (i) $0.17 and (ii) the school district's MCR (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" herein for more information regarding the State Compression Percentage, MCR, and the Enrichment Tax Rate).

Beginning with the 2020 tax year, 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.

DISTRICT APPLICATION OF TAX CODE... Aside from State mandated exemptions of $25,000 for general homestead and an additional $10,000 for persons who are over 65 years old or older and who are disabled, the District does not grant any other local exemptions.

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

See Table 1 for a listing of the amounts of the exemptions described above.

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

The District does not tax non-business personal property; and Tarrant County Tax Office collects taxes for the District.

The District does permit split payments, and discounts are not allowed.

The District does not tax freeport property. The District has taken action to tax goods-in-transit.

The District has not entered into any appraised value limitation agreements pursuant to the Texas Economic Development Act.

TAX ABATEMENT POLICY... The District has not established a tax abatement program.

TAX INCREMENT FINANCING ZONES… Reinvestment Zone Number One, City of Arlington ("Zone No. 1") was created in 1998 by the City of Arlington with consent of other taxing units overlapping Zone No. 1. Zone No. 1 includes the downtown business district. Maintenance and Operations ad valorem taxes on incremental growth in the total net taxable appraised value of properties located within Zone No. 1 (levied at the tax rates of each taxing unit assessing ad valorem taxes in Zone No. 1) from a January 1, 1998 base value of $72,990,659, is remitted to Zone No. 1 by the taxing units. Tax funds derived from incremental values in Zone No. 1 have been and are being used to reimburse developers for eligible public improvements in Zone No. 1. Zone No. 1 has no bonded debt. The tax year 2017 incremental value of Zone No. 1 was $194,268,227. Zone No. 1 had a 20-year term and was scheduled to expire in 2018. The City of Arlington closed Zone No. 1 effective December 31, 2018.

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TABLE 1 - VALUATION, EXEMPTIONS AND TAX SUPPORTED DEBT

2021/22 Market Valuation Established by the Tarrant Appraisal District		$ 45,141,418,312
Less Exemptions/Reductions at 100% Market Value:		
Homestead Exemption	$ 1,377,137,811	
Homestead Exemption (Over-65 and Disabled)	212,367,896	
Community Housing Development	80,441,446	
Pollution Control Exemption	8,307,836	
Disabled Veterans Exemption	157,930,820	
Surviving Spouse of First Responder KLD	185,108	
Transfer Base value SS KIA Armed Service Member	201,400	
Foreign Trade Zone	87,545,062	
Solar and Wind Powered	26	
Misc Personal Property (Vehicles, Etc.)	101,599,915	
Inventory	2,720,428,159	
Nominal Value Accounts	5,130,380	
Absolute Exemptions	5,497,750,236	
Property Damaged by Disaster	3,876,954	
Total Deferrals	26,012,641	
Cap Loss	746,498,662	
		11,025,414,352
2021/22 Taxable Assessed Valuation		$ 34,116,003,960
Debt Payable from Ad Valorem Taxes as of February 15, 2022		
Outstanding Debt [(1)]	$ 1,009,579,956	
The Bonds	176,370,000	
		$ 1,185,949,956
Ratio Tax Supported Debt to Taxable Assessed Valuation		3.48%

2021/22 Estimated Population - 390,540

Per Capita Taxable Assessed Valuation - $87,356

Per Capita Debt Payable from Ad Valorem Taxes - $3,037

(1) Excludes the Refunded Bonds. Also excludes portions of the District's Unlimited Tax Refunding Bonds, Series 2009 and Unlimited Tax Refunding Bonds, Taxable Series 2013 that have been called for redemption and will be redeemed with cash on February 15, 2022.

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TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Taxable Appraised Value for Fiscal Year Ended June 30,					
	2022		2021		2020	
Category	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 18,087,187,402	40.07%	$ 16,486,838,380	41.37%	$ 17,019,257,939	43.21%
Real, Residential, Multi-Family	5,784,284,800	12.81%	5,240,441,663	13.15%	4,901,808,141	12.45%
Real, Vacant Lots/Tracts	448,602,922	0.99%	467,874,560	1.17%	461,095,621	1.17%
Real, Acreage (Land Only)	17,913,606	0.04%	16,881,587	0.04%	20,540,906	0.05%
Real, Farm and Ranch Improvements	3,651,801	0.01%	3,025,502	0.01%	3,074,539	0.01%
Real, Commercial	12,745,724,997	28.24%	12,536,823,474	31.46%	11,499,167,462	29.20%
Real, Industrial	489,486,310	1.08%	466,261,768	1.17%	460,033,339	1.17%
Oil and Gas, Minerals	67,420,760	0.15%	84,508,240	0.21%	126,846,956	0.32%
Real and Tangible Personal, Utilities	391,396,762	0.87%	336,586,354	0.84%	400,530,808	1.02%
Tangible Personal, Commercial	5,122,106,618	11.35%	2,407,996,250	6.04%	2,775,235,197	7.05%
Tangible Personal, Industrial	1,775,349,966	3.93%	1,606,802,291	4.03%	1,512,598,741	3.84%
Tangible Personal, Other, Mobile Homes	15,247,176	0.03%	15,300,228	0.04%	16,226,821	0.04%
Real Property, Inventory	4,952,450	0.01%	3,295,200	0.01%	4,594,600	0.01%
Personal Property, Inventory	168,863,179	0.37%	159,568,266	0.40%	164,379,250	0.42%
Totally Exempt	19,229,563	0.04%	19,179,082	0.05%	19,107,093	0.05%
Total Appraised Value Before Exemptions	$ 45,141,418,312	100.00%	$ 39,851,382,845	100.00%	$ 39,384,497,413	100.00%
Less: Total Exemptions/Reductions	(11,025,414,352)		(7,777,172,235)		(8,292,395,108)	
Taxable Assessed Value(2)	$ 34,116,003,960		$ 32,074,210,610		$ 31,092,102,305	

	Taxable Appraised Value for Fiscal Year Ended June 30,			
	2019		2018	
Category	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 14,201,592,914	39.33%	$ 13,093,576,487	39.30%
Real, Residential, Multi-Family	4,493,028,371	12.44%	3,935,284,196	11.81%
Real, Vacant Lots/Tracts	583,120,915	1.61%	612,978,260	1.84%
Real, Acreage (Land Only)	405,245	0.00%	205,308	0.00%
Real, Farm and Ranch Improvements	2,745,793	0.01%	2,423,081	0.01%
Real, Commercial	10,316,734,180	28.57%	9,601,968,963	28.82%
Real, Industrial	469,971,032	1.30%	342,032,834	1.03%
Real and Tangible Personal, Utilities	114,857,000	0.32%	105,223,506	0.32%
Tangible Personal, Commercial	473,940,962	1.31%	455,037,108	1.37%
Tangible Personal, Industrial	3,661,174,902	10.14%	3,392,818,927	10.18%
Oil and Gas, Minerals	1,587,892,758	4.40%	1,555,527,314	4.67%
Tangible Personal, Other, Mobile Homes	20,109,111	0.06%	28,955,231	0.09%
Real Property, Inventory	1,634,490	0.00%	2,036,329	0.01%
Personal Property, Inventory	161,713,883	0.45%	165,119,378	0.50%
Totally Exempt	19,294,688	0.05%	21,947,135	0.07%
Total Appraised Value Before Exemptions	$ 36,108,216,244	100.00%	$ 33,315,134,057	100.00%
Less: Total Exemptions/Reductions	(8,384,168,738)		(8,462,159,338)	
Taxable Assessed Value(2)	$ 27,724,047,506 (1)		$ 24,852,974,719 (1)	

____

(1) The Taxable Assessed Values include the tax incremental values within Zone No. 1 and the maintenance and operation taxes levied on the tax incremental values of Zone No. 1 are not available for the District's general use (see "TAX RATE LIMITATIONS - Tax Increment Financing Zones"). The City of Arlington closed Zone No. 1 on December 31, 2018.

(2) Fiscal years ending in 2018 through 2021 are as reported in the District's comprehensive annual financial report, and fiscal year 2022 is as reported by the Appraisal District on the District's annual State Property Tax Reports. Such values are subject to change during the ensuing year.

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TABLE 3 - VALUATION AND TAX SUPPORTED DEBT HISTORY

Fiscal Year Ended 6/30	Estimated Population[(1)]	Taxable Assessed Valuation[(2)]	Taxable Assessed Valuation Per Capita	Tax Supported Debt Outstanding at End of Year [(3)]	Ratio of Tax Supported Debt to Taxable Assessed Valuation	Tax Supported Debt Per Capita
2018	382,230	$ 24,852,974,719 [(4)]	$ 65,021	$ 824,135,796	3.32%	$ 2,156
2019	383,950	27,724,047,506 [(4)]	72,207	766,072,018	2.76%	1,995
2020	386,180	31,092,102,305	80,512	978,886,926	3.15%	2,535
2021	386,180	32,074,210,610	83,055	1,137,776,926	3.55%	2,946
2022	390,540	34,116,003,960	87,356	1,185,949,956 [(5)]	3.48% [(5)]	3,037 [(5)]

(1) Source: The District.
(2) Fiscal years ending in 2018 through 2021 are as reported in the District's comprehensive annual financial report, and fiscal year ending in 2022 is as reported by the Tarrant Appraisal District on the District's annual State Property Tax Reports. Such values are subject to change during the ensuing year.
(3) Does not include interest accreted on outstanding capital appreciation bonds.
(4) The Taxable Assessed Values include the tax incremental values within Zone No. 1, and the maintenance and operation taxes levied on the tax incremental values of Zone No. 1, are not available for the District's general use (see "TAX RATE LIMITATIONS - Tax Increment Financing Zones"). The City of Arlington closed Zone No. 1 on December 31, 2018.
(5) Includes the Bonds and excludes the Refunded Bonds. Also excludes portions of the District's Unlimited Tax Refunding Bonds, Series 2009 and Unlimited Tax Refunding Bonds, Taxable Series 2013 that have been called for redemption and will be redeemed with cash on February 15, 2022.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Year Ended 6/30	Tax Rate	Local Maintenance	Interest & Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2018	$ 1.3687	$ 1.0400	$ 0.3287	$ 345,476,231	98.48%	100.17%
2019	1.3687	1.0400	0.3287	379,450,721	98.35%	99.17%
2020	1.2987	0.9700 [(2)]	0.3287	403,783,805	98.23%	98.80%
2021	1.3871	1.0864 [(3)]	0.3007	444,901,375	98.74%	99.27%
2022	1.3608	1.0601	0.3007	455,438,683	44.82% [(1)]	44.91% [(1)]

(1) Partial year collections as of December 31, 2021.
(2) The decline in the District's Maintenance and Operations Tax Rate from the 2018/19 fiscal year to the 2019/20 fiscal year is a function of House Bill 3 adopted by the Texas Legislature in June 2019. See "TAX RATE LIMITATIONS – Public Hearing and Voter-Approval Tax Rate".
(3) The increase in the District's Maintenance and Operations Tax rate from the 2019/20 fiscal year to the 2020/21 fiscal year is based on the voter-approved tax rate election that was approved by voters on November 3, 2020.

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TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2021/22 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
General Motors LLC	Automotive Manufacturer	$1,198,435,998	3.51 %
Oncor Electric Delivery Co LLC	Electric Utility	192,676,286	0.56
WIL-CPT Arlington Highlands LP	Real Estate	139,701,328	0.41
United Parcel Service Inc/ BT- OH LLC	Shipping Service	135,828,282	0.40
Bell Textron Inc.	Helicopter Manufacturing	132,795,020	0.39
Parks at Arlington LP	Retail Mall	129,035,750	0.38
Blue Atlantic Riverside LP/Blue Atlantic Francisca	Apartments	127,075,000	0.37
Hart Arlington TX LLC	Wholesale Supplier	116,343,363	0.34
Sheffield Property SPE LLC/ ICS Parks LLC	Real Estate	111,410,000	0.33
Atmos Energy/ Mid Tex Division	Utility	97,488,513	0.29
		$2,380,789,540	6.98 %

TABLE 6 - TAX ADEQUACY

2022 Principal and Interest Requirements	$	99,230,731	(1)
$.2999 Tax Rate at 97% Collection Produces	$	99,244,479	
Average Annual Principal and Interest Requirements, 2022-2047	$	71,152,665	(1)
$.2151 Tax Rate at 97% Collection Produces	$	71,182,019	
Maximum Annual Principal and Interest Requirements, Calendar Year 2022	$	99,230,731	(1)
$.2999 Tax Rate at 97% Collection Produces	$	99,244,479	

(1) Includes the Bonds and excludes the Refunded Bonds. Also excludes portions of the District's Unlimited Tax Refunding Bonds, Series 2009 and Unlimited Tax Refunding Bonds, Taxable Series 2013 that have been called for redemption and will be redeemed with cash on February 15, 2022.

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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 debt ("Tax Debt") was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional Tax Debt since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional Tax Debt, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the District.

Taxing Jurisdiction	2021/2022 Taxable Assessed Value	2021/2022 Tax Rate	Total Tax Supported Debt as of 2/15/2022	Estimated % Applicable	District's Overlapping Tax Supported Debt
Arlington Independent School District	$ 34,116,003,960	$ 1.3608	$ 1,185,949,956 (1)	100.00%	$ 1,185,949,956 (1)
City of Arlington	30,886,433,671	0.6198	603,925,000	79.23%	478,489,778
City of Dalworthington Gardens	381,587,611	0.6586	5,205,000	98.17%	5,109,749
City of Fort Worth	83,387,110,462	0.7325	857,075,000	0.01%	85,708
City of Grand Prairie	18,125,734,480	0.6650	377,990,000	36.56%	138,193,144
City of Kennedale	830,705,663	0.7641	15,090,000	1.23%	185,607
Town of Pantego	341,130,115	0.4200	2,565,000	97.99%	2,513,444
Tarrant County	217,644,837,270	0.2290	213,675,000	15.78%	33,717,915
Tarrant County College District	219,777,576,724	0.1302	255,995,000	15.10%	38,655,245
Tarrant County Hospital District	218,063,285,944	0.2244	14,495,000	15.10%	2,188,745
Total Direct and Overlapping Tax Supported Debt					$ 1,885,089,289
Ratio of Direct and Overlapping Tax Supported Debt to Taxable Assessed Valuation					5.53%
Per Capita Direct and Overlapping Tax Supported Debt					$ 4,827

(1) Includes the Bonds and excludes the Refunded Bonds. Also excludes portions of the District's Unlimited Tax Refunding Bonds, Series 2009 and Unlimited Tax Refunding Bonds, Taxable Series 2013 that have been called for redemption and will be redeemed with cash on February 15, 2022. After issuance of the Bonds, the District will have $263,538,700 in authorized but unissued tax debt outstanding.

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DEBT INFORMATION

TABLE 8 - TAX SUPPORTED DEBT SERVICE REQUIREMENTS

Calendar Year Ending [(1)] 12/31	Outstanding Debt [(2)] Principal	Outstanding Debt Interest	Outstanding Debt Total	The Bonds [(3)] Principal	The Bonds Interest	The Bonds Total	Total Debt Service Requirements	% of Principal Retired
2022	$ 52,980,000	$ 42,688,104	$ 95,668,104	$ -	$ 3,562,628	$ 3,562,628	$ 99,230,731	4.28%
2023	47,390,000	40,204,757	87,594,757	2,010,000	7,866,700	9,876,700	97,471,457	
2024	41,459,956	43,437,162	84,897,118	545,000	7,802,825	8,347,825	93,244,943	
2025	40,135,000	36,713,431	76,848,431	4,510,000	7,676,450	12,186,450	89,034,881	
2026	40,080,000	34,905,127	74,985,127	5,330,000	7,430,450	12,760,450	87,745,577	
2027	40,765,000	32,984,440	73,749,440	6,245,000	7,141,075	13,386,075	87,135,515	22.72%
2028	43,550,000	30,960,903	74,510,903	5,535,000	6,846,575	12,381,575	86,892,478	
2029	43,280,000	28,955,940	72,235,940	5,815,000	6,562,825	12,377,825	84,613,765	
2030	44,860,000	26,891,072	71,751,072	6,110,000	6,264,700	12,374,700	84,125,772	
2031	46,225,000	24,896,239	71,121,239	6,420,000	5,951,450	12,371,450	83,492,689	
2032	47,850,000	23,051,768	70,901,768	6,760,000	5,621,950	12,381,950	83,283,718	43.41%
2033	49,245,000	21,187,838	70,432,838	6,840,000	5,281,950	12,121,950	82,554,788	
2034	50,855,000	19,313,919	70,168,919	7,190,000	4,931,200	12,121,200	82,290,119	
2035	52,740,000	17,424,493	70,164,493	7,260,000	4,569,950	11,829,950	81,994,443	
2036	53,570,000	15,459,637	69,029,637	7,630,000	4,197,700	11,827,700	80,857,337	
2037	53,175,000	13,461,134	66,636,134	8,015,000	3,806,575	11,821,575	78,457,709	67.35%
2038	55,210,000	11,421,931	66,631,931	7,480,000	3,456,600	10,936,600	77,568,531	
2039	57,325,000	9,294,061	66,619,061	7,785,000	3,151,300	10,936,300	77,555,361	
2040	48,465,000	7,217,700	55,682,700	8,105,000	2,833,500	10,938,500	66,621,200	
2041	35,005,000	5,504,900	40,509,900	8,435,000	2,502,700	10,937,700	51,447,600	
2042	29,520,000	4,168,775	33,688,775	8,780,000	2,158,400	10,938,400	44,627,175	88.83%
2043	25,860,000	3,037,800	28,897,800	9,135,000	1,800,100	10,935,100	39,832,900	
2044	26,115,000	1,998,300	28,113,300	9,510,000	1,427,200	10,937,200	39,050,500	
2045	27,185,000	932,300	28,117,300	9,900,000	1,039,000	10,939,000	39,056,300	
2046	9,715,000	194,300	9,909,300	10,300,000	635,000	10,935,000	20,844,300	
2047	-	-	-	10,725,000	214,500	10,939,500	10,939,500	100.00%
	$ 1,062,559,956	$ 496,306,030	$ 1,558,865,986	$ 176,370,000	$ 114,733,303	$ 291,103,303	$ 1,849,969,289	

(1) The District's fiscal year end is June 30. Due to the timing of tax collection receipts, the District budgets for debt payments on a calendar year basis, ending on December 31 of the same year.
(2) Excludes the Refunded Bonds. Also excludes portions of the District's Unlimited Tax Refunding Bonds, Series 2009 and Unlimited Tax Refunding Bonds, Taxable Series 2013 that have been called for redemption and will be redeemed with cash on February 15, 2022.
(3) Average life of the Bonds is 15.135 years and the true interest cost is 2.762%.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

Tax Supported Debt Service Requirements, Calendar Year Ending 12/31/2022[(1)]		$ 99,230,731
Interest and Sinking Fund Balance, 6/30/2021	59,129,231	
Calculated Property Tax Revenues	102,586,824	
Redemption of Series 2009 and Series 2013 on February 15, 2022	(1,940,000)	
Contribution to the Refunding	(5,121,794)	
		$ 154,654,261
Estimated Balance, Fiscal Year Ending 6/30/2022		$ 55,423,530

(1) Includes the Bonds and excludes the Refunded Bonds. Also excludes portions of the District's Unlimited Tax Refunding Bonds, Series 2009 and Unlimited Tax Refunding Bonds, Taxable Series 2013 that were redeemed with cash on February 15, 2022.

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TABLE 10 - AUTHORIZED BUT UNISSUED UNLIMITED TAX BONDS

Purpose	Date Authorized	Amount Authorized	Amount Previously Issued	The Bonds [(1)]	Unissued Balance
School Building and Buses	11/5/2019	$966,000,000	$505,518,172	$ 196,943,128	$ 263,538,700

(1) The amount of voted authorization for the Bonds represents the principal amount plus premium that will be deposited to the construction fund.

ANTICIPATED ISSUANCE OF ADDITIONAL UNLIMITED TAX DEBT . . . The District does not anticipate the issuance of additional unlimited tax bonds within the next 12 months.

TABLE 11 - OTHER OBLIGATIONS

OPERATING LEASES… The District leases building, office facilities and other equipment under noncancelable operating leases. Total costs for such leases were $207,272 for the year ended June 30, 2021. The future minimum lease payments for all active operating leases can be summarized as follows:

Year Ending June 30	
2022	$ 132,468
2023	136,440
Total	$ 268,908

NOTES PAYABLE... The notes payable represent loans with the State of Texas Energy Conservation Office. During the 2014 fiscal year, the District entered into a loan agreement with the State of Texas Energy Conservation Office. The proceeds of the loan will be disbursed to the District as costs are incurred by the District for energy conservation projects. The proceeds of the loan will not exceed $4,984,031. Interest will accrue at a rate of 2.5% from the date of each disbursement to the District. The loan is expected to mature in fiscal year 2025. The District is required by the agreement to submit quarterly principal and interest payments on both notes payable, based on seven-year amortizations. The total notes payable balance at year end and annual maturities are as follows:

Year Ending June 30	Principal	Interest	Total
2022	$ 541,647	$ 47,516	$ 589,163
2023	555,316	33,847	589,163
2024	569,329	19,834	589,163
2025	339,554	5,466	345,020
	$ 2,005,846	$ 106,663	$ 2,112,509

PENSION FUND . . . 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, currently 7.7%, and the State of Texas contributes funds to the System based on statutory required minimum salary for certified personnel, except any District personnel paid by Federally funded programs. For more detailed information concerning the District's funding policy and contributions in connection with the System, see Appendix B, "Excerpts from the District's Annual Financial Report" - Note G.2.

RETIREE INSURANCE PLAN . . . In addition to its participation in the System, the District contributes to the Texas Public School Retired Employees Group Insurance Program (the "TRS-Care Retired Plan"), a cost-sharing multiple-employer defined benefit post-employment health care plan. The TRS-Care Retired plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. For more detailed information concerning the District's funding policy and contributions in connection with the TRS-Care Retired Plan, see Appendix B, "Excerpts from the District's Annual Financial Report" - Note G.3.

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

FINANCIAL INFORMATION

TABLE 12 - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Year Ended June 30				
Revenues:	2021	2020	2019	2018	2017
Local and Intermediate Sources	$351,144,563	$307,100,166	$297,923,784	$272,098,735	$247,197,617
State Program Revenues	220,280,141	213,820,485	209,935,699	236,918,955	260,124,383
Federal Program Revenues	5,319,687	11,891,178	13,329,426	9,240,874	8,024,024
Total Revenues	$576,744,391	$532,811,829	$521,188,909	$518,258,564	$515,346,024
Expenditures:					
Instruction and Instructional-Related Services	$345,654,356	$311,565,926	$322,148,727	$322,545,670	$321,661,572
Curriculum and Staff Development	6,680,788	7,209,859	6,790,896	6,198,668	6,990,690
Instructional and School Leadership	43,344,802	40,298,757	38,021,309	37,641,155	37,607,937
Support Services - Student (Pupil)	64,637,550	64,671,960	62,126,077	60,997,144	57,026,685
Administrative Support Services	12,178,083	11,593,811	10,391,429	9,495,144	8,643,058
Support Services - Non-student Based	71,558,453	69,613,210	68,387,195	64,397,636	63,518,449
Community Services	447,419	572,683	450,270	434,262	410,049
Capital Outlay	-	-	556,277	8,136,698	19,213,475 (1)(2)
Debt Service	589,163	589,163	589,163	739,108	1,408,313
Intergovernmental Charges	2,326,571	2,319,155	5,359,737	4,533,385	3,751,992
Total Expenditures	$547,417,185	$508,434,524	$514,821,080	$515,118,870	$520,232,220
Excess of revenue over (under) expenditures	$ 29,327,206	$ 24,377,305	$ 6,367,829	$ 3,139,694	$ (4,886,196)
Other Resources (Uses)	(7,215,924)	-	(10,252,520) (3)	(700,777)	(385,457)
Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses	22,111,282	24,377,305	(3,884,691)	2,438,917	(5,271,653)
Fund balance - (Beginning)	$222,384,766	$198,007,461	$201,892,152	$199,453,235	$204,724,888
Fund balance - (Ending) (4)	$244,496,048	$222,384,766	$198,007,461	$201,892,152	$199,453,235

(1) On November 5, 2015, the Board adopted a resolution committing $17.1 million of excess fund balance for construction of a new classroom addition, new cafeteria and kitchen, and renovation of existing space at one high school. During the 2016-17 fiscal year, approximately $9.3 million was used.

(2) During the 2016-17 fiscal year, the Board directed administration to use $9.4 million of excess fund balance to purchase land for the purpose of building a new fine arts facility and a new athletics facility. These facilities were constructed using bond proceeds from the District's 2014 bond program.

(3) Represents a transfer of surplus General Fund balance to the Capital Projects Fund for high school renovations and capital expenditures.

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TABLE 12A - SCHEDULE OF CHANGES IN NET ASSETS

	Fiscal Year Ended June 30 (in thousands of dollars)				
Revenues:	2021	2020	2019	2018	2017
Program Revenues:					
Charges for Services	$ 3,495	$ 6,178	$ 8,333	$ 9,168	$ 5,869
Operating Grants and Contributions	102,323	153,420	120,674	(15,833)	67,640
General Revenues:					
Maintenance and Operations Taxes	347,130	301,685	286,320	264,362	237,333
Debt Service Taxes	95,857	101,403	91,267	83,461	80,319
State aid - formula grants	190,358	184,436	186,059	210,290	236,250
Grants and contributions not restricted	1,438	430	547	627	11,277
Investment Earnings	851	7,224	11,954	8,788	5,238
Miscellaneous	2,603	4,899	5,387	6,589	1,376
Total Revenues	$ 744,055	$ 759,675	$ 710,541	$ 567,452	$ 645,302
Expenditures:					
Instruction, Curriculum and Media Services	$ 420,461	$ 427,224	$ 401,585	$ 262,260	$ 397,420
Instructional and School Leadership	49,747	50,380	45,767	29,050	43,947
Student Support Services	62,839	65,870	62,690	46,000	53,611
Food Services	25,477	34,599	32,370	26,821	421
Cocurricular Activities	11,746	10,669	10,698	10,210	10,844
General Administration	12,775	12,633	11,363	7,818	9,291
Plan Maintenance, Security & Data Processing	81,175	120,067	166,215	159,404	141,260
Community Services	2,751	3,195	3,026	(2,033)	2,729
Debt Service	38,678	28,112	30,416	30,989	27,959
Facilities Acquisition and Construction	6,313	1,705	7,314	3,696	4,893
Intergovernmental	2,327	2,319	5,360	4,534	3,753
Total Expenditures	$ 714,289	$ 756,773	$ 776,804	$ 578,749	$ 696,128
Increase (Decrease) in Net Assets	29,766	2,902	(66,263)	(11,297)	(50,826)
Special Items	-	-	-	6,487	-
Transfers In (Out)	-	-	-	-	(93)
Increase (Decrease) in Net Assets	29,766	2,902	(66,263)	(4,810)	(50,919)
Net Assets - (beginning)	$ 73,810 (1)	$ (235,304)	$ (169,041)	$ 199,868	$ 250,786
Prior Period Adjustment	-	-	-	(364,099) (2)	-
Net Assets - (ending)	$ 103,576	$ (232,404)	$ (235,304)	$ (169,041)	$ 199,868

(1) Restated.
(2) In Fiscal Year 2018, the District implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension. As a result, the beginning net position of the District's governmental activities has been restated on the Statement of Activities to reflect the net OPEB liability and deferred outflow of resources relating to TRS-Care contributions made after the prior measurement date of the plan.

FINANCIAL POLICIES

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Budgetary Procedures...Prior to June 20 the District prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.

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.

Prior to July 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 approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. 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.

Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at fiscal year end.

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

GASB 34 Statement...In June 1999, the Governmental Accounting Standards Board ("GASB") issued Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" ("GASB 34"). The objective of GASB 34 is to enhance the clarity and usefulness of the general-purpose external financial reports of state and local governments to its citizenry, legislature and oversight bodies, and investors and creditors. The District implemented GASB 34 beginning with its fiscal year ending August 31, 2002. While adoption of GASB 34 has altered the presentation of the District's financial information, District management does not believe that adoption of GASB 34 has had any material adverse impact on the District's financial position, results of operation, or cash flows.

INVESTMENTS

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

LEGAL INVESTMENTS . . . Under Texas law, the District is authorized to invest in; (1) obligations of the United States or its agencies and instrumentalities including letters of credit; (2) direct obligations of the State of Texas 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 guaranteed or insured by or backed by the full faith and credit of, the State of Texas 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) certificates of deposit and share certificates meeting the requirements of the Public Funds Investment Act (Chapter 2256 of the Texas Government Code) (i) that are issued by an institution that has its main office or a branch office in the State of Texas and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for District deposits, or (ii) where (a) the funds are invested by the District through (I) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the District as required by law or (II) a depository institution that has its main office or a branch office in the State of Texas that is selected by the District; (b) the broker or the depository institution selected by the District arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the District; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the District appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the District with respect to the certificates of deposit; (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party selected and approved by the District and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas; (9) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (10) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (11) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share and (12) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent. If specifically authorized in the authorizing document, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

Governmental bodies in the State are authorized to implement securities lending programs if: (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) of the first paragraph under this subcaption, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm not less than "A" or its equivalent, or (c) cash invested in obligations that are described in clauses (1) through (6) and (10) through (12) of the first paragraph under this subcaption, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the governmental body, held in the name of the governmental body and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas and (iv) the agreement to lend securities has a term of one year or less.

The District is also authorized to purchase, sell and invest its funds in corporate bonds, but only if the District has formally amended its investment policy to authorize such investments. The District has not amended its investment policy to authorize investment in corporate bonds, and District officials do not intend to do so in the future. "Corporate bond" is defined as a senior secured debt obligation issued by a domestic business entity and rated not lower than "AA-" or the equivalent by a nationally recognized investment rating firm (does not include convertible bonds or unsecured debt). The bonds must have a stated final maturity that is not later than 3 years from the date the corporate bonds were purchased. The District may not (1) invest more than 15 percent of its monthly average fund balance (excluding bond proceeds, reserves, and other funds held for the payment of debt service), in corporate bonds; or (2) invest more than 25 percent of the funds invested in corporate bonds in any one domestic business entity, including subsidiaries and affiliates of the entity. The District must sell corporate bonds if they are rated "AA-" or its equivalent and are either downgraded or placed on negative credit watch. Corporate bonds are not an eligible investment for a public funds investment pool.

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

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

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

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

TABLE 13 - CURRENT INVESTMENTS

As of November 30, 2021, the District's investable funds were invested in the following categories:

Investment Description	Market Value	% of Portfolio
Investment Pools	$ 598,696,960	95.84%
Treasury Bonds	25,960,150	4.16%
Totals	$ 624,657,110	100.00%

All investments will mature within 1 month, and the market value of the investments is approximately 99.99% of their purchase price. No funds of the District are invested in derivative securities, i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

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TAX MATTERS

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

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

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

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

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the property financed or refinanced with proceeds of the Bonds. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds. Bond Counsel's opinion is not binding on the Internal Revenue Service. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

FEDERAL INCOME TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT . . . The initial public offering price to be paid for one or more maturities of the Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see the discussion set forth below.

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

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

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

COLLATERAL FEDERAL INCOME TAX CONSEQUENCES . . . The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

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

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

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

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

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

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

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

CONTINUING DISCLOSURE INFORMATION

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

ANNUAL REPORTS . . . The District will provide certain updated financial information and operating data annually to the MSRB. The information to be updated includes financial information and operating data with respect to the District of the general type of included in this Official Statement under Tables numbered 1 through 6 and 8 through 13 (such information being the "Annual Operating Report"). The District will additionally provide financial statements of the District (the "Financial Statements"), that will be (i) prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation and shall be in substantially the form included in Appendix B and (ii) audited, if the District commissions an audit of such Financial Statements and the audit is completed within the period during which they must be provided. The District will update and provide the Annual Operating Report within six months after the end of each fiscal year and the Financial Statements within 12 months of the end of each fiscal year, in each case beginning with the fiscal year ending in and after 2022. The District may provide the Financial Statements earlier, including at the time it provides its Annual Operating Report, but if the audit of such Financial Statements is not complete within 12 months after any such fiscal year end, then the District shall file unaudited Financial Statements within such 12-month period and audited Financial Statements for the applicable fiscal year, when and if the audit report on such Financial Statements becomes available.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule").

The District's current fiscal year end is June 30. Accordingly, the Annual Operating Report must be provided by December 31 in each year, and the Financial Statements must be provided by June 30 of each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

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

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 orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

The term "Financial Obligation" shall mean, for purposes of the events in clauses (15) and (16) above: a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing, or planned debt obligation; or (iii) guarantee of (i) or (ii). The term "Financial Obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

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

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

The District may amend its continuing disclosure agreement 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, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell the Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the District so amends the agreement, it has agreed to 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 financial information and operating data so provided.

Compliance With Prior Undertakings . . . During the last five (5) years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

OTHER INFORMATION

Ratings

The Bonds are rated "AAA" S&P Global Ratings ("S&P") and "Aaa" by Moody's Investors Service, Inc. ("Moody's") by virtue of the guarantee of the Permanent School Fund of the State of Texas. The Bonds and the currently outstanding debt of the District are rated "AA" by S&P and "Aa1" by Moody's without regard to credit enhancement. 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, or any of them, will continue for any given period of time or that one or more of the ratings will not be revised downward or withdrawn entirely by a rating company, if in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or any of them, may have an adverse effect on the market price of the Bonds.

Litigation

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

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

Registration and Qualification of Bonds for Sale

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

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least $1 million of capital, and savings and loan associations. In accordance with the Public Funds Investment Act, Chapter 2256, Texas Government Code, the Bonds must be rated not less than "A" or its equivalent as to investment quality by a national rating agency in order for most municipalities or other political subdivisions or public agencies of the State of Texas to be authorized to invest in the Bonds, except for purchases for interest and sinking funds of such entities. See "OTHER INFORMATION -- Ratings" herein. Moreover, municipalities or other political subdivisions or public agencies of the State of Texas that have adopted investment policies and guidelines in accordance with the Public Funds Investment Act may have other, more stringent requirements for purchasing securities, including the Bonds. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value.

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

LEGAL MATTERS

The District will furnish the Underwriters a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of Texas as to the Bonds to the effect that the Bonds are valid and legally binding obligations of the District, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel with respect to the Bonds issued in compliance with the provisions of the Order, a form of which opinion is attached to this Official Statement as Appendix C. Though it represents the Financial Advisor and the Underwriters from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the District in connection with the issuance of the Bonds. Bond Counsel also advises the TEA in connection with its disclosure obligations under the federal securities laws, but Bond Counsel has not passed upon any TEA disclosures contained in this Official Statement. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds which would affect the provision made for their payment or security, or in any manner questioning the validity of said Bonds will also be furnished to the Underwriters. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under the captions and subcaptions "PLAN OF FINANCING", "THE BONDS" (excluding the information under the subcaptions "DTC Notices," "Book-Entry-Only System," "Bondholders' Remedies," and "Sources and Uses of Proceeds") "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS," "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" (excluding the information under "CURRENT PUBLIC SCHOOL FINANCE SYSTEM AS APPLIED TO THE DISTRICT"), "TAX RATE LIMITATIONS – M&O Tax Rate Limitations" (first paragraph only), "TAX MATTERS," "CONTINUING DISCLOSURE INFORMATION" (excluding the information under the subcaption "Compliance with Prior Undertakings"), "OTHER INFORMATION - Registration and Qualification of Bonds for Sale," "OTHER INFORMATION - Legal Investments and Eligibility to Secure Public Funds in Texas," and "OTHER INFORMATION - Legal Matters" (excluding the last sentence of the first paragraph thereof) in the Official Statement, and such firm is of the opinion that the information relating to the Bonds and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the provisions of the Order. The District intends to pay the legal fee of Bond Counsel for services rendered in connection with the issuance of the Bonds from the proceeds of the Bonds. Certain legal matters will be passed upon for the Underwriters by Holland & Knight LLP, Houston, Texas, Counsel to the Underwriters, whose legal fees are contingent upon the sale and delivery of the Bonds.

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

FINANCIAL ADVISOR

Hilltop Securities Inc. ("HilltopSecurities") is employed as Financial Advisor to the District in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. HilltopSecurities, in its capacity as Financial Advisor, has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor to the District 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 an underwriting discount of $817,770.35. 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.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under 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.

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

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

FORWARD-LOOKING STATEMENTS DISCLAIMER

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

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

MISCELLANEOUS

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

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

Kecia Mays
Pricing Officer
Arlington Independent School District

SCHEDULE I

SCHEDULE OF REFUNDED BONDS

Unlimited Tax School Building Bonds, Series 2012

Original Dated Date	Original Maturity (2/15)	Interest Rates	Principal Amount		Call Date	Call Price
February 1, 2012	2023	4.000%	$ 405,000		3/15/2022	100%
	2024	4.000%	425,000		3/15/2022	100%
	2025	4.000%	620,000		3/15/2022	100%
	2026	4.000%	645,000		3/15/2022	100%
	2027	4.000%	675,000		3/15/2022	100%
	2028	4.000%	700,000		3/15/2022	100%
	2029	4.000%	730,000		3/15/2022	100%
	2030	4.000%	760,000		3/15/2022	100%
	2031	4.000%	790,000		3/15/2022	100%
	2032	4.000%	825,000		3/15/2022	100%
	2033	3.250%	855,000		3/15/2022	100%
	2034	4.000%	885,000		3/15/2022	100%
	2035	3.500%	920,000	(1)	3/15/2022	100%
	2036	3.500%	950,000	(1)	3/15/2022	100%
	2037	3.500%	985,000	(1)	3/15/2022	100%
			$ 11,170,000			

(1) Represents a sinking fund redemption on a 3.50% term bond maturing on February 15, 2037.

Unlimited Tax School Building Bonds, Series 2013

Original Dated Date	Original Maturity (2/15)	Interest Rates	Principal Amount		Call Date	Call Price
February 1, 2013	2023	4.000%	$ 605,000		3/15/2022	100%
	2024	4.000%	335,000		3/15/2022	100%
	2025	4.000%	345,000		3/15/2022	100%
	2026	4.000%	250,000		3/15/2022	100%
	2027	2.750%	260,000	(1)	3/15/2022	100%
	2028	2.750%	270,000	(1)	3/15/2022	100%
	2029	5.000%	280,000	(2)	3/15/2022	100%
	2030	5.000%	290,000	(2)	3/15/2022	100%
	2031	5.000%	305,000	(2)	3/15/2022	100%
	2032	5.000%	325,000	(2)	3/15/2022	100%
	2033	5.000%	340,000	(3)	3/15/2022	100%
	2034	5.000%	355,000	(3)	3/15/2022	100%
	2035	5.000%	375,000	(3)	3/15/2022	100%
	2036	5.000%	395,000	(4)	3/15/2022	100%
	2037	5.000%	415,000	(4)	3/15/2022	100%
	2038	5.000%	435,000	(4)	3/15/2022	100%
			$ 5,580,000			

(1) Represents a sinking fund redemption on a 2.75% term bond maturing on February 15, 2028.
(2) Represents a sinking fund redemption on a 5.00% term bond maturing on February 15, 2032.
(3) Represents a sinking fund redemption on a 5.00% term bond maturing on February 15, 2035.
(4) Represents a sinking fund redemption on a 5.00% term bond maturing on February 15, 2038.

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APPENDIX A

GENERAL INFORMATION REGARDING THE DISTRICT

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THE DISTRICT

The Arlington Independent School District is a political subdivision of the State of Texas created in 1902. The District encompasses approximately 88.22 square miles and is located in Tarrant County approximately midway between the Cities of Dallas and Fort Worth. The District serves the City of Arlington, the City of Dalworthington Gardens, the Town of Pantego, and the Tarrant County portion of the City of Grand Prairie.

The District is the 13th largest school district in Texas. The City of Arlington ("City"), located within the District, had a 2020 Census population of 394,266. The District is one of the largest employers in the City.

Selected history of school enrollment of the District is:

Fiscal Year Ended 6/30	School Enrollment	Refined Average Daily Attendance
2017	62,181	57,238
2018	61,076	55,644
2019	59,900	54,759
2020	59,532	54,159
2021	56,840	51,548

Source: The District

The District has well-maintained, air conditioned school buildings. The campuses and plants are as follows:

Campus/Plant	Number	Capacity	Number of Portables on Site
Elementary schools	53	42,704	38
Junior High Schools	10	9,711	19
Senior High Schools	14	19,746	17
Administration Buildings	8	N/A	0
Operations/Warehouse Facilities	5	N/A	2
Athletic Stadiums/Complex	4	N/A	0
Staff Development Center	1	N/A	0
Total	95	72,161	76

TEACHER SALARY SCHEDULE

	Minimum	Maximum
BA Degree	$ 58,400	$ 73,400
MA Degree	$ 59,900	$ 74,900

DISTRICT STAFF

The District has a total staff of approximately 8,170 as follows:

Employee Classification	Number
Classroom Teachers	4,115
Professional Support	951
Campus Administration	219
Central Administration	34
Paraprofessional Staff	787
Auxillary Personnel	2,064
	8,170

STUDENT PROFILE

Percentage of 2021/22 Enrollment	
African American	27%
American Indian and Hawaiian	1%
Asian	5%
Hispanic	46%
Two or More	4%
White	17%
	100%

2020/2021 Merit Status	
Number of Seniors taking SAT exam	17
Number of National Merit Semifinalists	5
Dropout Rate (% of Total Enrollment)	2.4%
Completion Rate (% of Total Enrollment)	90.5%

TEST SCORES

ACT and SAT exam results were as follows:

ACT Composite - 2020-2021 Test Scores		
District	Texas	National
19.7	20.1	20.3

SAT Scores - 2020-2021 Test Scores					
District		State		National	
Reading*	Math	Reading*	Math	Reading*	Math
511	495	505	498	533	528

* Evidence-Based Reading and Writing on the SAT. For the District averages, the scores reflect the 299 11th grade test-takers. There were only 17 12th graders who took the SAT. The state-wide and national SAT averages reflect the scores without the optional essay component.

CITY OF ARLINGTON…The City is located in the eastern portion of Tarrant County and with a 2020 Census population of 394,266 is the seventh largest city in the state of Texas. Between 2010 and 2020, the City had a 7.8% gain in population. Its geographic location in the center of the Dallas-Fort Worth Metroplex and its proximity to the D-FW International Airport ("D-FW") makes the City a prime location for businesses and for entertainment. The proximity of D-FW greatly influences both industrial and residential growth of the City. D-FW has been and is expected to continue to be an economic generator of employment, spin-off businesses and a convenient facility for tourists visiting the City and the area.

RECREATION… The City is the home of the $1.15 billion AT&T Stadium (formerly known as the Cowboys Stadium) which is the largest domed stadium in the world. The stadium attracted a record-breaking crowd of 105,121 in September 2009 during the first NFL regular season Dallas Cowboy's game.

Arlington is also the home of Six Flags Over Texas, an internationally recognized theme park which averages approximately 2.7 million visitors annually and is the single, most visited man-made tourist attraction in the State. It is also a major employer, seasonally hiring approximately 2,500 people, including singers, actors and maintenance staff.

Globe Life Park, formerly known as Rangers Ballpark in Arlington, is the home of Major League Baseball's Texas Rangers.

Hurricane Harbor, a 47 acre water park with swimming pools, slides and wave-makers, annually attracts in excess of 700,000 visitors.

Additionally, the City also has 4,651 acres of developed park land including 5 recreational buildings, 46 parks with seven golf courses, seven municipal swim centers and other municipal activities areas.

EMPLOYMENT…The Great Southwest Industrial District, with over 7,000 acres, is the nation's largest planned industrial development district. With 5,700 developed acres, it is the home to over 800 businesses.

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HISTORICAL EMPLOYMENT DATA (ANNUAL AVERAGE DATA)

	Annual Averages				
	2021[(1)]	2020	2019	2018	2017
Tarrant County					
Civilian Labor Force	1,099,035	1,082,822	1,082,571	1,059,957	1,036,343
Total Employment	1,037,036	1,003,269	1,046,916	1,023,016	997,799
Unemployment	61,999	79,553	35,655	36,941	38,544
Percent Unemployment	5.6%	7.3%	3.3%	3.5%	3.7%
State of Texas					
Civilian Labor Force	14,164,275	13,983,319	14,045,312	13,816,690	13,574,795
Total Employment	13,308,343	12,915,337	13,551,791	13,285,118	12,989,682
Unemployment	855,932	1,067,982	493,521	531,572	585,113
Percent Unemployment	6.0%	7.6%	3.5%	3.8%	4.3%

Source: Texas Employment Commission.
(1) Data through November 30, 2021.

TRANSPORTATION…The City is strategically located on major highways which promote industry and tourism for the City. Interstate Highways 20 and 30 pass through the City east and west as well as U. S. Highway 80 and State Highway 303. North-south highways are State Highway 360 and Link 157. The City has approximately 880 road miles within the City boundaries. Rail service is provided by Union-Pacific Railways and the Great-Southwest Railroad.

Air transportation is provided by the Arlington Municipal Airport for small craft and charter services and by D-FW which is located 8 miles north of the City. D-FW contains over 17,000 acres and directly employs approximately 60,000 personnel. These employees have skills ranging from custodial level to highly trained jet aircraft pilots. DFW has approximately 39,000 parking spaces.

HIGHER EDUCATION…The City is home to the University of Texas at Arlington ("UTA"), the second largest component of the University of Texas system, with a 420 acre campus. UTA is a fully accredited four-year university offering both undergraduate and graduate degrees with over 100 baccalaureate programs, 77 masters programs, and 33 doctoral programs. Other educational opportunities include the Tarrant County College with 6 campuses located throughout Fort Worth, Arlington and Hurst and estimated enrollment of 50,000; the University of North Texas and Texas Woman's University, approximately 20 miles away in Denton; Texas Christian University and Texas Wesleyan University, approximately 15 miles away in Fort Worth; Southern Methodist University, approximately 18 miles away in Dallas and the University of Texas at Dallas, approximately 30 miles away in Richardson.

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APPENDIX B

EXCERPTS FROM THE

ARLINGTON INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2021

The information contained in this Appendix consists of excerpts from the Arlington Independent School District Annual Financial Report for the Year Ended June 30, 2021, and is not intended to be a complete statement of the District's financial condition. Reference is made to the complete Report for further information.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Arlington Independent School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Arlington Independent School District (the "District") as of and for the year ended June 30, 2021, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2021, and the respective changes in financial position, the respective budgetary comparison schedule for the general fund and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements, TEA required schedules and other supplementary information, as listed in the table of contents, are presented for the purpose of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by Title 2 *U.S. Code of Federal Regulation* (CFR) Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* and other information, such as the introductory and statistical section are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

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

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

To the Board of Trustees
Arlington Independent School District

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Whitley Penn LLP

Fort Worth, Texas
November 5, 2021

Arlington

INDEPENDENT SCHOOL DISTRICT

More Than a Remarkable Education

In this section of the Annual Comprehensive Financial Report, we, the managers of Arlington Independent School District ("District"), discuss and analyze the District's financial performance for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with additional information furnished in our letter of transmittal starting on pages xi , the independent auditors' report on pages 1 through 3, and the District's basic financial statements which begin on page 21.

Financial Highlights

- The liabilities and deferred inflows of the District exceeded its assets and deferred outflows at the close of the fiscal year by $103,706,711 . Net position increased by $29,896,765 without the adjustment to beginning net position related to the District's reevaluation of its capital projects. This evaluation increased the District's overall net position.
- The District continues to report its proportionate share of the net pension and other post-employment benefit (OPEB) liabilities. In fiscal year 2021, these liabilities totaled $190,880,824 and $179,590,022 , respectively.
- As of the close of the fiscal year, the District's governmental funds reported combined ending fund balances of $733,946,308, which is $91,876,613 greater than the previous year. 22.4% of the combined fund balance, or $164,299,043, is available for spending at the District's discretion (unassigned balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was $164,299,043, or 30.0% of total general fund expenditures.

Using this Annual Report

The annual report consists of a series of financial statements, notes to those statements, and other supplementary information.

The basic financial statements include two types of statements that present different views of the District:

1) *Government-wide financial statements* provide information about the activities of the District as a whole and present both a long-term and short-term view of the District's finances. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 21 through 23).

2) *Fund financial statements* (starting on page 24) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For general governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. For proprietary activities, fund financial statements tell how goods or services of the District were sold to external customers and how funds were accumulated and costs were allocated internally among various functions. The remaining fund financial statement, the fiduciary statement, provides financial information about activities for which the District acts solely as a trustee or agent for the benefit of parties outside of the District. The fiduciary statement can be found on page 35.

The notes to the financial statements, which start on page 37, provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements.

This annual report contains other supplementary information in addition to the basic financial statements and the notes to the financial statements. This Management's Discussion and Analysis is required supplementary information under governmental accounting standards. The report sections labeled "Required TEA Schedules" and "Federal Awards Section" contain data used by monitoring or regulatory agencies for assurance that the District is using supplied funds in compliance with the terms of grants. The "Statistical Section," which is unaudited, includes selected financial and demographic information, generally presented on a multi-year basis.

Overview of The Financial Statements

Table I summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain.

Table I
Arlington Independent School District
MAJOR FEATURES OF THE DISTRICT'S FINANCIAL STATEMENTS

	Government-wide Statements	**Fund Statements**		
		Governmental Funds	**Proprietary Funds**	**Fiduciary Funds**
Scope	Entire District's government (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary	Activities the District operates similar to private businesses	Instances in which the District is the trustee or agent for someone else's resources
Required financial statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances	• Statement of Net Position • Statement of Revenues, Expenses and Changes in Fund Net Position • Statement of Cash Flows	• Statement of Fiduciary Assets and Liabilities
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets, deferred outflows/inflows of resources and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital and short-term and long-term	All assets and liabilities, both financial and capital and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon after year end; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	Agency funds do not report revenues and expenditures

Government-wide Financial Statements

The government-wide financial statements – consisting of the Statement of Net Position and the Statement of Activities – report information about the District as a whole. These statements are designed to provide readers with a broad overview of the District's finances. The government-wide statements apply the accrual basis of accounting, which is similar to the accounting basis used by most private-sector companies. The Statement of Net Position includes all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The two government-wide financial statements report the District's net position and changes in them. Net position (the difference between assets, deferred inflows/outflows and liabilities) provides one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider additional factors as well, such as changes in the District's property tax base, state funding, or its average daily attendance and the condition of the District's facilities.

Fund Financial Statements

The fund financial statements provide detailed information about the District's most significant funds, as opposed to the District as a whole. Laws and bond covenants require the District to establish some funds, such as grants received under the Every Student Succeeds Act from the U.S. Department of Education. The District's administration establishes other funds to help it control and manage money for particular purposes. The three kinds of funds used by the District - governmental, proprietary and fiduciary - use different accounting approaches:

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

Proprietary funds - Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. There are two proprietary fund types: (1) Enterprise funds and (2) Internal service funds. The District operates one enterprise fund that accounts for its Natatorium. Internal service funds are an accounting device used to accumulate and allocate costs internally among the various functions. The District has two internal service funds, the Print Shop and the Workers' Compensation Funds.

Fiduciary funds - The District is the trustee, or fiduciary, for money raised by student activities. These resources can be used only for the student groups that raised the funds; therefore, they are recorded in custodial funds. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The District as a Whole

Net Position. The District's net position at June 30, 2021, totaled $103,706,711 due to recognition of additional capital assets as a result of the District's evaluation of its capital projects. This amount is net of the net pension and net OPEB liabilities and related deferred outflows and inflows promulgated under GASB Numbers 68 and 75.

A large portion of net position, or $249.0 million, reflects the District's investment in capital assets (e.g., land, buildings, furniture and equipment), less any related debt used to acquire those assets that is still outstanding. 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. An additional portion of the District's net position of $51.1 million represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* is a deficit $196.5 million.

Table II
NET POSITION
(in thousands)

	Governmental Activities		
	2021	**2020**	**Variance**
Current and other assets	$ 840,571	$ 749,390	$ 91,181
Capital assets	1,065,936	679,808	386,128
Total Assets	1,906,507	1,429,198	477,309
Total Deferred Outflows of Resources	103,102	124,882	(21,780)
Current liabilities	111,993	109,491	2,502
Long term liabilities	1,608,755	1,534,368	74,387
Total Liabilities	1,720,748	1,643,859	76,889
Total Deferred Inflows of Resources	185,285	142,624	42,661
Net Position			
Net Investment in capital assets	248,973	202,728	46,245
Restricted	51,069	58,417	(7,348)
Unrestricted	(196,466)	(493,549)	297,083
Total Net Position	$ 103,576	$ (232,404)	$ 335,980

Changes in Net Position. Total net position of the District increased by $29.9 million over last year. The District added capital assets of $386.1 million, the District's long-term liabilities increased by $74.4 million. This increase is attributed primarily to the increase in the liabilities due in more than one year for the 2021 bond issuance of $158.9 million, offset by retirement of debt.

Governmental activities. Revenues from governmental activities totaled $744.1 million for fiscal year 2021. The costs of all governmental programs and services were $ 714.3 million. The net effect of these items resulted in an increase in net position of $29.8 million. Separate discussions appear below for governmental revenues and governmental expenses.

Table III
CHANGES IN NET POSITION
(in thousands)

	Governmental Activities		
	2021	**2020**	**Variance**
Revenues			
Program Revenues:			
Charges for services	$ 3,495	$ 6,178	$ (2,683)
Operating grants	102,323	153,420	(51,097)
General Revenues:			
Property taxes	442,987	403,088	39,899
State Aid - Formula Grants	190,358	184,436	5,922
Grants and contributions not restricted	1,438	430	1,008
Investment earnings	851	7,224	(6,373)
Other	2,053	4,899	(2,846)
Extraordinary items	550	-	550
Total Revenues	744,055	759,675	(15,620)
Expenses			
Instruction, curriculum and media services	420,461	427,224	6,763
Instructional and school leadership	49,747	50,380	633
Student support services	62,839	65,870	3,031
Food services	25,477	34,599	9,122
Cocurricular activities	11,746	10,669	(1,077)
General administration	12,775	12,633	(142)
Facilities maintenance, security and data processing	81,175	120,067	38,892
Community services	2,751	3,195	444
Debt service	38,678	28,112	(10,566)
Facilities repairs and maintenance	6,313	1,705	(4,608)
Intergovernmental charges	2,327	2,319	(8)
Total Expenses	714,289	756,773	42,484
Increase (Decrease) in Net Position	29,766	2,902	26,864
Net Position - Beginning	73,810	(235,304)	309,114
Net Position - Ending	$ 103,576	$ (232,402)	$ 335,978

Business-Type Activities

The District began operating the Natatorium in fiscal year 2021. Revenues totaled $143,108 for user charges. The expenses totaled $12,543 resulting an ending net position of $130,565.

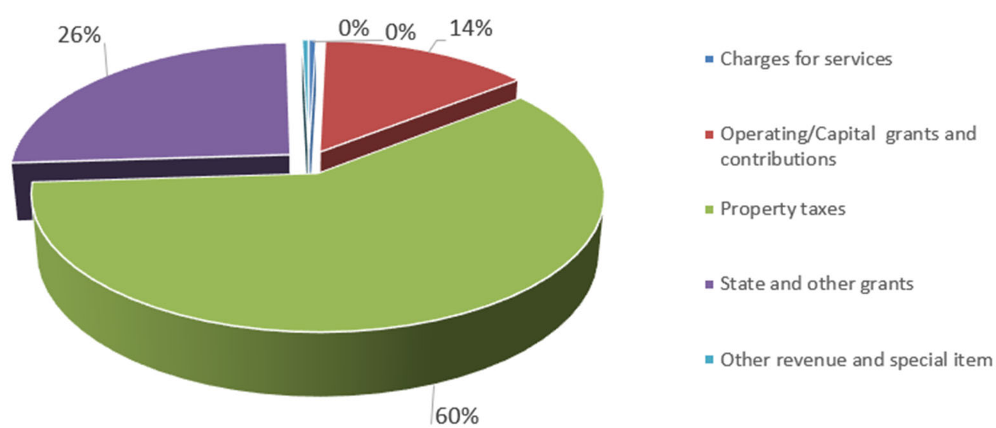
Governmental Revenues by Source

Governmental revenues by type are presented in the chart, below.

	Total Revenues	% of Total Revenues
Charges for services	$ 3,495,302	0.5%
Property taxes	442,987,170	59.5%
State Aid - Formula Grants	190,358,289	25.6%
Operating grants and contributions	103,760,156	13.9%
Other revenue and extraordinary Item	3,454,474	0.5%
Total Revenues	$ 744,055,391	100%

Figure 1 graphically depicts the sources of governmental activities revenue. Property taxes and state foundation aid (accounted for as "state aid - formula grants") are the District's chief sources of operating revenues. Both of these revenue streams continue to change dramatically from year to year due to changes in property values and components in the funding formulas used by the State of Texas to calculate state aid payments.

Figure 1



House Bill 3 (HB 3) and the COVID-19 virus continued to impact the District's operations and financial position during the 2020-2021 fiscal year. The effects of these two forces are described in more detail in the following discussions of changes in revenues and expenditures for the 2020-21 fiscal year.

Revenues for governmental activities decreased by $15.1 million in 2020-21. Major changes in revenue items include:

- State aid increased by $5.9 million. The Available School Fund revenue increased by $8.8 million while the Foundation School Program decreased by $3.5 million. The Foundation School Program decreased due to decreased average daily attendance and also the Voter Approved Tax Ratification Election. There is an inverse relationship between property tax revenues and the Foundation School Program.
- M&O property taxes increased $48.4 million due to a 3.2% increase in property values, an increase in the M&O tax rate from $1.04 to $1.0864, and due to strong collection trends. The District passed a Voter-Approved Tax Rate Election which allowed the District to increase the M&O tax rate. The interest and sinking fund tax rate decreased from $0.32867 to $0.3007
- Investment income decreased by $6.3 million following the trend of declining interest rates for short-term investments throughout the 2021 fiscal year.
- Operating grants decreased by $51.1 million, due to the reclassification of $14.4 million ESSER funds from the general fund to a federal special revenue fund in fiscal year 2020. In fiscal year 2021, the Instructional Materials Allotment

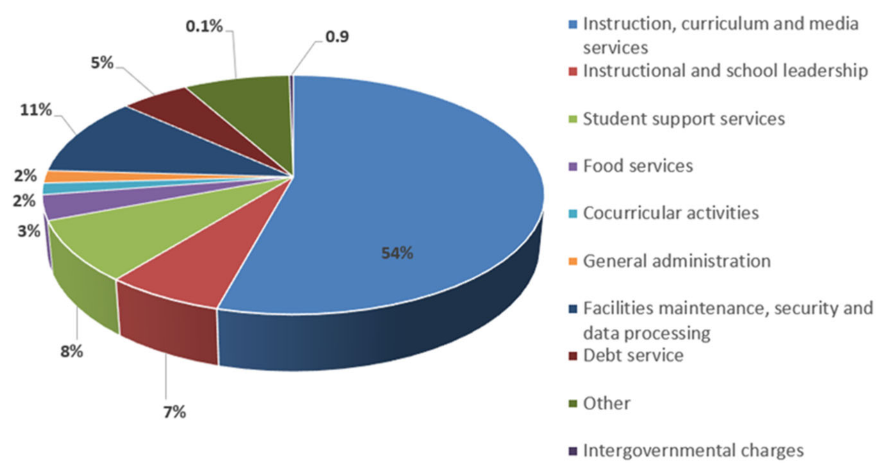
decreased by $11.3 million. The Child Nutrition Program decreased by $5.9 million. The TRS on-behalf pension and OPEB expense is allocated to the operating grants by function. In 2021, the on-behalf amounts decreased by approximately $19.1 million. These larger decreases were offset by new grants such as ESSER II, Prior Purchase Reimbursement Program and the Coronavirus Relief Fund of $4.3 million and $1.1 million, respectively.

Expenses for the District increased from last year by $42.5 million for the year ended June 30, 2021.

The following analysis will provide more information on the changes in expenses.

Governmental Expenses by Function

Figure 2



Payroll costs, accounting for approximately 71.6 % of total expenses, are the most significant operating expenses incurred by the District and are recorded in the majority of functional categories. Payroll expenses were $21.4 million higher than last year due to the net difference between pay increases and a reduction of positions due to declining enrollment. Overtime and substitute expenditures were also lower due to the impact of COVID on District operations.

Contracted services decreased by approximately $50.5 million. This net decrease was primarily due to decreasing projects in the 2014 Bond program and an update in the District's asset capitalization process. Some items that were previously reported as repairs and maintenance have been recorded as capital expenditures.

Supply expenses decreased $9.9 million. This change was due primarily to a decrease of $11.3 million in Instructional Materials Allotment funds for textbook adoptions (this program is funded through bi-annual allotments from the state) and decreased expenditures of $2.2 million in commodities due to changes in Food Service operations related to COVID -19. These decreases were offset by increased expenditures of $4.9 million in exception assets related to special revenue purchases also due to the COVID-19 impact.

Finally, debt service expenses increased by $8.5 million for scheduled debt service payments, while capital assets spending increased $75.9 million as the District continued spending bond funds and revised the capitalization process.

Table IV presents the total costs of the District's largest programs as well as the *net costs* (total costs less fees generated by the activities and operating grants) of those programs. The net cost is the financial burden that was borne by the District's taxpayers for each of these functions.

The cost of all governmental activities this year was $714.3 million compared to $756.8 million last year.

As shown in the Statement of Activities on page 22, the amount that our taxpayers ultimately financed for these activities through District taxes was $443.0 million (or 59.6%). The remaining costs were paid by state aid ($190.4 million, or 25.6%), those who directly benefited from the programs ($3.5 million, or 0.5%), other governments and organizations that subsidized certain programs with grants and contributions ($103.8 million, or 14.0%), and miscellaneous other revenues ($2.9 million, or 0.4%).

Table IV
COSTS OF SELECTED GOVERNMENTAL ACTIVITIES
(in thousands)

	Total Costs			Net Costs		
	2021	**2020**	**% Change**	**2021**	**2020**	**% Change**
Instruction	$ 398,958	$ 403,653	-1%	$ 348,725	$ 318,952	9%
School Leadership	34,659	36,031	-4%	32,682	32,242	1%
Plant Maintenance	57,150	96,576	-41%	54,471	92,063	-41%
Guidance, Counseling and Evaluation Services	34,099	35,696	-4%	30,889	31,229	-1%
Food Service	25,477	34,599	-26%	4,495	6,305	-29%

The District's Funds

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

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

As the District completed the year, its governmental funds (as presented in the Balance Sheet starting on pages 24) reported combined fund balances of $733.9 million, which is $91.9 million more than last year's combined fund balances. Of the total amount, 22.4% or $164.3 million, is *unassigned fund balance* which is available for spending at the District's discretion. The remainder of fund balance is not available for new spending because it is classified as non-spendable, restricted, committed or assigned for the following items: Inventory and prepaid items ($3 million); debt service ($59.1 million); federal, state and local grants ($6.1 million); capital acquisition and liquidation of contracts and purchase orders of the prior period ($408.9 million); sixty days of expenditures for general fund and special revenue funds ($71.7 million); and special projects ($5.3 million).

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the General Fund was $164.3 million, while the total fund balance was $244.5 million. During fiscal year 2021, total fund balance of the General Fund increased by $22.1 million.

Total revenues increased from 2020 to 2021 by $9.7 million, primarily due to the following items:

- Higher tax collections were due to increased property values, strong collection trends, and an increase tax rate due to a successful Voter Approval Tax Rate Election. Overall tax collections increased $43.3 million. HB 3 required districts to compress their maintenance and operations tax rate in order to provide property tax relief. Without the tax rate compression, the increase in values would have resulted in a higher property tax collections for 2020-21.

- State aid revenue for the current year decreased $4.7 million. Prior year state aid was reduced by $14.4 million due to the state funding under the Elementary and Secondary School Emergency Relief (ESSER) funding. The state reduced the District's state funding by the amount that was provided through the ESSER funds. Similarly, in 2021, the state again reduced the District's state funding by an amount to be funded through another ESSER grant, $13.9 million. This amount represents the calculated amount for the Average Daily Attendance hold harmless. Due to the late notification of the hold harmless allocation, the matching expenditures were not reclassified in 2021.
- Lower investments revenue resulted in a decrease of $6.3 million.
- Indirect costs from federal grants reclassified to the general fund decreased $2.2 million, and miscellaneous revenues decreased $1.4 million.
- Decrease of $4.6 million in federal reimbursements under the School Health and Related Services program due to the delay in payment of the annual cost report settle up. The revenue for the 2019 cost report will be recorded in 2022.

General Fund expenditures increased over the prior year by $39 million. The overall increase in expenditures was primarily due to the net effect of the following changes:

- A net increase of $33.9 million in the salaries expenditure category. This increase in salaries resulted mainly from pay raises for all employees, reductions in numbers of positions, benefits paid on all salaries, and the reclassification of prior year salary expense to the ESSER federal special revenue fund. In order to recruit and retain the best possible employees, the Board of Trustees, approved a 4% increase on midpoint for base salary for all employees.
- A net increase of $1.0 million in contracted services. This net increase was primarily due to an increase in repairs of $2.8 million. $2.1 million of this was due to repairs from the winter storm in February 2021. This increase was offset by $2.1 million decrease for miscellaneous contracted services.
- A net increase in supplies of $5.4 million. This increase was primarily due to an additional $5.3 million in supplies to address needs due to COVID-19.

The Natural Gas Special Revenue Fund has a total fund balance of $13.4 million at year-end, all of which is committed for special projects. Fund balance increased by a net of $0.5 million over the previous year primarily due to interest earnings and royalties.

The Debt Service Fund has a total fund balance of $59.1 million at year-end, all of which is restricted to service the District's outstanding debt. Fund balance increased by $4.4 million from the previous year-end primarily as a result of property tax revenue and state aid in excess of the principal and interest payments, as well as a bond refunding.

The Capital Projects Fund ended the current fiscal year with a fund balance of $408.9 million. Only $3.8 million of this fund balance is assigned as it is related to non-bond funded capital projects. The remaining fund balance is restricted to liquidate contracts and to pay for capital acquisitions primarily for ongoing projects from the 2014 bond program and for new projects under the 2019 bond program. The Capital Projects fund balance increased by $71.4 million during the year, the net result of bond sales and project expenditures. Although capital expenditures reduce available fund balances, they create new assets for the District as reported in the Statement of Net Position and as discussed in Note IV. E. to the financial statements. The District's capital asset fund is discussed in more detail below.

Nonmajor Governmental Funds, which include Special Revenue Funds other than the Natural Gas Fund, ended the year with a combined fund balance of $8.1 million, which is a decrease of $6.5 million over the previous year. The fund balance is primarily attributed to the Food Service Program which had a net operating deficit of $6.0 million and an ending fund balance of $6.0 million. The net operating deficit in the Food Service fund was caused by required changes in operations due to COVID-19, which negatively impacted both the funding and the expenditures for this program. During the COVID-19 operation, the District served both in school and curb-side meals to students. All meals were funded by federal reimbursement only. Expenditures per meal cost more to produce and package, resulting in a net deficit for the year. The Campus Activity Funds have a fund balance of $2.0 million. Various other special revenue funds may also carry a fund balance if the oversight entity allows unused funds from one year to be carried forward to future years.

Proprietary funds. The District's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Currently, the District maintains two types of proprietary funds: internal service funds for activity in the District's print shop and workers' compensation funds and a business-type fund to account for the activities of the Natatorium.

General Fund Budgetary Highlights

Over the course of the year, the Board of Trustees revised the District's budget several times. Significant budget amendments affected the following areas:

1) An amendment for $1.9 million was made shortly after the beginning of the new fiscal year to re-appropriate campus budget allocations not spent at the end of the preceding year (referred to as "carryover funds").
2) Changes made to revise estimates of revenues and expenditures based on the latest information on property valuations, student attendance, interest earnings, and operating costs. The following is a summary for the most significant amendments in this category:
    a) $43.8 million increase in current year tax revenue based on increased adjusted levy and collection trends. This also accounts for the passage of the VATRE (Voter-Approval Tax Rate Election), which was not part of the adopted budget.
    b) $11.1 million increase in state aid due to the following: certified property values being higher than the original estimated values as well as district's being held harmless on their ADA by TEA.
    c) $4.2 million decrease in SHARS revenue due to delays in the 2019 & 2020 SHARS cost reports.
    d) $1 million decrease in paraprofessional salaries based on vacancies.
    e) $4.7 million increase in contracted maintenance and repair for tornado damage, hail damage (for damage done in 2019-20), and the February 2021 winter storm damage.
    f) $1.1 million increase for additional bilingual supplies.
    g) $4.8 million increase for COVID related expenses including PPE, hot spots, software, and cleaning and sanitation supplies.

The District's General Fund balance of $244.5 million reported beginning on pages 24 differs from the final budgetary fund balance of $230.3 million reported in the budgetary comparison statement on page 31. The difference is largely due to the net effect of favorable and unfavorable variances as explained below:

- **Property Taxes** - Ended the year with a net $4.8 million favorable variance mainly because property values were higher than anticipated and collections remained strong during the fiscal year.
- **Other Local Revenue** – Received $0.9 million in local revenue less than anticipated primarily due to lower interest rates, reduced fee collections and miscellaneous revenue.
- **State Foundation Aid** - Lower than the final budget by $13.3 million due TEA hold harmless funding that was transferred to the ESSER II grant.
- **Employee Compensation and Related Employment Benefits** - Ended the year with a $22.4 million favorable variance primarily because of position vacancy patterns that occurred during the year. Due to COVID-19 operations, there was also savings in substitutes and extra duty pay.
- **Contracted services** - The total favorable variance for contracted services was $6.4 million primarily because utility expenditures were lower than anticipated due to successful efforts to reduce consumption, and reduced building occupancy due to protocols for the COVID-19 pandemic.
- **Supplies and Materials -** $2.5 million less than the final budget. In this expenditure category are campus allotments (budgeted mainly in general supplies) that had a year-end balance of $1.3 million that will be re-appropriated in the 2021-22 fiscal year. Additionally, fuel and other supply expenditures were lower than budgeted due to protocols related to the COVID-19 pandemic.

Capital Asset and Debt Administration

Capital Assets

At the end of 2021, the District had $1,066.0 million invested (net of accumulated depreciation) in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, maintenance, and food service (see Table V below).

Table V
CAPITAL ASSETS
(Net of Depreciation, in thousands)

	Governmental Activities		
	2021	**2020**	**Variance**
Land	$ 82,354	$ 79,983	$ 2,371
Buildings and improvements	876,337	478,536	397,801
Furniture and equipment	30,597	32,201	(1,604)
Construction in progress	76,648	89,089	(12,441)
Total	$ 1,065,936	$ 679,809	$ 386,127

In November 2019, Arlington voters approved a $966 million bond package. Proceeds from the bond issue will be used to build new facilities, upgrade and renovate existing facilities, address safety and security districtwide, upgrade technology infrastructure and equipment, provide fine arts equipment, and purchase transportation and white fleet service vehicles. This bond program is planned as a five-year program. On December 10, 2020, the Board of Trustees authorized the second issuance of the 2019 bonds. With a par value of $158.9 million, the sale generated $195.6 million in bond proceeds.

During the 2020-21 year approximately $27.6 million was spent on projects related to the 2014 bond program and $108.9 million was spent on projects related to the 2019 bond program. Additional information regarding the bond package, including a bond overview, project summaries, project schedules, and the Citizens' Bond Oversight Committee may be found at the AISD Bond webpage, www.aisd.net/bond. The following 2014 bond projects were budgeted during the 2020-21 fiscal year:

Districtwide Fine Arts Center 253	$7,207,250
Districtwide Athletic Complex 254	9,389,944
Condition Deficiency/Life Cycle Replacements	4,767,221
Technology	5,000,000
Fine Arts	860,387
Purchase of new buses/white fleet	518,587

The following 2019 bond projects were budgeted during the 2020-21 fiscal year. These projects are at various stages of completion at the end of fiscal 2021.

Gunn Fine Arts/Dual Language Academy	$64,000,000
Crow Elementary School Addition	12,103,920
Food Service Center	7,627,020
Enterprise Centre	6,954,420
Administration Building	1,970,100
New Webb Elementary School Construction	33,650,000
New Thornton Elementary School Construction	33,500,000
New Berry Elementary School Construction	33,800,000
Shackelford Junior High and Jones Fine Arts/Dual Language Academy	12,149,227
Martin High School and Athletic Field	31,072,000
Playgrounds – Phase I	7,380,000
Softball Fields	7,173,000
Land Purchase	9,000,000
Furniture and Equipment	14,378,000
Phase II and III Project Design and Furniture/Equipment	8,304,235
Technology	23,173,967
Fine Arts	1,318,948
Purchase of new buses/white fleet for transportation	3,549,174

Capital assets (continued)

Major capital additions funded through other sources were nearing completion and did not have significant expenditures this year.

Other maintenance projects and additional construction needs beyond those items included in the 2014 or 2019 bond may be identified during the 2022 year. These additional needs will be considered on a case-by-case basis. If necessary, Construction Fund balance could be used to pay for identified projects, in which case the Construction Fund budget would be amended during the year to appropriate fund balance for these purposes. More detailed information about the District's capital assets is presented in Note IV.E. to the financial statements.

Debt

At year-end, the District had total debt outstanding of $1,238.2 million versus $1,100.5 million last year – an increase of 12.5% (see Table VI.) The increase is the net result of building bonds issued during fiscal year 2021 in the amount $158.9 million and scheduled debt principal payments of $52.6 million. As of June 30, 2021, the District has $496,005,000 of the authorized $966 million bond funds that remain unissued.

Table VI
OUTSTANDING DEBT
(in thousands)

	Governmental Activities		
	2021	**2020**	**Variance**
Bonds Payable	$ 1,085,150	$ 978,887	$ 106,263
Bond Premiums	146,301	118,460	27,841
Accreted interest	4,791	586	4,205
Accrued Service Benefits	36	68	(32)
Notes Payable	2,006	2,534	(528)
Total	$ 1,238,284	$ 1,100,535	$ 137,749

Moody's Investor Service, Inc. rates the District's general obligation bonds Aa1. Standard and Poor's assigned the District a credit rating of AA. Bonds with these ratings are judged to be of very high quality by all standards.

Other obligations include accrued service benefits, a note payable and rebatable arbitrage. More detailed information about the District's long-term liabilities is presented in Note IV.F. to the financial statements.

Economic Factors and Next Year's Budget and Rates

The District's elected and appointed officials considered many factors when setting the 2021-2022 general operating budget and tax rate.

COVID-19

Our country, our state, our community and our school district faced significant challenges during the 2020-2021 school year due to COVID-19. With the continuing impact of the ongoing pandemic, it is likely our global economy will continue to face challenges operationally and fiscally. However, our mission and vision remain the same. Our responsibility is to provide the students of AISD with an education that allows them to graduate exceptionally prepared for college, career and citizenship. We are here to serve our over 56,000 students and over 8,000 staff members.

The district launched the At-Home Learning Hub during the 2020-2021 school year to provide families an easy to use interface for online learning. School began virtually, and ultimately students were given the option to attend classes virtually or in-person as the pandemic seemed to show evidence the spread was slowing as the school year progressed.

Due to the unknown impacts that COVID-19 may have in the upcoming year, we do not yet know what adjustments will be required. The 2021-2022 adopted budget assumes normal operations. The budget will be amended throughout the year to direct resources where appropriate to respond to COVID-19.

2021-22 Budget Development

Three main issues influenced the 2021-22 budget development – the District's Strategic Plan, adopted budget parameters and fund balance. Each of these issues is discussed in detail below.

1) ***Strategic Plan:*** The Board of Trustees adopted the 2016-2021 *Achieve Today. Excel Tomorrow* which is a continuation of the 2012-2015 plan with an increased focus on student success. The District 2021-2022 budget was developed under the 2016-2021 strategic plan. The 2022-2027 Strategic Plan is expected to be published in December of 2021. The Strategic Plan has been instrumental in the budget development process since the inception of the plan. All budget and personnel requests were examined in relationship to their necessity in helping the District achieve the mission of the Strategic Plan, which is to empower and engage all students to be contributing, responsible citizens striving for their maximum potential through relevant, innovative and rigorous learning experiences. In order to achieve the District's vision to be a premier school district and a leader in education, the budget is focused on the following performance objective categories:

a. Academic achievement
b. College readiness
c. Workforce readiness
d. Leadership, citizenship and responsibility

More detailed information concerning the District's *Achieve Today. Excel Tomorrow.* strategic plan may be found on the District's website (www.aisd.net).

2) ***Budget Parameters:*** The Board of Trustees adopted Budget Parameters to set forth the Board's expectations for future budgets and to create a framework for annually developing a budget. These budget parameters include expectations for a balanced budget, budget allocations staffing formulas, and employee compensation. The Budget Parameters are part of Board Policy CE(LOCAL).

a. The Board recognizes the need to target resources into programming that supports achievement growth for all schools, including supplemental resources for schools facing specific additional instructional needs.
b. The Board seeks to maintain competitive compensation levels in an effort to recruit and retain a highly qualified workforce and shall consider adjustments necessary for the District to be competitive in this area.

c. Staffing ratios shall meet or exceed state standards and shall be approved by the Board before the staffing process begins.
d. The Board recognizes its fiduciary responsibility to adopt a balanced budget, but recognizes that some limited use of fund balance may be appropriate for non-recurring expenditures or to sustain services.
e. If projected expenditures exceed projected revenue and budget reductions become necessary, the District will first seek budget reductions with the least impact on classrooms.

1) ***Fund Balance:*** The District strives to maintain a fund balance that will provide a sufficient source of funds for operations during periods when the cash flow does not. Property taxes, the District's primary revenue source, are collected mainly in December and January of each fiscal year while state funds flow in the fall and in August. Expenditures occur at a fairly even pace over the twelve months of the fiscal year. When financial statements are prepared for the period ending June 30, fund balance should be close to the calculated amount necessary to fund the expenditures that will occur between the following July through December, when tax collections begin to flow in.

   Maintaining a sufficient fund balance allows the District to avoid the interest expense on money borrowed to meet cash flow needs. Credit rating agencies consider a district's fund balance to be adequate if it exceeds two months of operating expenditures, and they will take into account all resources available for general operations, including those in Special Revenue Funds.

The 2021-22 General Fund budget has a deficit of $12,870,439. The Board and administration recognize this budget deficit and have already begun evaluating strategies to reduce expenditures in future years while still supporting the goals and objectives of the strategic plan. Fund balance at June 30, 2022 is projected to be $245,860,142. This budget enables Arlington ISD to maintain a healthy total fund balance of an estimated 5 months of operating reserve. This healthy fund balance provides stability given the uncertainty of future revenues and expenditures.
A summary of the 2021-22 General Operating budget is presented in Table VII below.

Table VII
Summary of General Operating Fund Budget

Fund	2021-2022 Original Budget	2020-2021 Original Budget	Change From 2020-2021
Revenues & Other Resources	$ 571,194,881	$ 535,536,925	$35,657,956
Expenditures & Other Uses	584,065,320	567,069,128	16,996,192
Budgeted Surplus/(Deficit)	(12,870,439)	(31,532,203)	18,661,764
Beginning Fund Balance	258,730,581*	222,384,766	36,345,815
Ending Fund Balance	$ 245,860,142*	$ 190,852,563	$55,007,579

* Projected as of date the 2021-22 budget was adopted

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Finance Department at Arlington Independent School District, 690 East Lamar Blvd, Arlington, Texas 76011.

BASIC FINANCIAL STATEMENTS

Arlington
INDEPENDENT SCHOOL DISTRICT
More Than a Remarkable Education

ARLINGTON INDEPENDENT SCHOOL DISTRICT

Exhibit A-1

STATEMENT OF NET POSITION

June 30, 2021

Data Control Codes		Governmental Activities	Business-Type Activities	Total
	Assets			
1110	Cash and cash equivalents	$ 765,365,660	$ 31,993	$ 765,397,653
1225	Property taxes receivables, net	10,556,360	-	10,556,360
1240	Due from other governments	58,695,789	-	58,695,789
1260	Internal balances	(4,936)	4,936	-
1290	Other receivables, net	598,451	100,000	698,451
1300	Inventories	4,687,538	-	4,687,538
1410	Prepaid items	621,151	-	621,151
1490	Other current assets	51,513	-	51,513
	Capital assets not subject to depreciation:			
1510	Land	82,354,432	-	82,354,432
1580	Construction in progress	76,648,208	-	76,648,208
	Capital assets net of depreciation:			
1520	Buildings and improvements, net	876,335,646	-	876,335,646
1530	Furniture and equipment, net	30,597,803	-	30,597,803
1000	**Total Assets**	1,906,507,615	136,929	1,906,644,544
	Deferred Outflows of Resources			
1701	Deferred charge on refunding	11,421,216	-	11,421,216
1705	Deferred outflows - pension	68,045,980	-	68,045,980
1706	Deferred outflows - other post-employment benefits (OPEB)	23,634,572	-	23,634,572
1700	**Total Deferred Outflows of Resources**	103,101,768	-	103,101,768
	Liabilities			
2110	Accounts payable	25,027,903	6,364	25,034,267
2140	Interest payable	16,273,057	-	16,273,057
2150	Payroll deductions and withholdings	5,365,001	-	5,365,001
2160	Accrued wages payable	57,748,031	-	57,748,031
2180	Due to other governments	99,982	-	99,982
2200	Accrued expenses	7,019,204	-	7,019,204
2300	Unearned revenue	459,665	-	459,665
	Noncurrent Liabilities:			
2501	Due within one year	57,432,094	-	57,432,094
2502	Due in more than one year	1,180,852,052	-	1,180,852,052
2540	Net pension liability	190,880,824	-	190,880,824
2545	Net other post-employment benefits (OPEB) liability	179,590,022	-	179,590,022
2000	**Total Liabilities**	1,720,747,835	6,364	1,720,754,199
	Deferred Inflows of Resources			
	Deferred inflows - pensions	39,046,050	-	39,046,050
	Deferred inflows - other post-employment benefits (OPEB)	146,239,352	-	146,239,352
2600	**Total Deferred Inflows of Resources**	185,285,402	-	185,285,402
	Net Position			
3200	Net investment in capital assets	248,973,295	-	248,973,295
	Restricted for:			
3820	Federal and state programs	28,325	-	28,325
	Food service	6,143,796	-	6,143,796
3850	Debt service	44,897,318	-	44,897,318
3900	Unrestricted	(196,466,588)	130,565	(196,336,023)
3000	**Total Net Position**	$ 103,576,146	$ 130,565	$ 103,706,711

Data Control Codes	Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions
	Governmental Activities:			
11	Instruction	$ 398,958,138	$ -	$ 50,233,044
12	Instructional resources and media services	7,785,743	-	912,893
13	Curriculum and staff development	13,717,307	-	7,277,431
21	Instructional leadership	15,087,940	-	5,161,599
23	School leadership	34,658,929	-	1,977,083
31	Guidance, counseling, and evaluation services	34,099,168	-	3,209,936
32	Social work services	3,109,593	-	1,090,933
33	Health services	8,060,076	-	3,520,896
34	Student transportation	17,570,646	391,679	712,998
35	Food service	25,476,994	338,522	20,643,639
36	Extracurricular activities	11,746,345	1,107,716	430,384
41	General administration	12,774,716	522,509	483,193
51	Plant, maintenance and operations	57,149,997	320,923	2,357,629
52	Security and monitoring services	8,503,383	-	492,391
53	Data processing services	15,521,433	813,953	917,531
61	Community services	2,750,813	-	2,555,436
72	Interest on long-term debt	37,676,125	-	345,541
73	Debt issuance costs and fees	1,002,014	-	-
81	Facilities planning	6,313,260	-	-
95	Payments to Juvenile Justice Alternative Education Programs	39,990	-	-
99	Intergovernmental charges	2,286,581	-	-
TG	**Total Governmental Activities**	$ 714,289,191	$ 3,495,302	$ 102,322,557
	Business-Type Activities:			
01	Natatorium	12,543	143,108	-
TB	**Total Business-Type Activities**	12,543	143,108	-
TP	**Total Primary Government**	$ 714,301,734	$ 3,638,410	$ 102,322,557

		Net (Expense) Revenue and Changes in Net Position		
		Primary Government		
Data Control Codes	Functions/Programs	Governmental Activities	Business-type Activities	Total
	Governmental Activities:			
11	Instruction	$ (348,725,094)		$ (348,725,094)
12	Instructional resources and media services	(6,872,850)		(6,872,850)
13	Curriculum and staff development	(6,439,876)		(6,439,876)
21	Instructional leadership	(9,926,341)		(9,926,341)
23	School leadership	(32,681,846)		(32,681,846)
31	Guidance, counseling, and evaluation services	(30,889,232)		(30,889,232)
32	Social work services	(2,018,660)		(2,018,660)
33	Health services	(4,539,180)		(4,539,180)
34	Student transportation	(16,465,969)		(16,465,969)
35	Food service	(4,494,833)		(4,494,833)
36	Extracurricular activities	(10,208,245)		(10,208,245)
41	General administration	(11,769,014)		(11,769,014)
51	Plant, maintenance and operations	(54,471,445)		(54,471,445)
52	Security and monitoring services	(8,010,992)		(8,010,992)
53	Data processing services	(13,789,949)		(13,789,949)
61	Community services	(195,377)		(195,377)
72	Interest on long-term debt	(37,330,584)		(37,330,584)
73	Debt issuance costs and fees	(1,002,014)		(1,002,014)
81	Facilities planning	(6,313,260)		(6,313,260)
95	Payments to Juvenile Justice Alternative Education Programs	(39,990)		(39,990)
99	Intergovernmental charges	(2,286,581)		(2,286,581)
TG	**Total Governmental Activities**	(608,471,332)		(608,471,332)
	Business-Type Activities:			
01	Natatorium	-	$ 130,565	130,565
TB	**Total Business-Type Activities**	-	130,565	130,565
TP	**Total Primary Government**	(608,471,332)	130,565	(608,340,767)
	General Revenues			
	Taxes:			
MT	Property taxes, levied for general purposes	347,129,622	-	347,129,622
DT	Property taxes, levied for debt service	95,857,548	-	95,857,548
SF	State-aid formula grants not restricted	190,358,289	-	190,358,289
GC	Grants and contributions not restricted	1,437,599	-	1,437,599
IE	Investment earnings	851,104	-	851,104
MI	Miscellaneous	2,053,370	-	2,053,370
E1	Extraordinary item - Winter storm insurance proceeds	550,000	-	550,000
TR	**Total General Revenues**	638,237,532	-	638,237,532
CN	Change in net position	29,766,200	130,565	29,896,765
NB	**Net Position - Beginning, Restated**	73,809,946	-	73,809,946
NE	**Net Position - Ending**	$ 103,576,146	$ 130,565	$ 103,706,711

ARLINGTON INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2021

Data Control Codes		General Fund	Debt Service Fund	Capital Projects Fund
	Assets			
1110	Cash and cash equivalents	$ 251,362,947	$ 71,649,099	$ 419,411,568
	Receivables:			
1210	Property taxes receivable - current	4,006,043	4,461	-
1220	Property taxes receivable - delinquent	13,169,346	4,819,543	-
1230	Allowance for uncollectible taxes (credit)	(9,001,905)	(2,441,128)	-
1240	Receivables from other governments	43,707,679	-	1,187,784
1260	Due from other funds	18,194,779	-	8,123,472
1290	Other receivables	496,602	-	-
1300	Inventories	2,375,972	-	-
1410	Prepaid items	621,151	-	-
1000	**Total Assets**	$ 324,932,614	$ 74,031,975	$ 428,722,824
	Liabilities			
2110	Accounts payable	$ 3,807,563	$ -	$ 19,848,529
2150	Payroll deduction and withholdings	5,365,001	-	-
2160	Accrued wages payable	55,116,168	-	-
2170	Due to other funds	6,047,514	12,806,863	-
2180	Payable to other governments	-	54,737	-
2190	Due to student groups	-	-	-
2200	Accrued expenditures	3,061,018	-	-
2300	Unearned revenue	-	-	-
2000	**Total Liabilities**	73,397,264	12,861,600	19,848,529
	Deferred Inflows of Resources			
	Deferred inflows - property taxes	7,039,302	2,041,144	-
2600	**Total Deferred Inflows of Resources**	7,039,302	2,041,144	-
	Fund Balances:			
	Non-Spendable:			
3410	Inventories	2,375,972	-	-
3430	Prepaid items	621,151	-	-
	Restricted:			
3450	Federal/State grant funds	-	-	-
3470	Capital acquisitions and contractual oblig.	-	-	405,073,175
3480	Debt service	-	59,129,231	-
	Committed:			
3545	Other	-	-	
	Assigned:			
3590	Other	77,199,882	-	3,801,120
3600	**Unassigned**	164,299,043	-	-
3000	**Total Fund Balances**	244,496,048	59,129,231	408,874,295
4000	**Total Liabilities, Deferred Inflows, and Fund Balances**	$ 324,932,614	$ 74,031,975	$ 428,722,824

See notes to the financial statements.

ARLINGTON INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2021

Data Control Codes		Natural Gas Special Revenue Fund	Nonmajor Governmental Funds	Total Governmental Funds
	Assets			
1110	Cash and cash equivalents	$ 13,284,104	$ 4,165,364	$ 759,873,082
	Receivables:			
1210	Property taxes receivable - current	-	-	4,010,504
1220	Property taxes receivable - delinquent	-	-	17,988,889
1230	Allowance for uncollectible taxes (credit)	-	-	(11,443,033)
1240	Receivables from other governments	-	13,800,326	58,695,789
1260	Due from other funds	66,797	1,784,188	28,169,236
1290	Other receivables	6,222	147,140	649,964
1300	Inventories	-	2,311,566	4,687,538
1410	Prepaid items	-	-	621,151
1000	**Total Assets**	$ 13,357,123	$ 22,208,584	$ 863,253,120
	Liabilities			
2110	Accounts payable	$ -	$ 1,270,644	$ 24,926,736
2150	Payroll deduction and withholdings	-	-	5,365,001
2160	Accrued wages payable	-	2,631,863	57,748,031
2170	Due to other funds	-	9,711,557	28,565,934
2180	Payable to other governments	-	45,245	99,982
2190	Due to student groups	-	-	-
2200	Accrued expenditures	-	-	3,061,018
2300	Unearned revenue	-	459,664	459,664
2000	**Total Liabilities**	-	14,118,973	120,226,366
	Deferred Inflows of Resources			
	Deferred inflows - property taxes	-	-	9,080,446
2600	**Total Deferred Inflows of Resources**	-	-	9,080,446
	Fund Balances:			
	Non-Spendable:			
3410	Inventories	-	-	2,375,972
3430	Prepaid items	-	-	621,151
	Restricted:			
3450	Federal/State grant funds	-	6,063,040	6,063,040
3470	Capital acquisitions and contractual oblig.	-	-	405,073,175
3480	Debt service	-	-	59,129,231
	Committed:			
3545	Other	13,357,123	2,026,571	15,383,694
	Assigned:			
3590	Other	-	-	81,001,002
3600	**Unassigned**	-	-	164,299,043
3000	**Total Fund Balances**	13,357,123	8,089,611	733,946,308
4000	**Total Liabilities, Deferred Inflows, and Fund Balances**	$ 13,357,123	$ 22,208,584	$ 863,253,120

ARLINGTON INDEPENDENT SCHOOL DISTRICT *Exhibit C-2*

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

June 30, 2021

Data Control Codes			
	Total fund balance, governmental funds (from C-1)	$	733,946,308
	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 are reported in the governmental activities of the Statement of Net Position.		1,065,936,089
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 (net of allowance for uncollectible accounts) are deferred in the fund financial statements.		9,080,446
3	Long-term liabilities, including bonds payable and net pension and OPEB liabilities, are not due and payable in the current period, and therefore are not reported as liabilities in the funds.		(1,613,606,833)
4	Deferred inflows of resources and deferred outflow of resources related to pension and OPEB.		(93,604,850)
5	Addition of Internal Service Fund net position.		1,824,986
19	**Net position of governmental activities**	$	103,576,146

ARLINGTON INDEPENDENT SCHOOL DISTRICT

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

For the Year Ended June 30, 2021

Data Control Codes		General Fund	Debt Service Fund	Capital Projects Fund
	Revenues			
5700	Local and intermediate sources	$ 351,144,563	$ 96,352,064	$ 1,138,504
5800	State program revenues	220,280,141	799,637	-
5900	Federal program revenues	5,319,687	400,280	1,187,784
5020	**Total Revenues**	576,744,391	97,551,981	2,326,288
	Expenditures			
	Current:			
0011	Instruction	338,828,414	-	2,820,662
0012	Instruction resources and media services	6,825,942	-	-
0013	Curriculum and staff development	6,680,788	-	133,515
0021	Instructional leadership	10,441,563	-	-
0023	School leadership	32,903,239	-	-
0031	Guidance, counseling and evaluation services	31,047,412	-	-
0032	Social work services	2,107,189	-	-
0033	Health services	7,621,328	-	-
0034	Student transportation	14,354,182	-	2,370,790
0035	Food services	-	-	-
0036	Extracurricular activities	9,507,439	-	801,200
0041	General administration	12,178,083	-	-
0051	Facilities maintenance and operations	52,980,067	-	539,415
0052	Security and monitoring services	7,845,823	-	48,154
0053	Data processing services	10,732,563	-	3,692,790
0061	Community services	447,419	-	-
	Debt service:			
0071	Principal on long-term debt	528,315	52,626,970	1,235,622
0072	Interest on long-term debt	60,848	37,486,251	-
0073	Bond issuance costs and fees	-	1,002,014	-
	Capital outlay:			
0081	Facilities acquistion and construction	-	-	122,894,126
	Intergovernmental:			
0091	Contracted instructional services between schools	-	-	-
0092	Incremental costs related to WADA	-	-	-
0093	Payments related to shared services arrangements	-	-	-
0095	Payments to juvenile justice alt. ed. prgm.	39,990	-	-
0097	Payments to tax increment fund	-	-	-
0099	Other intergovernmental charges	2,286,581	-	-
6030	**Total Expenditures**	547,417,185	91,115,235	134,536,274
1100	Excess (deficiency) of revenues over expenditures	29,327,206	6,436,746	(132,209,986)
	Other Financing Sources (Uses)			
7901	Refunding bonds issued	-	137,794,956	-
7911	Issuance of debt	-	-	158,890,000
7912	Sale of real or personal property	34,076	-	183,986
7915	Transfers in	-	-	7,800,000
7916	Premium or discount on issuance of bonds	-	16,227,961	36,759,783
8911	Transfers out	(7,800,000)	-	-
8940	Payment to Bond Refunding Escrow Agent	-	(156,105,140)	-
7080	**Total Other Financing Sources (Uses)**	(7,765,924)	(2,082,223)	203,633,769
	Special Item			
7919	Extraordinary items (resource)	550,000	-	-
	Total Special Item	550,000	-	-
1200	Net change in fund balances	22,111,282	4,354,523	71,423,783
0100	**Fund Balance - July 1 (Beginning), restated**	222,384,766	54,774,708	337,450,512
3000	**Fund Balance - June 30 (Ending)**	$ 244,496,048	$ 59,129,231	$ 408,874,295

See notes to the financial statements.

Data Control Codes		Natural Gas Special Revenue Fund	Nonmajor Governmental Funds	Total Governmental Funds
	Revenues			
5700	Local and intermediate sources	$ 540,546	$ 1,098,302	$ 450,273,979
5800	State program revenues	-	4,029,745	225,109,523
5900	Federal program revenues	-	59,918,189	66,825,940
5020	**Total Revenues**	540,546	65,046,236	742,209,442
	Expenditures			
	Current:			
0011	Instruction	-	27,136,508	368,785,584
0012	Instruction resources and media services	-	623,718	7,449,660
0013	Curriculum and staff development	-	6,479,324	13,293,627
0021	Instructional leadership	-	4,029,473	14,471,036
0023	School leadership	-	92,539	32,995,778
0031	Guidance, counseling and evaluation services	-	1,493,895	32,541,307
0032	Social work services	-	873,972	2,981,161
0033	Health services	-	53,575	7,674,903
0034	Student transportation	-	229,153	16,954,125
0035	Food services	-	25,050,369	25,050,369
0036	Extracurricular activities	-	973,850	11,282,489
0041	General administration	21,628	-	12,199,711
0051	Facilities maintenance and operations	-	1,452,136	54,971,618
0052	Security and monitoring services	-	266,421	8,160,398
0053	Data processing services	-	608,600	15,033,953
0061	Community services	-	2,214,596	2,662,015
	Debt service:			
0071	Principal on long-term debt	-	-	54,390,907
0072	Interest on long-term debt	-	-	37,547,099
0073	Bond issuance costs and fees	-	-	1,002,014
	Capital outlay:			
0081	Facilities acquistion and construction	-	-	122,894,126
	Intergovernmental:			
0091	Contracted instructional services between schools	-	-	-
0092	Incremental costs related to WADA	-	-	-
0093	Payments related to shared services arrangements	-	-	-
0095	Payments to juvenile justice alt. ed. prgm.	-	-	39,990
0097	Payments to tax increment fund	-	-	-
0099	Other intergovernmental charges	-	-	2,286,581
6030	**Total Expenditures**	21,628	71,578,129	844,668,451
1100	Excess (deficiency) of revenues over expenditures	518,918	(6,531,893)	(102,459,009)
	Other Financing Sources (Uses)			
7901	Refunding bonds issued	-	-	137,794,956
7911	Issuance of debt	-	-	158,890,000
7912	Sale of real or personal property	-	-	218,062
7915	Transfers in	-	-	7,800,000
7916	Premium or discount on issuance of bonds	-	-	52,987,744
8911	Transfers out	-	-	(7,800,000)
8940	Payment to Bond Refunding Escrow Agent	-	-	(156,105,140)
7080	**Total Other Financing Sources (Uses)**	-	-	193,785,622
	Special Item			
7919	Extraordinary items (resource)	-	-	550,000
	Total Special Item	-	-	550,000
1200	Net change in fund balances	518,918	(6,531,893)	91,876,613
0100	**Fund Balance - July 1 (Beginning), restated**	12,838,205	14,621,504	642,069,695
3000	**Fund Balance - June 30 (Ending)**	$ 13,357,123	$ 8,089,611	$ 733,946,308

ARLINGTON 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 June 30, 2021

Data Control Codes		
	Net change in fund balances - total governmental funds (from C-3)	$ 91,876,613
	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 expense.	
1	Governmental funds capital outlays	127,707,419
2	Governmental activities depreciation expense	(45,351,070)
3	Disposal of asset	(736)
4	Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(985,602)
5	The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on 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. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(140,412,275)
6	Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds.	1,138,779
7	Changes in net pension and net OPEB liabilities and related deferred outflows and inflows	(4,844,513)
8	Internal service funds are used by management to charge the costs of printing and risk management, to individual funds. The net revenue (expense) of the internal service funds is reported as governmental activities. (See D-2)	637,585
	Change in net position of governmental activities (see B-1)	$ 29,766,200

ARLINGTON INDEPENDENT SCHOOL DISTRICT

Exhibit C-5

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – ORIGINAL BUDGET, AMENDED FINAL (GAAP BASIS) AND ACTUAL – GENERAL FUND

For the Year Ended June 30, 2021

	Budgeted Amounts			
	Original	Final	Actual Amounts, Budgetary Basis	Variance with Final Budget
Revenues				
Local revenues	$ 303,351,899	$ 347,254,234	$ 351,144,563	$ 3,890,329
State program revenues	222,505,026	233,591,361	220,280,141	(13,311,220)
Federal program revenues	9,680,000	5,512,311	5,319,687	(192,624)
Total Revenues	535,536,925	586,357,906	576,744,391	(9,613,515)
Expenditures				
Current:				
Instruction	345,587,110	351,014,776	338,828,414	12,186,362
Instructional resources and media services	7,058,762	7,286,772	6,825,942	460,830
Curriculum and staff development	7,199,654	7,849,632	6,680,788	1,168,844
Instructional leadership	10,631,730	11,173,061	10,441,563	731,498
School leadership	32,977,381	33,387,955	32,903,239	484,716
Guidance, counseling and evaluation services	32,803,337	32,903,069	31,047,412	1,855,657
Social work services	2,172,431	2,160,212	2,107,189	53,023
Health services	7,738,640	7,909,216	7,621,328	287,888
Student transportation	17,361,611	17,869,557	14,354,182	3,515,375
Extracurricular activities	10,598,185	10,739,727	9,507,439	1,232,288
General administration	12,080,129	12,661,149	12,178,083	483,066
Facilities maintenance and operations	55,467,716	56,670,336	52,980,067	3,690,269
Security and monitoring services	9,976,511	10,076,696	7,845,823	2,230,873
Data processing services	11,841,385	13,162,921	10,732,563	2,430,358
Community services	558,006	511,713	447,419	64,294
Debt Service:				
Principal on long-term debt	515,312	515,312	528,315	(13,003)
Interest on long-term debt	73,852	73,852	60,848	13,004
Intergovernmental:				
Payments to Juvenile Justice Alt. Ed. Prgm.	30,000	54,044	39,990	14,054
Other governmental charges	2,397,376	2,331,576	2,286,581	44,995
Total Expenditures	567,069,128	578,418,583	547,417,185	31,001,398
Excess (deficiency) of revenues over expenditures	(31,532,203)	7,939,323	29,327,206	21,387,883
Other Financing Sources (Uses):				
Sale of real or personal property	-	-	34,076	34,076
Transfers out	-	-	(7,800,000)	(7,800,000)
Total Other Financing Sources (Uses)	-	-	(7,765,924)	(7,765,924)
Special Item				
Extraordinary items (resource)	-	-	550,000	(550,000)
Net change in fund balances	(31,532,203)	7,939,323	22,111,282	13,621,959
Fund Balances - Beginning	222,384,766	222,384,766	222,384,766	-
Fund Balances - Ending	$ 190,852,563	$ 230,324,089	$ 244,496,048	$ 13,621,959

ARLINGTON INDEPENDENT SCHOOL DISTRICT *Exhibit D-1*

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

June 30, 2021

	Enterprise Funds	
	Natatorium	Internal Service Funds
Assets		
Current assets:		
Cash and cash equivalents	$ 31,993	$ 5,492,578
Receivables:		
Due from other funds	4,936	391,762
Other receivables	100,000	-
Total Assets	136,929	5,884,340
Liabilities		
Current liabilities:		
Accounts payable	-	101,169
Accrued wages payable	6,364	-
Accrued expenses	-	3,958,185
Total Liabilities	6,364	4,059,354
Net Position		
Unrestricted	130,565	1,824,986
Total Net Position	$ 130,565	$ 1,824,986

ARLINGTON INDEPENDENT SCHOOL DISTRICT

Exhibit D-2

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2021

	Enterprise Funds	
	Natatorium	**Internal Service Funds**
Operating Revenues		
Charges for Services	$ 143,108	$ 1,532,307
Total Operating Revenues	143,108	1,532,307
Operating Expenses		
Payroll costs	10,351	-
Purchased and contracted services	1,329	208,825
Supplies and materials	863	88,768
Claims expense and other operating expenses	-	606,107
Total Operating Expenses	12,543	903,700
Operating Income (Loss)	130,565	628,607
Non-Operating Revenues (Expenses)		
Investment earnings	-	8,978
Total Nonoperating Revenues (Expenses)	-	8,978
Change in Net Position	130,565	637,585
Net Position - July 1 (Beginning)	-	1,187,401
Net Position - June 30 (Ending)	$ 130,565	$ 1,824,986

ARLINGTON INDEPENDENT SCHOOL DISTRICT

Exhibit D-3

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2021

	Enterprise Fund - Natatorium	Governmental Activities - Internal Service Funds
Cash Flows from Operating Activities:		
Cash received from customers	$ 38,172	$ 1,292,894
Cash payments for insurance claims	-	(1,222,324)
Cash payments to suppliers for goods and services	(6,179)	(50,367)
Cash payments for other operating expenses	-	(208,825)
Net Cash Provided by (Used for) Operating Activities	31,993	(188,622)
Cash Flows from Investing Activities:		
Interest on investments	-	8,978
Net Cash Provided by (Used for) Investing Activities	-	8,978
Net Change in Cash and Cash Equivalents	31,993	(179,644)
Cash and Cash Equivalents at Beginning of Year	-	5,672,222
Cash and Cash Equivalents at End of Year	$ 31,993	$ 5,492,578
Reconciliation to Balance Sheet		
Cash and Cash Equivalents Per Cash Flow	$ -	$ 5,492,578
Cash and Cash Equivalents per Balance Sheet	$ 31,993	$ 5,492,578
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	$ 130,565	$ 628,607
Change in Assets, Liabilities, Deferred Inflows and Outflows:		
(Increase) decrease in Receivables	(100,000)	-
(Increase) decrease in Interfund Receivables	(4,936)	(216,640)
Increase (decrease) in accrued wages	6,364	(17,597)
Increase (decrease) in Accrued Expenses	-	(582,992)
Increase (decrease) in Interfund Payables	-	-
Net Cash Provided by (Used for) Operating Activities	$ 31,993	$ (188,622)

ARLINGTON INDEPENDENT SCHOOL DISTRICT *Exhibit E-1*

STATEMENT OF FIDUCIARY NET POSITION

CUSTODIAL FUND

June 30, 2021

	Custodial Fund
Assets	
Cash and cash equivalents	$ 2,990,778
Total Assets	2,990,778
Liabilities	
Accounts payable	45,970
Total Liabilities	45,970
Net Position	
Restricted for Student Activities	$ 2,944,808

ARLINGTON INDEPENDENT SCHOOL DISTRICT ***Exhibit E-2***

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

CUSTODIAL FUND

June 30, 2021

	Custodial Fund
Contributions	
Revenues from student activities	$ 2,118,475
Total Contributions	2,118,475
Total Additions	2,118,475
Deductions	
Payments for student activities	2,459,948
Total Deductions	2,459,948
Change in net position	(341,473)
Net Position - Beginning	
Prior period adjustment, implementation of new standards	3,286,281
Net Position - Ending	$ 2,944,808

Note 1 - Summary of Significant Accounting Policies

The Arlington Independent School District ("District") is an independent public educational agency operating under applicable laws and regulations of the State of Texas. The District is autonomously governed by a seven-member Board of Trustees elected by the District's residents. The District prepares its basic financial statements in conformity with U.S. generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in Statement on Auditing Standards No. 69, as amended by Statement on Auditing Standards No.'s 91 and 93 of the American Institute of Certified Public Accountants; and it complies with the most recent requirements of the Texas Education Agency's Financial Accountability System Resource Guide (the "Resource Guide" or FASRG) and the requirements of contracts and grants of agencies from which it receives funds.

Implementation of New Accounting Standards

GASB No. 84, *Fiduciary Activities.* This pronouncement was issued in January 2017 and effective for periods beginning December 15, 2019. This standard establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. This standard must be applied retroactively and as such beginning net position and/or fund balance have been restated. The District has evaluated the effects of this standard and has restated its fund balance in the special revenue fund as well as in the custodial fund to establish the beginning balance. Net position related to governmental activities is also restated.

GASB No. 90, *Majority Equity Interests*. This pronouncement is an amendment of GASB Statements No. 14 and No. 61 was issued in August 2018 and effective for periods beginning December 15, 2019. The primary objectives of this Statement are to improve consistency in the measurement and comparability of the financial statement presentation of majority equity interests in legally separate organizations and to improve the relevance of financial statement information for certain component units. An equity interest is a financial interest in a legally separate organization evidenced by the ownership of shares of the organization's stock or by otherwise having an explicit, measurable right to the net resources of the organization that is usually based on an investment of financial or capital resources by a government. An equity interest is explicit and measurable if the government has a present or future claim to the net resources of the entity and the method for measuring the government's share of the entity's net resources is determinable. The District has determined that this Statement does not have an effect on the financial statements as of June 30, 2021.

GASB Statement No. 98, *The Annual Comprehensive Financial Report*. This statement was issued in October 2021 and establishes the term annual comprehensive financial report and its acronym ACFR. This new term and acronym replace instances of annual comprehensive financial report and its acronym in generally accepted accounting principles for state and local governments. This statement is effective for fiscal years ending after December 15, 2021 but earlier application is encouraged. The District implemented this statement in fiscal year 2021.

A. Reporting Entity

The Board of Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education in the City of Arlington and portions of the Cities of Grand Prairie and Dalworthington Gardens, and the Town of Pantego. Because members of the Board are elected by the public, they have the authority to make decisions, appoint administrators and managers, and significantly influence operations; and they have primary accountability for fiscal matters. The District is not included in any other governmental "reporting entity" as defined by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus; an amendment of GASB Statements No. 14 and No. 34*. The District is not financially accountable for any other organizations; therefore, no component units are included within the reporting entity. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding entities.

Note 1 - Summary of Significant Accounting Policies (continued)

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities include programs supported primarily by taxes, charges to school districts for services, state funds, grants and other intergovernmental revenues.

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

Interfund activities between governmental funds, and between governmental funds and proprietary funds, appear in the governmental and proprietary fund financial statements. However, all interfund transactions between governmental funds have been eliminated on the government-wide statements. Interfund transactions between governmental funds and internal service funds have not been eliminated to the extent that services have been provided and used. Interfund transactions remain in the government-wide statements for activities between governmental funds and proprietary funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Major Governmental Funds

<u>General Fund</u> - The General Fund is the District's general operating fund. It is used to account for all financial transactions except those required to be accounted for in another fund. Major revenue sources include local property taxes and state funding under the Foundation School Program. Expenditures include all costs associated with the daily operations of the schools except for costs incurred by programs accounted for in the Special Revenue Funds, Capital Projects Fund, Debt Service Fund, and Proprietary Funds. The General Fund is a budgeted fund, and any fund balances are considered resources available for current operations.

<u>Debt Service Fund</u> - The Debt Service Fund, which is a budgeted fund, accounts for the resources accumulated and payments made on long-term general obligation debt of government funds. Revenues include collections on general property taxes, state funding under the Instructional Facilities and Existing Debt Allotments, and earnings on investments of the fund. Expenditures of the fund are for retirement of bond principal and payment of interest on bonded debt. The fund balance represents amounts that will be used for retirement of bonds and payment of interest in the future.

<u>Capital Projects Fund</u> - The Capital Projects Fund accounts for all proceeds of bond issues and earnings on investments of the fund. Revenue from the sale of bonds is used for acquiring school sites, constructing and equipping new school facilities, renovating existing facilities, and replacing transportation, technology, and various other equipment. This is a budgeted fund.

<u>Natural Gas Special Revenue Fund</u> - During recent years, the District has engaged in leasing the mineral rights to its various properties for the extraction of natural gas. This activity has resulted in a significant inflow of contract signing bonuses and royalty payments for the District. During the year ended August 31, 2011, the Board of Trustees committed these inflows for future special projects.

Note 1 - Summary of Significant Accounting Policies (continued)

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

Proprietary Funds

Business-type Fund – The District only has one business-type activity which accounts for the activity the District's Natatorium. The revenues are derived from external user charges.

Internal Service Fund - The Internal Service Fund accounts for the management of the District's Print Shop and worker's compensation insurance. The cost of these activities is allocated to the other funds of the District on a cost reimbursement basis. These are not budgeted funds.

Fiduciary Fund

Custodial Fund - The Custodial Fund, which is an unbudgeted fund, accounts for the activities of student groups. The student activity funds account for monies collected principally through fund-raising efforts of the students and District-sponsored student groups. Collections and disbursements of these funds are generally controlled by the student group itself under the supervision of a member of the professional staff. The funds received from students are recorded as contributions. As students use the funds, that activity is recorded as deductions.

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

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

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

Funds received from federal, state and other grants designated for payment of specific District expenditures 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 proprietary fund types are accounted for on an economic resources measurement focus. Operating revenues and expenses are distinguished from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The custodial fund uses the economic resources measurement focus and utilizes the accrual basis of accounting for reporting its assets and liabilities.

Note 1 - Summary of Significant Accounting Policies (continued)

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

Management's Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimations and assumptions that affect the reported amounts of 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.

D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position or Fund Balances

1. Cash and cash equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. Investments for the District are reported at fair value.

2. Investments

Investments consist largely of money market funds and government investment pools. 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.*

3. Receivables and payables

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers in and transfers out are netted and presented as a single "transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "internal balances" line of the government-wide statement of net position.

Property taxes are levied each year by October 1 based upon property valuations as of January 1. 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 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

Note 1 - Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position or Fund Balances (continued)

3. Receivables and payables (continued)

Tax collections are prorated between the General Fund and Debt Service Fund based on the tax rate adopted by the Board. The District is permitted under the Texas Education Code to levy taxes up to $1.0864 per $100 of assessed valuation for general governmental services other than debt service on general obligation bonds. The tax rate which may be levied to service general obligation bonds is not limited. For the current fiscal year, the Board of Trustees set tax rates applicable to general governmental services and to debt service of $1.08640 per $100 valuation and $0.30070 per $100 valuation, respectively, based on a net assessed valuation of $32,074,210,610.

Delinquent property tax receivables are prorated between the General Fund and Debt Service Fund based on rates adopted for the year of the levy. Allowance for uncollectible tax receivables is based on historical experience in collecting property taxes. Management periodically reviews outstanding property taxes and establishes an allowance adequate to reflect the anticipated net collectible balance. The District is prohibited from writing off property taxes without specific statutory authority from the Texas Legislature. The property tax receivable allowance is equal to 52.0% of total outstanding property taxes at June 30, 2021.

4. Inventories and prepaid items

In the General Fund, inventory is valued at cost, using the weighted-average method. A computerized inventory system automatically updates inventory values. This valuation is not materially different from the first-in, first-out valuation method. Inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed rather than when purchased.

In the General Fund, certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/ expenses when consumed rather than when purchased.

In the nonmajor special revenue fund, inventory is valued at cost, using the weighted-average method, except for food commodities, which are recorded at market values supplied by the Texas Department of Human Services. Commodities are received at no cost to the District; however, their fair market value is recorded as inventory and revenue when received. As the commodities are consumed, inventory is relieved, and expenditures are charged.

5. Capital assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The District does not have any public domain (“infrastructure”) capital assets. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life of two years or more.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives, as well as the cost of land, are not depreciated.

Note 1 - Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position or Fund Balances (continued)

5. Capital assets (continued)

Capital assets are depreciated over the estimated useful lives of the assets on a straight-line basis over the following estimated useful lives:

Buildings and improvements	20-40 years
Furniture and equipment	5-12 years

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their acquisition value on the date donated.

6. 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, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the appropriate effective interest and straight-line methods.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as 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.

7. Accrued service benefits

Accrued service benefits are accrued as a liability in the government-wide financial statements. Eligibility for accrued service benefits for the employees of the Arlington Independent School District is determined by length of continuous service with the District and approval for retirement benefits under provisions of the Teacher Retirement System of Texas.

Benefits are available to employees hired before January 1, 1985 and are based on years of experience with the District, accumulated eligible local sick leave days and accumulated ineligible local sick leave days.

8. Compensated absences

All administrative and full-time hourly employees of the District receive up to three weeks of vacation each calendar year. If the employee does not use the vacation time by December 31 of the following year, it is lost and may not be carried forward. Employees may accumulate as many as fifty days of local personal leave, which can be carried forward from year to year. The time is forfeited if not used before the employee leaves the District. Therefore, no accrual for compensated absences is included in the accompanying financial statements.

Note 1 - Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position or Fund Balances (continued)

9. Pensions

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

The District will continue to make the required pension contributions based on the statutorily determined rates established by the Teacher Retirement System of Texas (TRS). TRS will apply the District's contributions to the net pension liability on an annual basis. The contributions are paid by the funds that pay the employees' salaries. These funding sources include the General Fund and the Special Revenue funds.

10. Other Post-Employment Benefits.

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

The District will continue to make the required OPEB contributions based on the statutorily determined rates established by the Teacher Retirement System of Texas (TRS). TRS will apply the District's contributions to the net OPEB liability on an annual basis. The contributions are paid by the funds that pay the employees' salaries. These funding sources include the General Fund and the Special Revenue funds.

11. 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 position (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 financial 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 1) changes in actuarial assumptions; 2) differences between expected and actual actuarial experiences and 3) 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 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)

D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position or Fund Balances (continued)

11. 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 OPEB plan investments and 2) changes in the District's proportional share of OPEB liabilities. The deferred outflows of resources related to other post-employment benefits 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 OPEB plan investments will be amortized over a closed five-year period. The remaining 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 OPEB plan.

A *deferred inflow of resources* is an acquisition of a government's net position (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 or resources in the period that the amounts become available.
- 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 OPEB – Reported in the government wide financial statement of net position, these deferred inflows result primarily from 1) changes in actuarial assumptions and 2) differences between expected and actual actuarial experiences. 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 OPEB through the OPEB plan.

12. Net position and fund balances

Net position on the Statement of Net Position include the following:

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

Restricted for federal and state programs – the component of net position that reports the difference between assets and liabilities related to federal and state programs that consist of assets with constraints placed on their use by granting agencies.

Restricted for debt service – the component of net position that reports the difference between assets, deferred inflows of resources and liabilities adjusted on a government-wide basis that consists of assets with constraints placed on their use by the bond covenants.

Note 1 - Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position or Fund Balances (continued)

12. Net position and fund balances (continued)

Unrestricted net position – the difference between the assets, deferred inflows of resources and liabilities that are not reported in net position net investment in capital assets, or restricted net position.

Net position flow assumption - Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

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

Non-spendable Fund Balance
Non-spendable fund balance is that portion of fund balance that is not expendable. Examples of non-spendable fund balance include inventories and prepaid items.

Spendable Fund Balance
Spendable fund balance includes restricted, committed, assigned, and unassigned components. These components can be described as follows:

Restricted fund balance – the component of the spendable fund balance constrained to a specific purpose by a provider, such as a creditor, grantor, contributor, or law or regulation of other governments. Restricted fund balance includes funds for debt service, construction programs, and resources from other granting agencies.

Committed Fund Balance – the component of the spendable fund balance constrained to a specific purpose by Board. A Board resolution is required to establish a fund balance commitment. Only the action that constitutes the most binding constraint of the Board can be considered a commitment for fund balance classification purposes. The Board has committed the funds in the natural gas fund of $13.4 million and $2.0 million for campus activity funds.

Assigned Fund Balance – the component of the spendable fund balance that is spendable or available for appropriation but has been tentatively earmarked for some specific purpose by the Superintendent. Board Policy CE (Local) was amended in August 2011 by the Board of Trustees to provide the Superintendent with this authorization. The District has assigned fund a total of $77.2 million in the General Fund. This amount includes $0.8 million for encumbrances; $5.3 million for expansion for pre-k classrooms; $7.8 million and $63.3 million for July and August 2021 expenditures for special revenue fund reimbursements and the General Fund, respectively. The District assigned $3.8 million of its Capital Projects Fund balance for future locally funded capital projects. That is, these projects are not funded with bond funds.

Unassigned Fund Balance – the component of the spendable fund balance which may be spent for any legal purpose. This portion of the total fund balance in the general fund is available to finance operating expenditures. The General fund is the only fund that reports a positive unassigned fund balance.

The District strives to maintain an unassigned fund balance in the general fund equal to a minimum of 16.67% of the District's general fund operating expenditures. In the event that unassigned fund balance falls below the target level, the Board shall, within 24 months, adopt a plan to restore this balance to the target level.

Note 1 - Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position or Fund Balances (continued)

12. Net position and fund balances (continued)

Fund balance flow assumptions - Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

13. Data control codes

The data control codes refer to the account code structure prescribed by the TEA. The TEA requires school districts to display these codes in the financial statements filed with the agency in order to ensure accuracy in building a statewide database for policy development and funding plans.

Note 2 - Reconciliation of Government-Wide and Fund Financial Statements

A. Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net position

The governmental funds balance sheet includes a reconciliation of *total fund balances – governmental funds* to *net position of governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds." The details are as follows:

Land	$ 82,354,432
Construction in progress	76,648,208
Buildings and improvements	1,412,744,725
Less: Accumulated depreciation - buildings and improvements	(536,409,079)
Furniture and equipment	119,637,464
Less: Accumulated depreciation - furniture and equipment	(89,039,661)
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	$ 1,065,936,089

Note 2 - Reconciliation of Government-Wide and Fund Financial Statements (continued)

A. Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net position (continued)

The final element of that reconciliation explains that "long-term liabilities, including bonds payable and net pension and OPEB liability, are not due and payable in the current period and therefore are not reported as liabilities in the funds." The details are as follows:

Bonds payable	$	(1,085,149,956)
Less: Deferred charge on refunding (to be amortized as interest expense)		11,421,216
Add: Issuance premium (to be amortized over life of debt)		(146,301,383)
Add: Accumulated accretion on capital appreciation bonds		(4,790,685)
Accrued service benefits		(36,276)
Notes payable		(2,005,846)
Accrued interest payable		(16,273,057)
Net pension liability		(190,880,824)
Net OPEB liability		(179,590,022)
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	$	(1,613,606,833)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *total net changes in fund balance – governmental funds* and *change in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation states that "the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items." The details are as follows:

Debt issued or incurred:		
General obligation bonds	$	(296,684,956)
Plus premium		(52,987,744)
Loans		-
Principal repayments:		
General obligation bonds		52,626,970
Payment to escrow agent for refunding		156,105,140
Notes payable		528,315
Net adjustment to increase changes in fund balance - total governmental funds to arrive at changes in net position of governmental activities	$	(140,412,275)

Note 2 - Reconciliation of Government-Wide and Fund Financial Statements (continued)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities (continued)

Another element of that reconciliation states that "some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds." The details are as follows:

Accrued service benefits	$	32,183
Accrued interest		(5,194,876)
Amortization of bond premiums		7,030,763
Amortization of deferred charge on refunding		(1,239,536)
Accretion on capital appreciation bonds		510,245
Net adjustment to decrease changes in fund balance - total governmental funds to arrive at changes in net position of governmental activities	$	1,138,779

Note 3 - Stewardship Compliance and Accountability

A. Budgets and Budgetary Accounting

The District is legally required to adopt budgets for the General Fund, Debt Service Fund, Capital Projects Fund, and Child Nutrition. Each budget is presented and accounted for on the modified accrual basis of accounting which is consistent with generally accepted accounting principles. The District is not legally required to adopt Special Revenue Fund budgets.

The District follows these procedures preparing and approving its annual budget:

1. The superintendent or his designate prepares a budget covering all estimated revenues and proposed expenditures of the District for the next succeeding fiscal year. The budget is prepared by generic fund type and function.
2. Ten days after public notice of the meeting has been given, a public hearing is held, allowing the public to comment on the proposed budget.
3. A public meeting of the Board of Trustees is called for the purpose of adopting the budget. The State Board of Education requires that the budget be prepared no later than June 30th of each year.
4. Budget data must be received by the Texas Education Agency on or before December 15 each year. The legal level of budgetary control is at the function level within each generic fund type. Budget amounts are as originally adopted, or as amended by the Board, on June 18, 2020. Once a budget is approved, it can be amended at the function and fund level only by approval of a majority of the members of the Board of Trustees. Changes can be made to the budget at any detail within the function level without an amendment approved by the Board. During the year, several budget amendments were made with Board approval. The most significant amendments were for carryover funding; issuance of bonds and supplemental appropriations for bond projects; mid-year adjustment of local and state revenues and appropriations and operating costs; and year-end adjustments to revise estimates of revenues and expenditures based on the latest information on student attendance, interest earnings, and operating costs. All budget appropriations lapse at year-end.

Note 4 - Detailed Notes on All Funds

A. Deposits and Investments

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

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. The District maintains an investment policy which authorizes the District to invest in obligations of the U.S. Treasury and U.S. agencies, municipal securities and repurchase agreements and the State Treasurer's investment pool or similar public fund investment pools. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy.

Custodial Credit Risk – Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The collateral shall always be held by an independent third party with whom the District has a current custodial agreement. The District is not exposed to custodial credit risk for its deposits as all are covered by depository insurance or securities pledged to the District and held by a third-party custodian.

At June 30, 2021, the carrying value of the District's deposits (other than the temporary investments listed below) was $22,630,041 and the bank balance was $31,867,131. The District's cash deposits at June 30, 2021, and during the year then ended, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

Investments

As of June 30, 2021, the District's investments consisted of balances held by Lone Star Local Government Investment Pool (LSIP), Texas Local Government Investment Pool (TexPool), and LOGIC Local Government Investment Pool.

LSIP is a Texas public investment pool sponsored by the Texas Association of School Boards (TASB) for investment of funds by state and local government entities, primarily local school districts. The Board has entered into an agreement with First Public, LLC (First Public), a Texas limited liability company and a member of the National Association of Securities Dealers, Securities Investor Protection Corporation, and Municipal Securities Rulemaking Board, pursuant to which First Public serves as administrator of LSIP's operations. American Beacon Advisors, Fort Worth, Texas, and Standish Mellon Asset Management Company, LLC, Pittsburgh, Pennsylvania, provide investment management services to LSIP regarding the investment and reinvestment of the pool's assets. The fund's credit quality is excellent as its portfolio is composed of U. S. government and U. S. agency securities. Investments in LSIP provide for investment in securities with maturities and returns generally greater than money market instruments. LSIP is marked-to-market daily to maintain an accurate net asset value. The District's fair value in LSIP is the same as the value of the pool shares.

Note 4 - Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

Investments (continued)

TexPool is a public funds investment pool created by the Texas Treasury Safekeeping Trust Company (the Trust Company) to provide a safe environment for the placement of local government funds. The portfolio consists of U.S. Treasury and government agency securities, repurchase agreements, certain mutual funds, collateralized repurchase and reverse repurchase agreements, no-load money market mutual funds regulated by the Securities and Exchange Commission and rated AAA or equivalent by at least one nationally recognized statistical rating organization, securities lending programs, and certificates of deposit. TexPool is overseen by the State Comptroller of Public Accounts and administered by Federated Investors, Inc. The State Street Bank is the custodial bank. TexPool follows chapter 2256 of the Texas Public Funds Investment Act. TexPool uses amortized cost rather than fair value to report net assets to compute share prices. The fair value of the position in TexPool is the same as the value of TexPool shares. Accordingly, the District's investments in TexPool are stated at amortized cost, which approximates fair value.

Local Government Investment Cooperative (LOGIC) (the “Pool”) was organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code, and operates as a public funds investment pool under the Public Funds Investment Act. LOGIC is organized and existing as a business trust under the laws of the State of Texas with all Participant funds and all investment assets held and managed in trust by a Board of Trustees for the benefit of the Participants.

The Board of Trustees is LOGIC’s governing body and is comprised of employees, officers or elected officials of Participant Government Entities or individuals who do not have a business relationship with the Pool and are qualified to advise it. A maximum of two advisory board members represent the Co-Administrators of the Pool. The Portfolio assets are marked to market daily using the fair value method. Due to the fact that amortized cost, which generally approximates the market value of the assets, has been deemed to be a proxy for fair value, Portfolio assets are valued on the basis of the amortized cost valuation technique.

As noted in the District’s Significant Accounting Polices, the District reports its local government investment pools at amortized cost as permitted by GASB Statement No. 79 *Certain External Investment Pools and Pool Participants.* In addition, Lone Star, TexPool and LOGIC do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. The pools do not impose any liquidity fees or redemption gates.

Note 4 - Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

Investments (continued)

The District's temporary investments at June 30, 2021, are shown below:

	Fair Value	Percentage of Investments	Weighted Average Maturity (Days)
Investments:			
Local Government Investment Pools:			
Lone Star	$ 360,890,193	48.4%	47
TexPool	5,518,115	0.7%	30
LOGIC	379,301,888	50.9%	53
Total Local Government Investment Pools	$ 745,710,196	100.0%	
Fiduciary Funds			
Investments:			
Local Government Investment Pools:			
TexPool	48,194	0.0%	30
Total Investments	48,194	0.0%	30
Total Fiduciary Funds	48,194	0.0%	30
Total	$ 745,758,390	100.0%	50

Custodial Credit Risk - Investments - For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investments in the external investment pools (Lone Star, TexPool and LOGIC), are not exposed to custodial risk. External investment pools are not subject to custodial risk because investments are not evidenced by securities that exist in physical or book entry form. State law limits investments in public funds investment pools to those rated no lower than AAA or AAAm or an equivalent rating by at least one nationally recognized rating service. As of June 30, 2021, the District's investments in Lone Star was rated AAA and, TexPool and LOGIC were rated AAAm.

Credit Risk - This is the risk that a security issuer may default on an interest or principal payment. State law limits investments in local government pools to those that are rated AAA or equivalent by at least one Nationally Recognized Statistical Rating Organization (NRSRO). The District controls and monitors this risk by purchasing quality rated instruments that have been evaluated by agencies such as Standard and Poor's (S&P) or Moody's Investors Service, or by investing in public fund investment pools rated no lower than AAA or AAAm. The District's investments in Lone Star was rated AAA and, TexPool and LOGIC were rated AAAm

Interest-rate Risk - This type of risk occurs when potential purchasers of debt securities do not agree to pay face value for those securities if interest rates rise. The District's investment policy does not allow the purchase of investments that would expose the District to interest-rate risk.

Concentration Risk - This type of risk is defined as positions of 5 percent or more in the securities of a single issuer. The District is not exposed to concentration risk because the investment portfolio mainly consists of external investment pools.

Note 4 - Detailed Notes on All Funds (continued)

B. Receivables

Receivables due from other governments, as of June 30, 2021 for the District's major and nonmajor funds in the aggregate are as follows. All receivables are expected to be collected within one year.

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Due from the State of Texas/Other Governments	$ 43,707,679	$ 1,187,784	$ 13,800,326	$ 58,695,789
Total Due from Other Governments	$ 43,707,679	$ 1,187,784	$ 13,800,326	$ 58,695,789

The District expects to collect all receivables within one year of the end of the fiscal year period.

C. Interfund Receivables, Payables, and Transfers

The composite of interfund balances as of June 30, 2021, is as follows. All interfund balances are expected to be repaid within one year.

	Due From Other Funds	Due To Other Funds
General Fund:		
Capital Projects Fund (major governmental fund)	$ -	$ 5,975,781
Natural Gas Special Revenue Fund	-	66,797
Nonmajor Special Revenue Funds	5,387,916	-
Debt Service Fund (major governmental fund)	12,806,863	-
Business-Type Activities - Natatorium	-	4,936
Internal Service Fund	-	-
Total General Fund	18,194,779	6,047,514
Debt Service Fund (major governmental fund):		
General Fund	-	12,806,863
Capital Projects Fund (major governmental fund):		
General Fund	8,123,472	-
Natural Gas Special Revenue Fund:		
General Fund	66,797	-
Nonmajor Special Revenue Funds:		
General Fund	1,784,188	9,711,557
Business-Type Activities - Natatorium		
General Fund	4,936	-
Internal Service Fund:		
General Fund	391,762	-
Total All Funds	$ 28,565,934	$ 28,565,934

These interfund balances resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and/or payments between funds are made. The District transferred $7,800,000 from the General Fund to a local construction fund to cover a deficit in that fund as of June 30, 2021.

Note 4 - Detailed Notes on All Funds (continued)

D. Operating Leases

The District leases building and office facilities and other equipment under non-cancelable operating leases. Total costs for such leases were $207,272 for the year ended June 30, 2021. The future minimum lease payments for all active operating leases can be summarized as follows:

Year Ending June 30,	Amounts
2022	$ 132,468
2023	136,440
Total	$ 268,908

E. Capital Assets

A summary of changes in governmental activities capital assets for the year ended June 30, 2021 as follows:

	Balance June 30, 2020, as restated	Additions	Retirements and Transfers	Balance June 30, 2021
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 79,982,670	$ 2,371,762	$ -	$ 82,354,432
Construction in progress	103,673,738	114,209,104	(141,234,634)	76,648,208
Total Capital assets, not being depreciated	183,656,408	116,580,866	(141,234,634)	159,002,640
Capital assets, being depreciated:				
Buildings and improvements	1,267,068,009	4,442,083	141,234,634	1,412,744,725
Furniture and equipment	113,066,230	6,684,469	(113,235)	119,637,464
Total Capital assets, being depreciated	1,380,134,239	11,126,552	141,121,399	1,532,382,189
Less accumulated depreciation for:				
Buildings and improvements	(499,344,712)	(37,064,367)	-	(536,409,079)
Furniture and Equipment	(80,865,458)	(8,286,703)	112,500	(89,039,661)
Total Accumulated depreciation	(580,210,170)	(45,351,070)	112,500	(625,448,740)
Governmental Capital Assets	$ 983,580,477	$ 82,356,348	$ (735)	$ 1,065,936,089

Note 4 - Detailed Notes on All Funds (continued)

E. Capital Assets (continued)

Depreciation was charged to functions as follows:

Function	Depreciation Expense
Governmental Activities:	
Instruction	$ 32,961,253
Instructional resources and media services	411,197
Curriculum and staff development	402,453
Instructional leadership	629,003
School leadership	1,982,103
Guidance, counseling and evaluation services	1,870,307
Social work services	126,938
Health services	459,112
Student transportation	864,701
Extracurricular activities	572,732
General administration	733,612
Plant maintenance and operations	3,191,538
Security and monitoring services	472,635
Data processing services	646,533
Community services	26,953
Total Governmental Activities	$ 45,351,070

Construction Commitments

The District has active construction projects as of June 30, 2021. Construction in progress and remaining commitments as of June 30, 2021 are as follows:

Project	Approved Construction Budget	Construction in Progress	Estimated Remaining Commitment
Athletics Complex	$ 45,512,386	$ -	$ 45,512,386
Fine Arts Center	49,137,047	-	49,137,047
Gunn Junior High	70,000,000	50,092,214	19,907,786
Child Nutrition Renovation	7,627,020	7,543,347	83,673
Crow Elementary School	12,195,444	10,065,641	2,129,803
Duff Elementary	8,224,680	24,296	8,200,384
Webb Elementary School	33,650,000	1,739,736	31,910,264
South Davis Elementary School	1,752,000	6,904	1,745,096
Thornton Elementary School	33,500,000	1,319,115	32,180,885
Berry Elementary School	33,800,000	1,331,623	32,468,377
Shackelford JH & Jones Elementary School	11,898,076	2,427,461	9,470,615
Arlington HS	73,065,300	163,253	72,902,047
Martin HS & Athletic Field	31,072,000	1,246,664	29,825,336
Enterprise Center	13,724,788	663,204	13,061,584
Various School - Education Specifications	50,000	24,750	25,250
	$ 425,208,741	$ 76,648,208	$ 348,560,533

Note 4 - Detailed Notes on All Funds (continued)

F. Long-Term Debt

Long-term debt of the District is comprised of bonds payable, capital leases payable, accrued service benefits, and one note payable. Debt service requirements for general obligation bonds are payable from fund balance and future revenues of the Debt Service Fund which consists principally of property taxes collected by the District, state funding under the Instructional Facilities and Existing Debt Allotments and interest earnings. The General Fund has typically been used to liquidate capital leases and notes payable, in prior years.

The following is a summary of changes in long-term debt for governmental activities for the year ended June 30, 2021:

	Balance July 1, 2020	Additions	Retirements	Balance June 30, 2021	Due Within One Year
Bonds payable	$ 978,886,970	$ 296,684,956	$ (190,421,970)	$ 1,085,149,956	$ 56,880,000
Bond premiums	118,459,957	48,272,400	(20,430,974)	146,301,383	-
Accreted interest	585,586	4,828,128	(623,029)	4,790,685	-
Notes payable	2,534,161	-	(528,315)	2,005,846	541,647
Accrued service benefits	68,459	-	(24,053)	36,276	10,447
Total	$ 1,100,535,133	$ 349,785,484	$ (212,028,341)	$ 1,238,284,146	$ 57,432,094

The notes payable is payable from the general fund. The same governmental funds used to pay the staff's salary have been used to liquidate the liability for compensated absences in the current and prior years.

On July 30, 2020, the District issued $137,794,956 (par value) of Unlimited Tax Refunding Bonds, Taxable Series 2020, with interest rates ranging from 4.00% to 5.00% for the purpose of refunding portions of the outstanding Unlimited Tax School Building Bonds, Series 2014A. The bonds consisted of $2,574,956 in premium capital appreciation bonds and $135,220,000 in current interest bonds. The bonds were issued at a premium of $16,227,289. Proceeds totaling $156,105,140 were placed in escrow with a refunding agent. The difference between the carrying value of the refunded debt and its reacquisition price was approximately $6,815,919. The refunded bonds are considered defeased and are no longer included in the debt schedules of the district. The transaction resulted in a present value savings of $22,391,028 (difference between the present value of debt payments on the old and new debt).

On March 4, 2021, the District also issued Unlimited School Building Bonds, Series 2021 in the amount of $158,890,000 (par value). The bonds were issued at a premium of $36,759,783 and interest rates range from 4.00% to 5.00%. The proceeds from the bonds will be used for the acquisition, construction and equipment of school buildings in the District and the purchase of school sites and school buses. The serial bonds mature February 15, 2046.

Qualified School Construction Bonds ("QSCB's") are tax-credit bonds authorized through the American Recovery and Reinvestment Act. The QSCB program provides school districts the opportunity to issue interest free or very-low interest bonds to finance the construction, rehabilitation, or repair of a public school facility or for the acquisition of land on which such a facility is to be constructed. Purchasers of QSCB's issued in 2009 receive a federal tax credit instead of interest payments. Purchasers of QSCB's issued in 2011 receive interest payments from the issuer, and the issuer can elect to receive subsidy payments from the federal government equal to the lesser of (i) the amount of interest payable under such bond on such date, or (ii) the amount of interest which would have been payable under such bond on such date if such interest were determined at the applicable credit rate determined under section 54A(b)(3) of the Internal Revenue Code with respect to such bonds. The District received $400,280 in subsidy payments from the federal government during the fiscal year ended June 30, 2021.

Note 4 - Detailed Notes on All Funds (continued)

F. Long-Term Debt (continued)

Bonds Payable

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

A summary of changes in general obligation bonds for the year ended June 30, 2021, are as follows:

Bond	Interest Rates	Original Amount	Range of Future Maturities	6/30/2020 Balances	Issued	Retired / Defeased	6/30/2021 Balances
2009 Refunding	3.00 to 4.25%	$ 12,465,000	2015-24	$ 280,000	$ -	$ 65,000	$ 215,000
2009 QSCB	0.40%	36,320,000	2018-26	24,215,000	-	4,035,000	20,180,000
2010A Building	2.00 to 4.00%	29,435,000	2015-35	-	-	-	-
2011A Building	2.89 to 5.00%	50,717,485	2015-36	1,481,970	-	1,481,970	-
2011 QSCB	5.25 to 6.00%	13,655,000	2018-26	9,095,000	-	1,515,000	7,580,000
2011 Refunding	2.00 to 4.00%	19,479,966	2015-28	-	-	-	-
2012 Building	2.00 to 5.00%	24,885,000	2015-37	12,680,000	-	740,000	11,940,000
2013 Building	2.75 to 5.00%	16,390,000	2017-38	6,705,000	-	550,000	6,155,000
2013 Refunding	0.34 to 3.007%	76,482,234	2015-25	4,855,000	-	2,495,000	2,360,000
2014 Building	2.00 to 5.00%	16,180,000	2016-39	6,050,000	-	445,000	5,605,000
2014 Refunding	5.00%	72,020,000	2017-24	48,475,000	-	12,630,000	35,845,000
2014A Building	1.00 to 5.00%	159,485,000	2015-39	140,850,000	-	138,780,000	2,070,000
2015 Building	1.00 to 5.00%	220,300,000	2016-40	206,540,000	-	1,170,000	205,370,000
2016A Building	3.00 to 5.00%	109,420,000	2017-41	98,980,000	-	2,745,000	96,235,000
2016B Refunding	2.00-5.00%	46,475,000	2017-36	44,785,000	-	1,420,000	43,365,000
2016C Refunding	.85-1.603%	21,086,368	2017-21	5,440,000	-	5,440,000	-
2017 Building	3.00 to 5.00%	79,345,000	2018-42	71,775,000		2,765,000	69,010,000
2018 Building	4.00 to 5.00%	33,630,000	2019-43	22,890,000	-	2,135,000	20,755,000
2020 Building	4.00 to 5.00%	273,790,000	2020-45	273,790,000	-	11,475,000	262,315,000
2020 Refunding	4.00 to 5.00%	137,794,956	2021-39	-	137,794,956	535,000	137,259,956
2021 Building	4.00 to 5.00%	158,890,000	2022-46	-	158,890,000	-	158,890,000
		Total Bonds Payable		$ 978,886,970	$ 296,684,956	$ 190,421,970	$ 1,085,149,956

The annual debt service for retirement of bond principal and interest are as follows:

Year Ending June 30,	Principal	Interest	Totals
2022	$ 56,880,000	$ 43,913,162	$ 100,793,162
2023	49,050,000	41,938,914	90,988,914
2024	42,889,956	44,907,265	87,797,221
2025	41,720,000	38,243,995	79,963,995
2026	40,975,000	36,377,009	77,352,009
2027-2031	223,740,000	151,994,638	375,734,638
2032-2036	260,485,000	102,344,214	362,829,214
2037-2041	242,335,000	51,836,366	294,171,366
2042-2046	127,075,000	12,722,750	139,797,750
	$ 1,085,149,956	$ 524,278,313	$ 1,609,428,269

Note 4 - Detailed Notes on All Funds (continued)

F. Long-Term Debt (continued)

Rebatable Arbitrage Payable

The Tax Reform Act of 1986 requires that the excess interest earned on tax-exempt bond proceeds over interest cost must be remitted to the federal government. These arbitrage interest earnings are paid from the Capital Projects Funds and must be remitted every five years from date of issue. During the fiscal year ended June 30, 2021, no arbitrage payments were made to the IRS. Furthermore, there was no rebatable arbitrage liability at June 30, 2021.

Accreted Interest

In accordance with general obligation bond indentures, the District is required to compute, at the time of levying the tax, a rate of tax sufficient to provide a fund each year to pay the principal and interest as bonds mature and interest payments are due.

A portion of the Series 2011A bond issues was Capital Appreciation Bonds. These bonds were issued at a discount, and there are no scheduled interest payments due until maturity of the bonds. A portion of the difference between the principal received at issuance and the total amount due at maturity is accreted each year until the total liability equals the cash due at maturity. The 2011A bonds matured in fiscal year 2021. The 2020 Taxable Refunding bonds issued July 30, 2020 were included premium capital appreciation bonds. The bonds were issued at a premium of $4,715,344.

Accreted interest on bonds represents the accrued interest to date on the above issues and is summarized as follows:

Issue	Amount Due at Maturity	Amount Received at Issue	Total To Be Accreted	Balance 6/30/20	Current Year Accretion	Additions / Maturities	Balance 6/30/21
2011A	$ 10,480,000	$ 8,217,485	$ 2,262,515	$ 585,586	$ 37,443	$ (623,029)	$ -
2020 Refunding	7,600,000	2,574,956	5,025,044	-	75,341	4,715,344	4,790,685
		$ 10,792,441	$ 7,287,559	$ 585,586	$ 112,784	$ 4,092,315	$ 4,790,685

Prior Year Defeasance of Debt

In prior years, the District defeased general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust account to provide for all future debt service payments on the old bonds. Accordingly, trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2021, $194,910,000 of defeased bonds remain outstanding.

Notes Payable

The notes payable represent loans with the State of Texas Energy Conservation Office. During the 2014 fiscal year, the District entered into a loan agreement with the State of Texas Energy Conservation Office. The proceeds of the loan will be disbursed to the District as costs are incurred by the District for energy conservation projects. The proceeds of the loan will not exceed $4,984,031. Interest will accrue at a rate of 2.5% from the date of each disbursement to the District. The loan is expected to mature in fiscal year 2025.

Note 4 - Detailed Notes on All Funds (continued)

F. Long-Term Debt (continued)

Notes Payable (continued)

The District is required by the agreement to submit quarterly principal and interest payments on both notes payable, based on seven-year amortizations. The total notes payable balance at year end and annual maturities are as follows:

Year Ending June 30,	Principal	Interest	Total
2022	$ 541,647	$ 47,516	$ 589,163
2023	555,316	33,847	589,163
2024	569,329	19,834	589,163
2025	339,554	5,466	345,020
	$ 2,005,846	$ 106,663	$ 2,112,509

G. Employee Benefits

The following is a summary of the various insurance, reimbursement and retirement programs provided by the District for the benefit of District employees and their dependents:

1. Insurance plans

Workers' Compensation Insurance (Self-Insured) – The District contracts with the TASB Risk Management Fund ("the Fund") to facilitate all claims. The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and Chapter 504, Texas Labor Code. All districts participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

As a self-funded member of the Fund, the District is solely responsible for all claim costs, both reported and unreported. The Fund provides administrative services to its self-funded members including claims administration and customer service. The District is protected against higher than expected claims costs through the purchase of stop loss coverage. Deposits in the amount of $250,000 for a required Loss Deposit Fund are included in other current assets on the Statement of Net Position.

The Fund engages the service of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is approved by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2020, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

The costs associated with the self-insured plan are reported as interfund transactions. Accordingly, they are treated as operating revenues of the Workers' Compensation Fund and operating expenditures/expenses of the General Fund and Enterprise Fund. An actuarial study is performed on the plan to estimate the claims liability at the fiscal year-end. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The resultant liability calculation is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claim liabilities are evaluated periodically. The following summarizes the self-insured plan claims and liabilities for workers' compensation:

Fiscal Year	Beginning of Year Accrual	Current Year Estimates	Claims Payments	End of Year Accrual
2020	$ 4,221,258	$ 1,869,949	$ (1,887,148)	$ 4,541,177
2021	4,541,177	639,332	(1,222,324)	3,958,185

Note 4 - Detailed Notes on All Funds (continued)

G. Employee Benefits (continued)

2. 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 workload and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Annual Comprehensive Financial Report 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_2020.pdf, or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698, or by calling (512) 542-6592.

Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic 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 4 - Detailed Notes on All Funds (continued)

G. Employee Benefits (continued)

2. 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	
	2021	**2020**
Member (Employee)	7.7%	7.7%
Non-Employer Contributing Entity (State)	7.5%	6.8%
District	7.5%	6.8%

	Fiscal Year (2021) TRS Contributions
Member (Employee)	$ 33,806,015
Non-Employer Contributing Entity (State)	22,920,201
District	15,382,288

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.

Note 4 - Detailed Notes on All Funds (continued)

G. Employee Benefits (continued)

2. Defined Benefit Pension Plan (continued)

<u>Contributions (continued)</u>

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.

<u>Actuarial Assumptions</u>

The total pension liability in the August 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

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

The actuarial methods and assumptions are used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2019. These assumptions are further described the 2020 TRS ACFR, which includes actuarial valuation report dated November 14, 2019.

Note 4 - Detailed Notes on All Funds (continued)

G. Employee Benefits (continued)

2. Defined Benefit Pension Plan (continued)

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. 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, 2020 are summarized below:

Asset Class	FY 2020 Target Allocation[1] %	Long-Term Expected Geometric Real Rate of Return[2]	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
U.S.	18.00%	3.90%	0.99%
Non-U.S. Developed	13.00%	5.10%	0.92%
Emerging Markets	9.00%	5.60%	0.83%
Private Equity	14.00%	6.70%	1.41%
Stable Value			
Government Bonds	16.00%	-0.70%	-0.05%
Absolute Return (Including Credit Sensitive Investments)	-	1.80%	-
Stable Value Hedge Funds	5.00%	1.90%	0.11%
Real Return			
Real Estate	15.00%	4.60%	1.01%
Energy, Natural Resources and Infrastructure	6.00%	6.00%	0.42%
Commodities	-	0.80%	-
Risk Parity			
Risk Parity	8.00%	3.00%	0.30%
Asset Allocation Leverage			
Cash	2.00%	-1.50%	-0.03%
Asset Allocation Leverage	-6.00%	-1.30%	0.08%
Inflation Expectation	-	-	2.00%
Volatility Drag[3]	-		-0.67%
Expected Return	100.0%		7.33%

[1]Target allocations are based on the FY 2020 policy model.
[2]Capital Market Assumptions come from Aon Hewitt (as of 08/31/2020).
[3]The volatility drag results from the conversion between arithmetic and geometric mean returns.

Note 4 - Detailed Notes on All Funds (continued)

G. Employee Benefits (continued)

2. Defined Benefit Pension Plan (continued)

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 Rate (7.25%)	1% Increase (8.25%)
District's proportional share of the net pension liability	$ 294,334,814	$ 190,880,824	$ 106,826,723

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

At June 30, 2021, the District reported a liability of $190,880,824 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	$ 190,880,824
State's proportionate share that is associated with the District	283,342,941
Total	$ 474,223,765

The net pension liability was measured as of August 31, 2019 and rolled forward to August 31, 2020 and the total pension lability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2019 thru August 31, 2020.

At August 31, 2020, the District's proportion of the collective net pension liability was 0.3564% which was a decrease of 0.0323% from its proportion measured as of August 31, 2019.

The General and Special Revenue Funds are used pay into TRS at the statutorily determined rates. The contributions are then applied to the net pension liability at the State level.

Note 4 - Detailed Notes on All Funds (continued)

G. Employee Benefits (continued)

2. Defined Benefit Pension Plan (continued)

Changes Since the Prior Actuarial Valuation

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

For the year ended June 30, 2021, the District recognized pension expense of $28,357,734. The District also recognized an additional on-behalf revenue and expense of $34,079,864 representing for support provided by the State.

At June 30, 2021, 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	$ 348,533	$ (5,326,977)
Changes of assumptions	44,291,142	(18,832,285)
Net difference between projected and actual earnings on pension plan investments	3,864,219	-
Changes in proportion and differences between District contributions and proportionate share of contributions	6,460,742	(14,886,788)
District contributions subsequent to the measurement date	13,081,344	-
Total	$ 68,045,980	$ (39,046,050)

Deferred outflows of resources resulting from District contributions subsequent to the measurement date in the amount of $13,081,344 will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. 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 June 30	Pension Expense Amount
2022	$ 5,878,119
2023	7,855,473
2024	6,806,753
2025	255,046
2026	(4,167,399)
Thereafter	(709,406)
	$ 15,918,586

Note 4 - Detailed Notes on All Funds (continued)

G. Employee Benefits (continued)

3. 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 Annual Comprehensive 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_2020.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.

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

	TRS-Care Plan Premium Rates	
	Medicare	**Non-Medicare**
Retiree or Surviving Spouse	$ 135	$ 200
Retiree and Spouse	529	689
Retiree or Surviving Spouse and Children	468	408
Retiree and Family	1,020	999

Note 4 - Detailed Notes on All Funds (continued)

G. Employee Benefits (continued)

3. Defined Other Post-Employment Benefit Plans (continued)

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	
	2021	**2020**
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding remitted by Employers	1.25%	1.25%

	Fiscal Year (2021) TRS Care Contributions
Active Employee	$ 2,853,763
Non-employer Contributing Entity (State)	7,301,066
District	3,667,867

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of $230.8 million in fiscal year 2020 to maintain premiums and benefit levels in the 2020-2021 biennium.

Note 4 - Detailed Notes on All Funds (continued)

G. Employee Benefits (continued)

3. Defined Other Post-Employment Benefit Plans (continued)

Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2019. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2020. The actuarial valuation was determined using the following actuarial assumptions:

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

The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2019 TRS pension actuarial valuation that was rolled forward to August 31, 2020: (a) Rates of Mortality, (b) Rates of Retirement, (c) Rates of Termination, (d) Rates of Disability, (e) General Inflation, (f) Wage Inflation, and (g) Expected Payroll Growth..

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

Additional Actuarial Methods and Assumptions:

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

Note 4 - Detailed Notes on All Funds (continued)

G. Employee Benefits (continued)

3. Defined Other Post-Employment Benefit Plans (continued)

Discount Rate

A single discount rate of 2.33 percent was used to measure the Total OPEB Liability. There was a decrease of .30 percent in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the nonemployer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate is the Fidelity "20-year Municipal GO AA Index" as of August 31, 2020 using the fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds

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 (2.33%) in measuring the Net OPEB Liability. This is the District's proportionate share.

1% Decrease in Discount Rate (1.33%)	Current Discount Rate (2.33%)	1% Increase in Discount Rate (3.33%)
$215,507,616	179,590,022	$151,220,279

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

At June 30, 2021, the District reported a liability of $179,590,022 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	$	179,590,022
State's proportionate share that is associated with (employer)		241,325,941
Total	$	420,915,963

The Net OPEB Liability was measured as of August 31, 2019 and rolled forward to August 31, 2020 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The 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, 2019 through August 31, 2020.

Note 4 - Detailed Notes on All Funds (continued)

G. Employee Benefits (continued)

3. Defined Other Post-Employment Benefit Plans (continued)

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

At August 31, 2020, the District's proportion of the collective Net OPEB Liability was 0.4724% which was a decrease of 0.0176% from its proportion measured as of August 31, 2019.

The General and Special Revenue Funds are used pay into TRS at the statutorily determined rates. The contributions are then applied to the net OPEB liability at the State level.

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.

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
$146,702,039	179,590,022	$223,392,168

Changes Since the Prior Actuarial Valuation

The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability (TOL) since the prior measurement period:

- The discount rate changed from 2.63 percent as of August 31, 2019 to 2.33 percent as of August 31, 2020. This change increased the Total OPEB Liability.
- The participation rate for post-65 retirees was lowered from 50 percent to 40 percent. This changed lowered the Total OPEB Liability.
- The ultimate health care trend rate assumption was lowered from 4.50 percent to 4.25 percent as a result of Congress' repeal of the excise (Cadillac) tax on high-cost employer health plans in December 2019. This change lowered the Total OPEB Liability.

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

For the year ended June 30, 2021, the District recognized negative OPEB expense of $4,470,990. The District also recognized negative on-behalf expense and revenue of $1,675,676 for support provided by the State.

Note 4 - Detailed Notes on All Funds (continued)

G. Employee Benefits (continued)

3. Defined Other Post-Employment Benefit Plans (continued)

Changes Since the Prior Actuarial Valuation (continued)

At June 30, 2021, 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	$ 9,403,263	$ (82,189,577)
Changes in actuarial assumptions	11,076,970	(49,316,348)
Difference between projected and actual investment earnings	58,360	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	606	(14,733,427)
Contributions paid to TRS subsequent to the measurement date	3,095,373	-
Total	$ 23,634,572	$ (146,239,352)

The $3,095,373 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 June 30, 2022. 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 June 30:	OPEB Expense Amount
2022	$ (20,440,759)
2023	(20,448,560)
2024	(20,453,022)
2025	(20,451,801)
2026	(15,654,877)
Thereafter	(28,251,134)
	$ (125,700,153)

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 June 30, 2021, 2020, and 2019, the subsidy payments received by TRS-Care on-behalf of the District were $2,172,566, $1,816,655, and $1,579,980, respectively. The information for the year ended June 30, 2021 is an estimate provided by the Teacher Retirement System. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements of the District.

Note 4 - Detailed Notes on All Funds (continued)

H. Risk Management

The District purchases commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

I. Shared Service Arrangement

The District has entered into a Shared Service Agreement (SSA) for services and reporting procedures for students with auditory impairments attending the Arlington Regional Day School Program for the Deaf (RDSPD). The District is the fiscal agent and is responsible for applying for, receiving, collecting, expending, and distributing all funds, regardless of source, in accordance with budget adopted by the RDSPD. The District provides accounting services and reports. The member Districts are Kennedale Independent School District, Mansfield Independent School District and Venus Independent School District. The SSA is accounted for in Fund 435.

J. Prior Period Adjustment

The District reevaluated it capitalization policies and determined that certain projects that were classified as repairs and maintenance truly increased the life of the asset. As such, the District identified $303,772,616 in projects that were eligible for capitalization. This amount is net of accumulated depreciation. Beginning net position has been restated by this amount.

During the current fiscal year, the District implemented GASB Statement No. 84, *Fiduciary Activities*. As a result, the beginning fund balance of the District's governmental funds and the beginning net position of the District's custodial fund have also been restated. The effects on the fund financial statements and net position at the government-wide level is shown below:

	Nonmajor Governmental Funds - Fund 461	Custodial Funds
Beginning Fund Balance - As Originally Presented	$ -	$ -
Implementation of GASB No. 84 - recognition of custodial fund net position and reclassification to campus activity fund balance for amounts not qualifying as a custodial fund	2,346,556	3,286,281
Beginning Fund Balance - As Restated	$ 2,346,556	$ 3,286,281

		Governmental Activities
Beginning Net Position - As Originally Presented		$ (232,403,617)
Restatement due to:		
Review of District capitalization methodology and resulting capital assets, net of accumulated depreciation	303,867,007	
Implementation of GASB No. 84 - Fiduciary Funds - reclassification of balances that do not meet the definition of a custodial fund	2,346,556	306,213,563
Beginning Net Position - As Restated		$ 73,809,946

Note 4 - Detailed Notes on All Funds (continued)

K. Subsequent Events

As of September 2, 2021, the Texas Education Agency informed local education agencies (LEAs) that it has no plans to issue missed school day waivers due to COVID-19 during the 2021-2022 school year when the LEA or its campuses are closed. Each LEA will need to plan to make up time for school closures during the school year and may need to add additional instructional days and/or minutes to their calendar to meet the 75,600 operational minute requirement.

LEAs have reported to TEA that attendance rate declines continue to occur due to COVID-19. As a result, TEA is exploring options to ensure school systems will not experience significant financial difficulties. Additionally, LEAs had varying daily rates of attendance during the 2020-2021 school year due to the impact of virtual learning options. Once TEA receives this local information in a PEIMS upload this fall, it will be equipped to analyze, understand, and determine potential changes to the rules around waivers, particularly low attendance waivers. As of the date of this report, the District has not determined the impact.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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Proposed Form of Opinion of Bond Counsel

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

**ARLINGTON INDEPENDENT SCHOOL DISTRICT
UNLIMITED TAX SCHOOL BUILDING AND REFUNDING BONDS, SERIES 2022
IN THE AGGREGATE PRINCIPAL AMOUNT OF $176,370,000**

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

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

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

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

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

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

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

Respectfully,

Financial Advisory Services
Provided By

HilltopSecurities
A Hilltop Holdings Company