

Rating: Moody's "Applied For"
(See "RATING", "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS" herein)

PRELIMINARY OFFICIAL STATEMENT
Dated: July 18, 2022

NEW ISSUE: BOOK-ENTRY-ONLY

In the opinion of McCall, Parkhurst & Horton, L.L.P., Bond Counsel, interest on the Notes 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.

The District will designate the Notes as "Qualified Tax-Exempt Obligations" for financial institutions.

\$2,000,000*

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Van Zandt County, Texas)
Maintenance Tax Notes, Series 2022

Interest Accrual Date: Initial Delivery
Dated Date: August 1, 2022

Due: August 15 as shown on the inside cover page

The Edgewood Independent School District Maintenance Tax Notes, Series 2022 (the "Notes") are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Section 45.108 of the Texas Education Code, as amended, and the Note resolution (the "Resolution") to be adopted by the Board of Trustees (the "Board") of the Edgewood Independent School District (the "District") on July 18, 2022. The Notes constitute direct obligations of the District, secured by and payable from a continuing, direct annual ad valorem tax levied for maintenance and operations purposes by the District against all taxable property located within the District, within the limit prescribed by law, as provided in the Resolution. (See "THE NOTES— Security" and "TAX RATE LIMITATIONS").

Interest on the Notes will accrue from the date of initial delivery (the "Initial Delivery") and will be payable on February 15 and August 15 of each year, commencing February 15, 2023, until maturity or prior redemption. The Notes will be issued in fully registered form in principal denominations of \$5,000 or any integral multiple thereof. Principal of the Notes will be payable by the Paying Agent/Registrar, which initially is BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"), upon presentation and surrender of the Notes for payment. Interest on the Notes is payable by check dated as of the interest payment date and mailed by the Paying Agent/Registrar to the registered owners as shown on the records of the Paying Agent/Registrar on the close of business as of the last business day of the month next preceding each interest payment date (the "Record Date").

The District intends to utilize the Book-Entry-Only System of The Depository Trust Company ("DTC"). Such Book-Entry-Only System will affect the method and timing of payment and the method of transfer of the Notes. (See "BOOK-ENTRY-ONLY SYSTEM").

Proceeds from the sale of the Notes will be used for the purpose of paying maintenance expenses of the District, including making various repairs and renovations to existing District facilities, and paying the costs of issuance of the Notes. (See "THE NOTES - Authorization and Purpose").

The Notes maturing on or after August 15, 2028 are subject to redemption at the option of the District in whole or in part on August 15, 2027 or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. (See "THE NOTES - Optional Redemption").

The District has made application to municipal bond insurance companies to have the payment of the principal of and interest on the Notes insured by a municipal bond guaranty policy. (See "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS.")

MATURITY SCHEDULE
(On Inside Cover)

The Notes are offered for delivery when, as and if issued, and received by the initial purchaser thereof named below (the "Underwriter") subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, Norton Rose Fulbright US LLP, Dallas, Texas. The Notes are expected to be available for initial delivery through the services of DTC on or about August 17, 2022.

FHN FINANCIAL CAPITAL MARKETS

**Preliminary, subject to change.*

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. These securities may not be sold, nor may offers to buy them be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or filing under the securities laws of any such jurisdiction.

\$2,000,000*
EDGEWOOD INDEPENDENT SCHOOL DISTRICT
MAINTENANCE TAX NOTES, SERIES 2022

MATURITY SCHEDULE
Base CUSIP No.: 280533 ⁽¹⁾

Maturity Date 8/15	Principal Amount	Interest Rate	Initial Yield	CUSIP No. Suffix⁽¹⁾
2024	\$20,000			
2025	20,000			
2026	20,000			
2027	20,000			
2028	160,000			
2029	165,000			
2030	175,000			
2031	180,000			
2032	185,000			
2033	195,000			
2034	200,000			
2035	210,000			
2036	220,000			
2037	230,000			

(Interest to accrue from the Delivery Date)

⁽¹⁾ CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (“CGS”) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright© 2022 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the District, the Financial Advisor, the Underwriter or their agents or counsel assume responsibility for the accuracy of such numbers.

*Preliminary, subject to change.

EDGEWOOD INDEPENDENT SCHOOL DISTRICT

BOARD OF TRUSTEES

<u>Name</u>	<u>Date Initially Elected</u>	<u>Current Term Expires</u>	<u>Occupation</u>
Judy Steadham, President	2017	2023	Retired Principal
Jody McPherson, Vice President	2011	2023	Fireman
Eric James, Secretary	2015	2024	Fireman
Jacob Phillips, Member	2022	2025	Sales Representative
Dean Stoltzfus, Member	2022	2025	Business Owner
Chris Tull, Member	2019	2025	Fireman
Kyle Wilcoxson, Member	2021	2024	Business Owner

APPOINTED OFFICIALS

<u>Name</u>	<u>Position</u>	<u>Length of Education Service</u>	<u>Length of Service with District</u>
Kristin Prater	Superintendent	28 Years	19 Years
Sharon Jones	Chief Financial Officer	37 Years	37 Years

CONSULTANTS AND ADVISORS

McCall, Parkhurst & Horton L.L.P., Dallas, Texas	Bond Counsel
SAMCO Capital Markets, Inc., Dallas, Texas	Financial Advisor
Morgan, Davis & Company, P.C., Greenville, Texas	Certified Public Accountants

For additional information, contact:

Kristen Prater
Superintendent
Edgewood ISD
804 East Pine
Edgewood, Texas 75117
(903) 896-4332

Doug Whitt / Brian Grubbs
SAMCO Capital Markets, Inc.
5800 Granite Parkway, Suite 210
Plano, Texas 75024
(214) 765-1469
(214) 279-8683 (Fax)

USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission (the "Rule"), as amended, and in effect on the date of this Official Statement, this document constitutes an official statement of the District with respect to the Notes that has been deemed "final" by the District as of its date except for the omission of no more than the information permitted by the Rule 15c2-12.

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

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

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

The information set forth herein has been obtained from the District and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the District nor the Financial Advisor. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the undertaking of the District to provide certain information on a continuing basis.

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

NONE OF THE DISTRICT, ITS FINANCIAL ADVISOR, NOR THE UNDERWRITER MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY ("DTC") OR ITS BOOK-ENTRY-ONLY SYSTEM, OR THE INSURER, IF ANY, AND ITS MUNICIPAL BOND INSURANCE POLICY DESCRIBED HEREIN UNDER THE HEADING "BOND INSURANCE", AS SUCH INFORMATION WAS PROVIDED BY DTC AND THE INSURER, RESPECTIVELY.

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

TABLE OF CONTENTS

SELECTED DATA FROM THE OFFICIAL STATEMENT	1	CURRENT PUBLIC SCHOOL FINANCE SYSTEM	8
INTRODUCTORY STATEMENT	2	AD VALOREM TAX PROCEDURES	11
COVID-19	2	TAX RATE LIMITATIONS	14
THE NOTES	3	THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT ...	15
Authorization and Purpose.....	3	EMPLOYEE BENEFIT PLANS AND OTHER POST-	
General Description	3	EMPLOYMENT BENEFITS	15
Optional Redemption	3	RATING	16
Notice of Redemption and DTC Notices	3	LEGAL MATTERS.....	16
Security	3	TAX MATTERS	16
Legality.....	3	INVESTMENT POLICIES.....	18
Payment Record	4	REGISTRATION AND QUALIFICATION OF NOTES FOR SALE ..	20
Amendments	4	CYBERSECURITY RISK MANAGEMENT.....	20
Defeasance	4	FINANCIAL ADVISOR.....	20
Sources and Uses.....	4	LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC	
REGISTERED OWNERS' REMEDIES.....	4	FUNDS IN TEXAS.....	20
BOOK-ENTRY-ONLY SYSTEM	5	CONTINUING DISCLOSURE OF INFORMATION	20
REGISTRATION, TRANSFER AND EXCHANGE.....	6	LITIGATION.....	22
BOND INSURANCE	7	FORWARD LOOKING STATEMENTS	22
BOND INSURANCE GENERAL RISKS	7	UNDERWRITING	22
STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN		CONCLUDING STATEMENT.....	22
TEXAS	7		
Financial Information of the District			Appendix A
General Information Regarding the District and Its Economy			Appendix B
Form of Legal Opinion of Bond Counsel.....			Appendix C
Audited Financial Report Fiscal Year Ended August 31, 2021.....			Appendix D

SELECTED DATA FROM THE OFFICIAL STATEMENT

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

The District	The Edgewood Independent School District (the "District") is a political subdivision of the State of Texas located in Van Zandt County, Texas. The District is governed by a seven-member Board of Trustees (the "Board"). Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent of Schools who is the chief administrative officer of the District. Support services are supplied by consultants and advisors.
The Notes	The Notes are being issued in the principal amount of \$2,000,000 (preliminary, subject to change) pursuant to the Constitution and general laws of the State of Texas, particularly Section 45.108 of the Texas Education Code, as amended, and the note resolution (the "Resolution") to be adopted by the Board of Trustees on July 18, 2022. Proceeds from the sale of the Notes will be used for the purpose of paying maintenance expenses of the District, including making various repairs and renovations to existing District facilities, and paying the costs of issuance of the Notes. (See "THE NOTES – Authorization and Purpose").
Paying Agent/Registrar	The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. The District intends to use the Book-Entry-Only System of DTC. (See "BOOK-ENTRY-ONLY SYSTEM" herein).
Security	The Notes are direct obligations of the District payable as to principal and interest from and secured by the proceeds of a continuing, direct annual ad valorem tax levied for maintenance and operations purposes by the District, against all taxable property located within the District within the limits prescribed by law. (See "THE NOTES – Security" herein.) See "TAX RATE LIMITATIONS" herein for a discussion of applicable tax limitations pertaining to the District's limited maintenance and operations tax.
Redemption	The Notes maturing on or after August 15, 2028 are subject to redemption at the option of the District in whole or in part on August 15, 2027 or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. (See "THE NOTES - Optional Redemption").
Rating and Note Insurance	In connection with the sale of the Notes, the District has made application to Moody's Investors Service, Inc. ("Moody's") for a municipal bond rating. The District's unenhanced, underlying rating is "Aa3" from Moody's. In addition, the District has made an application for an insurance policy insuring the timely payment of the principal of and interest on the Notes. The District will consider the purchase of such insurance after an analysis of the bids from bond insurance companies has been made. (See "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS" herein.)
Tax Matters	In the opinion of Bond Counsel for the District, interest on the Notes is excludable from gross income for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein. (See "TAX MATTERS" and "Appendix C - Form of Legal Opinion of Bond Counsel" herein).
Qualified Tax-Exempt Obligations	The District will designate the Notes as "Qualified Tax-Exempt Obligations" for financial institutions. (See "TAX MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions").
Payment Record	The District has never defaulted on the payment of its bonded indebtedness.
Legal Opinion	Delivery of the Notes is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel.
Delivery	When issued, anticipated to be on or about August 17, 2022.

INTRODUCTORY STATEMENT

This Official Statement (the "Official Statement"), which includes the Appendices attached hereto, has been prepared by the Edgewood Independent School District, a political subdivision of the State of Texas located in Van Zandt County, Texas (the "District"), in connection with the offering by the District of its Maintenance Tax Notes, Series 2022 (the "Notes") identified on page ii hereof.

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

There follows in this Official Statement descriptions of the Notes and the resolution (the "Resolution") to be adopted by the Board of Trustees of the District authorizing the issuance of the Notes, and certain other information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained by writing the Edgewood Independent School District, 804 East Pine, Edgewood, Texas 75117 and, during the offering period, from the Financial Advisor, SAMCO Capital Markets, Inc., 5800 Granite Parkway, Suite 210, Plano, Texas 75024, by electronic mail or upon payment of reasonable copying, mailing, and handling charges.

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

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 reopening. However, on March 2, 2021, the Governor issued Executive Order GA-34 effective March 10, 2021, 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 remains in place 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, subject to certain exceptions. 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 required 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. TEA has since updated its guidance in accordance with Executive Order GA-36. Executive Order GA-38, issued on July 29, 2021 and Executive Order GA-39, issued on August 25, 2021, further provide that governmental entities cannot require mask mandates, vaccine passports, or mandatory vaccinations. On October 11, 2021, the Governor issued Executive Order GA-40, prohibiting any entity from requiring COVID vaccinations. Various lawsuits have been filed throughout the State related to the foregoing and litigation is expected to continue. Executive orders remain in place until they are amended, rescinded, or superseded by the Governor. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on (nor accessed through) such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

The District continues to monitor the spread of COVID-19 and is working with local, state, and national agencies to address the potential impact of the Pandemic upon the District. While the potential impact of the Pandemic on the District cannot be fully 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 may continue negatively affecting economic growth and financial markets worldwide. In addition, the federal government has taken, and continues to consider additional, action without precedent in effort to counteract or mitigate the Pandemic's economic impact. These conditions and related responses and reactions may reduce or negatively affect property values within the District. See "AD VALOREM TAX PROCEDURES". The Notes are secured by a limited maintenance and operations ad valorem tax, and a reduction in property values does not allow the District to raise such limited tax in excess of the rate established by law.

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 (which markets provide significant revenues to the State, who in turn, use such revenues to satisfy its public school funding obligations). See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM".

The financial and operating data contained in this Official Statement are as of dates and for periods stated herein. Accordingly, they are not indicative of the future prospects of the District. 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 NOTES

Authorization and Purpose

The Notes are being issued in the principal amount of \$2,000,000 (preliminary, subject to change) pursuant to the Constitution and general laws of the State of Texas, particularly Section 45.108, Texas Education Code, as amended, and the Resolution. Proceeds from the sale of the Notes will be used for the purpose of paying maintenance expenses of the District, including making various repairs and renovations to existing District facilities, and paying the costs of issuance on the Notes.

General Description

The Notes will be dated August 1, 2022 (the "Dated Date") but interest will accrue from the Initial Delivery. The Notes will mature on the dates and in the principal amounts set forth on the inside cover page of this Official Statement. Interest on the Notes will be computed on the basis of a 360-day year of twelve 30-day months, and is payable on February 15, 2023 and on each August 15 and February 15 thereafter until stated maturity or prior redemption.

The Notes will be issued only as fully registered notes. The Notes will be issued in the denominations of \$5,000 of principal or any integral multiple thereof within a maturity.

Interest on the Notes is payable by check mailed on or before each interest payment date by the Paying Agent/Registrar, initially, BOKF, NA, Dallas, Texas, to the registered owner at the last known address as it appears on the Paying Agent/Registrar's books on the Record Date (as defined herein) or by such other customary banking arrangement acceptable to the Paying Agent/Registrar and the registered owner to whom interest is to be paid, provided, however, that such person shall bear all risk and expense of such other arrangements. The record date (the "Record Date") for determining the party to whom the interest on the Notes is payable on any interest payment date is the last business day of the month next preceding such interest payment date. Principal of the Notes will be payable only upon presentation of such Notes at the corporate trust office of the Paying Agent/Registrar at maturity or prior redemption. So long as the Notes are registered in the name of CEDE & CO. or other nominee for The Depository Trust Company, payments of principal and interest of the Notes will be made as described in "BOOK-ENTRY-ONLY SYSTEM" herein.

If the date for the payment of the principal of or interest on the Notes is a Saturday, Sunday, legal holiday or a day on which banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

Optional Redemption

The Notes maturing on or after August 15, 2028, are subject to redemption, at the option of the District, in whole or in part, on August 15, 2027, or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. If less than all of the Notes are to be redeemed, the District shall determine the amounts and maturities thereof to be redeemed and shall direct the Paying Agent/Registrar to select by lot the Notes, or portions thereof, to be redeemed. Not less than 30 days prior to a redemption date for the Notes, the District shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to each registered owner of a Note 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.

With respect to any optional redemption of the Notes, unless certain prerequisites to such redemption required by the Resolution have been met and money sufficient to pay the principal of and premium, if any, and interest on the Notes to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice will state that said redemption may, at the option of the District, be 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 Notes, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that such Notes have not been redeemed. ANY NOTICE OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER RECEIVED BY THE NOTEHOLDER, AND, SUBJECT TO PROVISION FOR PAYMENT OF THE REDEMPTION PRICE HAVING BEEN MADE, AND ANY PRECONDITIONS STATED IN THE NOTICE OF REDEMPTION HAVING BEEN SATISFIED INTEREST ON THE REDEEMED NOTES SHALL CEASE TO ACCRUE FROM AND AFTER SUCH REDEMPTION DATE NOTWITHSTANDING THAT A NOTE HAS NOT BEEN PRESENTED FOR PAYMENT.

Notice of Redemption and DTC Notices

The Paying Agent/Registrar and the District, so long as a Book-Entry-Only System is used for the Notes, will send any notice of redemption, notice of proposed amendment to the Resolution or other notices with respect to the Notes 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 Notes called for redemption or any other action premised on any such notice. Redemption of portions of the Notes by the District will reduce the outstanding principal amount of such Notes held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Notes 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 Notes from the beneficial owners. Any such selection of Notes to be redeemed will not be governed by the Resolution and will not be conducted by the District or the Paying Agent Registrar. Neither the District nor the Paying Agent 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 Notes or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Notes for redemption. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Security

The Notes are direct obligations of the District and are payable as to both principal and interest from and secured by the proceeds of a continuing, direct annual ad valorem tax levied for maintenance and operations purposes by the District against all taxable property located within the District, within the limits prescribed by law, as provided in the Resolution. (See "TAX RATE LIMITATIONS" herein for a discussion of applicable tax limitations pertaining to the maintenance and operations tax. See also "AD VALOREM TAX PROCEDURES" and "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" herein).

Legality

The Notes are offered when, as and if issued, subject to the approval of legality by the Attorney General of the State of Texas and McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel. (See "LEGAL MATTERS" and "Appendix C - Form of Legal Opinion of Bond Counsel").

Payment Record

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

Amendments

The District may amend the Resolution without the consent of or notice to any registered owner in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the District may, with the written consent of the holders of a majority in aggregate principal amount of the Notes then outstanding and affected thereby, amend, add to, or rescind any of the provisions of the Resolution; except that, without the consent of the registered owners of all of the Notes affected, no such amendment, addition or rescission may (1) make any change in the maturity of any of the outstanding Notes; (2) reduce the rate of interest borne by any of the outstanding Notes; (3) reduce the amount of the principal of or redemption premium, if any, payable on any outstanding Notes; (4) modify the terms of payment of principal or interest on outstanding Notes or any of them or impose any condition with respect to such payment; or (5) change the minimum percentage of the principal amount of the Notes necessary for consent to such amendment.

Defeasance

The Resolution provides for the defeasance of the Notes when payment of the principal of and premium, if any, on the Notes, 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 escrow agent, in trust (1) money in an amount sufficient to make such payment and/or (2) Defeasance Securities, that will 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 Notes. The District has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other 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. The Resolution provides that "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Notes. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the Board of Trustees authorizes the defeasance, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that on the date the Board of Trustees authorizes the defeasance are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made to defease the Notes. Because the Resolution does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used for defeasance purposes or that for any other Defeasance Security will be maintained at any particular rating category.

Upon such deposit as described above, such Notes shall no longer be regarded as outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment of the Notes have been made as described above, all rights of the District to initiate proceedings to call the Notes for redemption or take any other action amending the terms of the Notes are extinguished; provided however, the District has reserved the option, to be exercised at the time of the defeasance of the Notes, to call for redemption at an earlier date those Notes 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 the Notes for redemption, (ii) gives notice of the reservation of that right to the owners of the Notes 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.

Sources and Uses of Funds

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

Sources		
Par Amount of Notes		\$
Premium		
Total Sources of Funds		\$ _____
Uses		
Construction Fund Deposit		\$
Costs of Issuance		
Underwriter's Discount		
Total Uses of Funds		\$ _____

REGISTERED OWNERS' REMEDIES

The Resolution establishes specific events of default with respect to the Notes, and provides that if the District defaults in the payment of principal or interest on the Notes when due, or if it fails to make payments into any fund or funds created in the Resolution, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Resolution and the continuation thereof for a period of 60 days after notice of default is given to the District by any owner, the registered owners may seek a writ of mandamus to compel District officials to carry out their legally imposed duties with respect to the Notes, if there is no other available remedy at law to compel performance of the Notes or the Resolution covenants and the District's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Notes in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Resolution does not provide for the appointment of a trustee to represent the interest of the noteholders upon any failure of the District to perform in accordance with the terms of the Resolution, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court has ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas

legislature has effectively waived the District's sovereign immunity from a suit for money damages, holders of Notes may not be able to bring such a suit against the District for breach of the Notes or Resolution covenants in the absence of District action. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Notes. 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 Resolution and the Notes 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.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Notes is to be transferred and how the principal of and interest on the Notes are to be paid to and credited by The Depository Trust Company, New York, New York ("DTC") while the Notes are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District, the Financial Advisor and the Underwriter believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

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

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

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

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("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 Notes 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 Notes, except in the event that use of the Book-Entry-Only System for the Notes is discontinued.

To facilitate subsequent transfers, all Notes 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 Notes 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 Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes 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 Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as, redemption, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes 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 Notes 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 Notes unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District

as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Notes 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 securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. All payments with respect to the Notes 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 Notes 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, physical Note 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, physical Note certificates will be printed and delivered.

The information in this section concerning DTC and DTC's Book-Entry-Only System has been obtained from sources that the District believes to be reliable, but none of the District, the Financial Advisor, nor the Underwriter take any responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Notes are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Direct or Indirect Participant acquires an interest in the Notes, 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 Resolution will be given only to DTC.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar for the Notes is BOKF, NA, Dallas, Texas. In the Resolution, the District covenants to maintain and provide a Paying Agent/Registrar until the Notes are duly paid.

Successor Paying Agent/Registrar

Provision is made in the Resolution for replacing the Paying Agent/Registrar. If the District replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the District shall be a commercial bank or trust company organized under the laws of the United States or any state or other entity duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Notes. Upon any change in the Paying Agent/Registrar for the Notes, the District has agreed to promptly cause a written notice thereof to be sent to each registered owner of the Notes by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Initial Registration

Definitive Notes will be initially registered and delivered only to CEDE & CO., the nominee of DTC pursuant to the Book-Entry-Only System described herein.

Future Registration

In the event the Book-Entry-Only System is discontinued, the Notes may be transferred, registered and assigned on the registration books only upon presentation and surrender of the Notes to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Note may be assigned by the execution of an assignment form on the Notes or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Note or Notes will be delivered by the Paying Agent/Registrar in lieu of the Note being transferred or exchanged at the corporate trust office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. To the extent possible, new Notes issued in an exchange or transfer of Notes will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Notes to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Notes registered and delivered in an exchange or transfer shall be in authorized denominations and for a like aggregate principal amount as the Notes surrendered for exchange or transfer.

Record Date For Interest Payment

The record date ("Record Date") for determining the person to whom the interest on the Notes is payable on any interest payment date means the close of business on the last business day of the next 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 (the "Special Payment Date" which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each registered owner of a Note appearing on the books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Limitation on Transfer of Notes

Neither the District nor the Paying Agent/Registrar shall be required to make any such, transfer, conversion or exchange during the period beginning at the close of business on any Record Date and ending with the next interest payment date or, with

respect to any Note or portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Note called for redemption in part.

Replacement Notes

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

BOND INSURANCE

If a commitment from a bond insurance company (the "Insurer") to provide a municipal bond insurance policy relating to the Notes (the "Policy") is obtained and purchased at the option of the Underwriter, the following risk factors described under "BOND INSURANCE GENERAL RISK" generally apply.

BOND INSURANCE GENERAL RISKS

General

In the event of default of the payment of principal or interest with respect to the Notes when all or some becomes due, any owner of the Notes shall have a claim under the Policy for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy will not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Notes by the District which is recovered by the District from the note owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the Insurer at such time and in such amounts as would have been due absent such prepayment by the District unless the Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Insurer without appropriate consent. The Insurer may reserve the right to direct and to consent to any remedies available to the holders of the Notes and the Insurer's consent may be required in connection with amendments to the Resolution.

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Notes are payable solely from the moneys received by the Paying Agent/Registrar pursuant to the Resolution. In the event the Insurer becomes obligated to make payments with respect to the Notes, no assurance is given that such event will not adversely affect the market price of the Notes or the marketability (liquidity) for the Notes.

The long-term ratings on the Notes are dependent in part on the financial strength of the Insurer and its claim paying ability. The Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Insurer and of the ratings on the Notes insured by the Insurer will not be subject to downgrade and such event could adversely affect the market price of the Notes or the marketability (liquidity) for the Notes. See "BOND INSURANCE" herein.

The obligations of the Insurer are general obligations of the Insurer and in an event of default by the Insurer, the remedies available to the Paying Agent/Registrar may be limited by applicable bankruptcy law or other similar laws related to insolvency.

Neither the District nor the Underwriter have made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay the principal of and interest on the Notes and the claims paying ability of the Insurer, particularly over the life of the investment. See "BOND INSURANCE" herein for further information provided by the Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Insurer.

Claims-Paying Ability and Financial Strength of Municipal Bond Insurers

Moody's Investors Services, Inc., Standard & Poors and Fitch Ratings, Inc. (collectively, the "Rating Agencies") have, since 2008, downgraded the claims-paying ability and financial strength of providers of municipal bond insurance on multiple occasions. Additional downgrades or negative change in the rating outlook for these bond insurers is possible. In addition, recent events in the credit markets have had substantial negative effect on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims paying ability of such bond insurers, including the Insurer of the Notes. Thus, when making an investment decision, potential investors should carefully consider the ability of the Insurer to pay principal and interest on the Notes and the claims paying ability of the Insurer, particularly over the life of the investment.

STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS

Litigation Relating to the Texas Public School Finance System

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

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

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

Possible Effects of Litigation and Changes in Law on District Notes

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

Although, as a matter of law, the Notes, 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 Notes, specifically, the District's obligation to levy its limited maintenance and operations tax for payment of the Notes would be adversely affected by any such legislation. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM".

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

Overview

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

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

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

2021 Regular and Special Legislative Sessions

The Texas Legislature meets in regular session in odd-numbered years, for 140 days. The 87th Texas Legislature convened on January 12, 2021 and concluded on May 31, 2021 ("87th Regular Session"). During the 87th Regular Session, the Legislature did not make significant changes to the school finance system, State funding of school districts, nor ad valorem taxation procedures affecting school districts.

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

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

Local Funding for School Districts

A school district's M&O tax rate is composed of two distinct parts: the "Tier One Tax Rate", which is the local M&O tax rate required for a school district to receive any part of the basic level of State funding (referred to herein as "Tier One") under the Foundation School Program, as further described below, and the "Enrichment Tax Rate", which is any local M&O tax effort in excess of its Tier

One Tax Rate. Formulas for the State Compression Percentage and Maximum Compressed Tax Rate (each as described below) are designed to compress M&O tax rates in response to year-over-year increases in property values across the State and within a school district, respectively. The discussion in this subcaption "Local Funding For School Districts" is generally intended to describe funding provisions applicable to all school districts; however, there are distinctions in the funding formulas for school districts that generate local M&O tax revenues in excess of the school districts' funding entitlements, as further discussed under the subcaption "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Revenue Level In Excess of Entitlement" herein.

State Compression Percentage

The State Compression Percentage is a statutorily-defined percentage of the rate of \$1.00 per \$100 that is used to determine a school district's Maximum Compressed Tax Rate (described below). The State Compression Percentage is the lesser of three alternative calculations: (1) 93% or a lower percentage set by appropriation for a school year; (2) a percentage determined by formula if the estimated total taxable property value of the State (as submitted annually to the State Legislature by the State Comptroller) has increased by at least 2.5% over the prior year; and (3) the prior year State Compression Percentage. For any year, the maximum State Compression Percentage is 93%. For the State fiscal year ending in 2022, the State Compression Percentage is set at 91.34%.

Maximum Compressed Tax Rate

The Maximum Compressed Tax Rate (the "MCR") is the tax rate per \$100 of valuation of taxable property at which a school district must levy its Tier One Tax Rate to receive the full amount of the Tier One funding to which the school district is entitled. The MCR is equal to the lesser of three alternative calculations: (1) the school district's prior year MCR; (2) a percentage determined by formula if the school district experienced a year-over-year increase in property value of at least 2.5%; or (3) the product of the State Compression Percentage for the current year multiplied by \$1.00. However, each year the TEA shall evaluate the MCR for each school district in the State, and for any given year, if a school district's MCR is calculated to be less than 90% of any other school district's MCR for the current year, then the school district's MCR is instead equal to the school district's prior year MCR, until TEA determines that the difference between the school district's MCR and any other school district's MCR is not more than 10%. These compression formulas are intended to more closely equalize local generation of Tier One funding among districts with disparate tax bases and generally reduce the Tier One Tax Rates of school districts as property values increase. During the 2021 Legislative Session, a provision of the general appropriations act reduced the maximum MCR for the 2021-2022 school year. It established \$0.9134 as the maximum rate and \$0.8220 as the floor.

Tier One Tax Rate

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

Enrichment Tax Rate

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

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

State Funding for School Districts

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

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

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

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

Tier One

Tier One funding is the basic level of funding guaranteed to a school district, consisting of a State-appropriated baseline level of funding (the "Basic Allotment") for each student in "Average Daily Attendance" (being generally calculated as the sum of student attendance for each State-mandated day of instruction divided by the number of State-mandated days of instruction, defined herein

as “ADA”). The Basic Allotment is revised downward if a school district’s Tier One Tax Rate is less than the State-determined threshold. The Basic Allotment is supplemented by additional State funds, allotted based upon the unique school district characteristics and demographics of students in ADA, to make up most of a school district’s Tier One entitlement under the Foundation School Program.

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

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

Tier Two

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

Existing Debt Allotment, Instruction Facilities Allotment, and New Instructional Facilities Allotment

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

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

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

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

Tax Rate and Funding Equity

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

Furthermore, “property-wealthy” school districts that received additional State funds under the public school finance system prior to the enactment of the 2019 Legislation are entitled to an equalized wealth transition grant on an annual basis through the 2023-2024

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

Local Revenue Level in Excess of Entitlement

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

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

Options for Local Revenue Levels in Excess of Entitlement

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

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

Possible Effects of Wealth Transfer Provisions on the District's Financial Condition

For the 2021-22 fiscal year, the District's local yield per penny per student in weighted average daily attendance is less than state funding entitlement. Accordingly, the District has not been required to reduce its local revenue by one of the permitted wealth reduction options. As a district with local revenue less than 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 district required to reduce its local revenue to the permitted level.

A district's "excess local revenues" 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 will be required to exercise one or more of the permitted wealth equalization options. If the District were to consolidate (or consolidate its tax base for all purposes) with a property-poor district, the outstanding debt of each district could become payable from the consolidated district's combined property tax base, and the District's ration of taxable property to debt could become diluted. If the District were to detach property voluntarily, a portion of its outstanding debt (including the Notes) could be assumed by the district to which the property is annexed, in which case timely payment of the Notes could become dependent in part on the financial performance of an annexing district.

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

AD VALOREM TAX PROCEDURES

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

Valuation of Taxable Property

The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the District is the responsibility of the Van Zandt

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

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

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

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

State Mandated Homestead Exemptions

State law grants, with respect to each school district in the State, (1) a \$40,000 exemption (as described below) of the appraised value of all homesteads, (2) a \$10,000 exemption of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled, and (3) various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty. On November 2, 2021, the Texas Constitution was amended to provide that the surviving spouse of an individual who received a limitation on the school district property taxes on the person's residence homestead on the basis of disability continued to receive that limitation while the property remained the spouse's residence homestead if the spouse was at least 55 years old. See "Appendix A – Financial Information of the District – Assessed Valuation" for the reduction in taxable valuation attributable to state-mandated homestead exemptions. Senate Joint Resolution 2, passed during the Third Special Session of the 87th Texas Legislature and approved by voters on May 7, 2022 authorized a constitutional amendment increasing the mandatory homestead exemption for school districts from \$25,000 to \$40,000 beginning January 1, 2022. Senate Bill 1, which was also passed during the Third Special Session of the 87th Texas Legislature makes provisions for additional state aid to hold school districts harmless for tax revenue losses resulting from the increased homestead exemption.

Local Option Homestead Exemptions

The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than \$5,000) and (2) an additional exemption of at least \$3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. 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. See "Appendix A – Financial Information of the District – Assessed Valuation" for the reduction in taxable valuation, if any, attributable to local option homestead exemptions.

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. See "Appendix A – Financial Information of the District – Assessed Valuation" for the reduction in taxable valuation attributable to the freeze on taxes for the elderly and 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. See "Appendix A – Financial Information of the District – Assessed Valuation" for the reduction in taxable valuation, if any, attributable to Goods-in-Transit or Freeport Property exemptions.

Other Exempt Property

Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of

nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property.

Temporary Exemption for Qualified Property Damaged by a Disaster

The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. For tax years beginning on or after January 1, 2022, the governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the governor declares the area to be a disaster area. For more information on the exemption, reference is made to Section 11.35 of the Tax Code, as amended.

Tax Increment Reinvestment Zones

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

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

Tax Limitation Agreements

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

For a discussion of how the various exemptions described above are applied by the District, see "AD VALOREM TAX PROCEDURES – The Property Tax Code as Applied to the District" herein.

District and Taxpayer Remedies

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

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

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

Levy and Collection of Taxes

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the District. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the District may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances. The Property Tax Code permits taxpayers owning homes or certain businesses located in a disaster area and damaged as a direct result of the declared disaster to pay taxes imposed in the year following the disaster in four equal installments without penalty or interest, commencing on February 1 and ending on August 1. See "AD VALOREM TAX PROCEDURES – Temporary Exemption for Qualified Property Damaged by a Disaster" for further information related to a discussion of the applicability of this section of the Property Tax Code.

District's Rights in the Event of Tax Delinquencies

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

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

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

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

TAX RATE LIMITATIONS

M&O Tax Rate Limitations

A school district is authorized to levy maintenance and operation taxes subject to approval of a proposition submitted to district voters. The maximum tax rate that may be approved by voters for maintenance and operations is \$1.50 per \$100 of assessed valuation. The District voted its maintenance and operations tax at a rate of not to exceed \$1.50 pursuant to Texas Revised Civil Statutes Annotated, Article 2784e-1, as amended ("Article 2784e-1"), at an election held on June 12, 1965.

The maximum maintenance tax rate per \$100 of taxable value that may be adopted by an independent school district is the sum of \$0.17 and the school district's MCR. The District's MCR is, generally, inversely proportional to the change in taxable property values both within the District and the State, and is subject to recalculation annually. For any year, highest possible MCR for an independent school district is \$0.93.

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

I&S Tax Rate Limitations

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

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

Public Hearing and Voter-Approval Tax Rate

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

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

The Voter-Approval Tax Rate for a school district is the sum of (i) the school district's MCR; (ii) the greater of (a) the school district's Enrichment Tax Rate for the preceding year, less any amount by which the school district is required to reduce its

current year Enrichment Tax Rate pursuant to Section 48.202(f), Education Code, as amended, or (b) the rate of \$0.05 per \$100 of taxable value; and (iii) the school district's current I&S tax rate. A school district's M&O tax rate may not exceed the rate equal to the sum of (i) \$0.17 and (ii) the school district's MCR (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" herein, for more information regarding the State Compression Percentage, MCR, and the Enrichment Tax Rate).

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

The calculation of the Voter-Approval Tax Rate may limit or impact the District's ability to levy an M&O tax rate in each year sufficient to pay annual maintenance and operations expenses of the District, including debt service on the Notes.

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

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

THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT

The Appraisal District has the responsibility for appraising property in the District as well as other taxing units in the County. The Appraisal District is governed by a board of directors appointed by members of the governing bodies of various political subdivisions within the County.

Property within the District is assessed as of January 1 of each year, taxes become due October 1 of the same year and become delinquent on February 1 of the following year.

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

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

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

The District does not tax personal property not used in the production of income, such as personal automobiles.

The District collects an additional 20% penalty to defray attorney costs in the collection of delinquent taxes over and above the penalty automatically assessed under the Tax Code.

The District's taxes are collected by the Van Zandt County Appraisal District.

The District does not allow split payments and does not give discounts for early payment of taxes.

The District does not participate in a tax increment financing zone. The District has not granted any tax abatements.

The District has not taken action to tax goods-in-transit. The District has not granted the freeport exemption.

EMPLOYEE BENEFIT PLANS AND OTHER POST-EMPLOYMENT BENEFITS

The District's employees participate in a retirement plan (the "Plan") with the State. The Plan is administered by the Teacher Retirement System of Texas ("TRS"). State contributions are made to cover costs of the TRS retirement plan up to certain statutory limits. The District is obligated for a portion of TRS costs relating to employee salaries that exceed the statutory limit. Aside from the District's contribution to TRS, the District has no pension fund expenditures or liabilities. For fiscal year ended August 31, 2021, the District made a contribution to TRS on a portion of their employee's salaries that exceeded the statutory minimum. For a discussion of the TRS retirement plan, see "Note L. Defined Benefit Pension Plan" in the audited financial statements of the District that are attached hereto as Appendix D (the "Financial Statements").

In addition to its participation in TRS, the District contributes to the Texas Public School Retired Employees Group Insurance Program (the "TRS-Care Retired Plan"), a cost-sharing multiple-employer defined benefit post-employment health care plan. The TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the 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 "Note M. Defined Other Post-Employment Benefit Plans" in the audited financial statements of the District that are attached hereto as Appendix D (the "Financial Statements").

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

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

RATING

In connection with the sale of the Notes, the District has made application to Moody's Investors Service, Inc. ("Moody's") for a municipal bond rating. The District's unenhanced, underlying rating is "Aa3" from Moody's. In addition, the District has made an application for an insurance policy insuring the timely payment of the principal of and interest on the Notes. The District will consider the purchase of such insurance after an analysis of the bids from bond insurance companies has been made.

An explanation of the significance of such rating may be obtained from Moody's. The rating of the Notes by Moody's reflects only the view of said company at the time the rating is given, and the District makes no representations as to the appropriateness of any rating. The rating of the Notes is not a recommendation to buy, sell or hold the Notes, and there is no assurance that any rating will continue for any given period of time, or that a rating will not be revised downward or withdrawn entirely by Moody's, if, in the judgment of Moody's, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price and marketability of the Notes.

LEGAL MATTERS

The District will furnish the Underwriter a complete transcript of proceedings incident to the authorization and issuance of the Notes, including the unqualified approving legal opinion of the Attorney General of Texas as to the Notes to the effect that the Notes are valid and legally binding obligations of the District payable from the proceeds of an annual ad valorem maintenance and operations tax levied, within the limit prescribed by law, upon all taxable property in the District, and based upon examination of such transcript of proceedings, the approving legal opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel to the District ("Bond Counsel"), to like effect and to the effect that the interest on the Notes will be excludable from gross income for federal income tax purposes under section 103(a) of the Internal Revenue Code, subject to the matters described under "TAX MATTERS" herein. The form of Bond Counsel's opinion is attached hereto as Appendix C. Certain legal matters will be passed upon for the Underwriter by its counsel, Norton Rose Fulbright US LLP, Dallas, Texas. The legal fee to be paid to the Underwriters' counsel for services rendered in connection with the issuance of the Note is contingent upon the sale and delivery of the Notes.

Though it represents the Financial Advisor and the Underwriter from time to time in matters unrelated to the issuance of the Notes, Bond Counsel has been engaged by and only represents the District in connection with the issuance of the Notes. Except as noted below, 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 appearing under the captions or subcaptions "THE NOTES" (except under the subcaptions "Payment Record", and "Sources and Uses of Funds," as to which no opinion will be expressed), "REGISTRATION, TRANSFER AND EXCHANGE", "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS", "CURRENT PUBLIC SCHOOL FINANCE SYSTEM", (except under the subcaption "Possible Effects of Wealth Transfer Provisions on the District's Financial Condition," as to which no opinion will be expressed) "TAX RATE LIMITATIONS" (except for the last sentence of the second paragraph under the subcaption "I&S Tax Rate Limitations"), "LEGAL MATTERS" (except for the last two sentences of the first paragraph thereunder), "TAX MATTERS", "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS", "REGISTRATION AND QUALIFICATION OF NOTES FOR SALE" and "CONTINUING DISCLOSURE OF INFORMATION" (except under the subcaption "Compliance with Prior Undertakings," as to which no opinion will be expressed) and such firm is of the opinion that the information relating to the Notes and the Resolution contained under such captions is a fair and accurate summary of the information purported to be shown and that the information and descriptions contained under such captions relating to the provisions of applicable state and federal laws are correct as to matters of law.

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

TAX MATTERS

Opinion

On the date of initial delivery of the Notes, 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 Notes for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Notes 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 Notes. See Appendix C -- Form of Legal Opinion of Bond Counsel.

In rendering its opinion, Bond Counsel will rely upon (a) certain information and representations of the District, including information and representations contained in the District's federal tax certificate and (b) covenants of the District contained in the Note documents relating to certain matters, including arbitration and the use of the proceeds of the Notes and the property financed or refinanced therewith. Failure by the District to observe the aforementioned representations or covenants could cause the interest on the Notes 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 Notes in order for interest on the Notes 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 Notes to be included in gross income retroactively to the date of issuance of the Notes. 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 Notes.

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 Notes.

A ruling was not sought from the Internal Revenue Service by the District with respect to the Notes or the property financed or refinanced with proceeds of the Notes. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Notes, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the holders of the Notes 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 Notes may be less than the maturity amount thereof or one or more periods for the payment of interest on the Notes may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Notes"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Note, and (ii) the initial offering price to the public of such Original Issue Discount Note would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Notes 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 Note 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 Note 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 Note prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Note 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 Note was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Note 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 Notes 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 Note 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 Note.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Notes 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 Notes 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 Notes 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 Notes.

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 Notes. 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, taxpayers qualifying for the health insurance premium assistance credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

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

Interest on the Notes will be includable as an adjustment for "adjusted current earnings" to calculate the alternative minimum tax imposed on corporations by section 55 of the Code.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Notes, 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 Notes, 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 Notes under Federal or state law and could affect the market price or marketability of the Notes. 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 Notes 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 Notes 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.

Qualified Tax-Exempt Obligations for Financial Institutions

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer's taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on behalf of" and "subordinate" issuers) who issues no more than \$10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" described in Section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a "bank," as defined in Section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty-percent (20%) as a "financial institution preference item."

The District expects to designate the Notes as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the District will covenant to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Notes as "qualified tax-exempt obligations." **Potential purchasers should be aware that if the issue price to the public exceeds \$10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of \$10,000,000 is disregarded; however, the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the aforementioned dollar limitation and the Notes would not be "qualified tax-exempt obligations."**

INVESTMENT POLICIES

Investments

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

Legal Investments

Under State law, the District is authorized to invest in: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund (the "NCUSIF") or their respective successors; (8) interest-bearing banking deposits, other than those described in clause (7), that (i) are invested through a broker or institution with a main office or branch office in this state and selected by the District in compliance with the PFIA, (ii) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the District's account, (iii) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States, and (iv) the District appoints as its custodian of the banking deposits, in compliance with the PFIA, the institution in clause (8)(i) above, a bank, or a broker-dealer; (9) certificates of deposit and share certificates meeting the requirements of the PFIA (i) that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8), above, or secured in accordance with Chapter 2257, Texas Government Code, or in any other manner and amount provided by law for District deposits, or (ii) where (a) the funds are invested by the District through a broker or institution that has a main office or branch office in the State and selected by the District in compliance with the PFIA, (b) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the account of the District, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (d) the District appoints, in compliance with the PFIA, the institution in clause (9)(ii)(a) above, a bank, or broker-dealer as custodian for the District with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described by clauses (1) or (12), which are pledged to the District, held in the District's name, and deposited at the time the investment is

made with the District or with a third party selected and approved by the District, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with a stated maturity of 270 days or less, if the short-term obligations of the accepting bank, or of the holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least A-1 or P-1 or an equivalent by either (i) two nationally recognized credit rating agencies, or (ii) one nationally recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission and complies with Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are registered and regulated by the Securities and Exchange Commission that have a weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations approved in this paragraph, or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset backed securities; (15) guaranteed investment contracts that have a defined termination date and are secured by obligations described in clause (1), excluding obligations which the District is explicitly prohibited from investing in, and in an amount at least equal to the amount of bond proceeds invested under such contract; and (16) securities lending programs if (i) the securities loaned under the program are 100% collateralized, including accrued income, (ii) a loan made under the program allows for termination at any time, (iii) a loan made under the program is either secured by (a) obligations described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent, or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (12) through (14) above, or an authorized investment pool, (iv) the terms of a loan made under the program require that the securities being held as collateral be pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party designated by the District, (v) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State, and (vi) the agreement to lend securities has a term of one year or less.

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAAm" or an equivalent by at least one nationally recognized rating service.

The District 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.

Under State law, the District may 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 of 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 has not contracted with, and has no present intention of contracting with, any such investment management firm or the Texas Securities Board to provide such services.

Investment Policies

Under State law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for District funds, maximum allowable stated maturity of any individual investment owned by the District and the maximum average dollar-weighted maturity allowed for pooled fund groups. All District funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Effective September 1, 2019, the investment officer of a local government is allowed to invest bond proceeds or pledged revenue only to the extent permitted by the PFI Act and in accordance with (i) statutory provisions governing the debt issuance (or lease, installment sale, or other agreement) and (ii) the local government's investment policy regarding the debt issuance or the agreement.

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

Additional Provisions

Under State law, the District is additionally required to: (1) annually review its adopted policies and strategies, (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution, (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the Board; (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.

Current Investments

As of May 30, 2022, the District had approximately \$1,278,076 (unaudited) invested in TexPool and approximately \$1,274,182 (unaudited) invested in TexStar (both of which are government investment pools which generally have the characteristics of a money-market mutual fund) and approximately \$1,871,415 invested at local banks. The market value of such investments (as determined by the District by reference to published quotations, dealer bids, and comparable information) is approximately 100% of the book value. 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.

REGISTRATION AND QUALIFICATION OF NOTES FOR SALE

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

CYBERSECURITY RISK MANAGEMENT

The District's operations are increasingly dependent on information technologies and services, which are exposed to cybersecurity risks and cyber incidents or attacks. While the District continually assesses and monitors its cybersecurity risks, the District has been (and may be in the future) subject to cyber-attacks from time to time. In response to such assessments and monitoring, the District takes actions it deems appropriate in response to cybersecurity risks, including, but not limited to, implementing cybersecurity training programs, obtaining technology improvements to mitigate cybersecurity risks, and taking other similar measures. To date, the District has not been the victim of any cyber-attack that has had a material adverse effect on its operations or financial condition. However, no assurance can be given that the District will fully prevent or successfully remediate the operational and/or financial impact of any cybersecurity incursions or incidents arising from events wholly or partially beyond the District's control, including electrical telecommunications outages, natural disasters or cyber-attacks initiated by criminal activities of individuals or organizations. Any such occurrence could materially and adversely affect the District's operations and/or financial condition.

FINANCIAL ADVISOR

SAMCO Capital Markets, Inc. (the "Financial Advisor") is employed as Financial Advisor to the District to assist in the issuance of the Notes. In this capacity, the Financial Advisor has compiled certain data relating to the Notes that is contained in this Official Statement. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the District to determine the accuracy or completeness of this Official Statement. Because of their limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The fee of the Financial Advisor for services with respect to the Notes is contingent upon the issuance and sale of the Notes. In the normal course of business, the Financial Advisor may from time to time sell investment securities to the District for the investment of bond proceeds or other funds of the District upon the request of the District.

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Securities Procedures Act (Chapter 1201, Texas Government Code) provides that the Notes are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Notes by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Notes be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "RATING" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Notes are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital, and savings and loan associations. The Notes 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 Notes for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Notes for such purposes. The District has made no review of laws in other states to determine whether the Notes are legal investments for various institutions in those states.

CONTINUING DISCLOSURE OF INFORMATION

In the Resolution, the District has made the following agreement for the benefit of the holders and beneficial owners of the Notes. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Notes. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually and timely notice of specified events to the Municipal Securities Rulemaking Board (the "MSRB"). The information provided to the MSRB will be available to the public free of charge via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

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 included in this Official Statement in Appendix A (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 D or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation and shall be in substantially the form included in Appendix D and (ii) audited, if the District commissions an audit of such Financial Statements and the audit is completed within the period during which they must be provided. The District will update and provide the Annual Operating Report within six months after the end of each fiscal year and the Financial Statements within 12 months of the end of each fiscal year, in each case beginning with the fiscal year ending in and after 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 Rule 15c2-12.

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

Notice of Certain Events

The District will also provide notice of any of the following events with respect to the Notes 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 Notes, or other material events affecting the tax status of the Notes; (7) modifications to rights of holders of the Notes, if material; (8) Note calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Notes, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District, 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 their agreement described above under "Annual Reports". The District will provide each notice described in this paragraph to the MSRB. Neither the Notes nor the Resolution make any provision for a bond trustee, debt service reserves, credit enhancement, or liquidity enhancement.

For these purposes, any event described in clause (12) of the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers 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. For the purposes of the above described event notices (15) and (16), the term "financial obligation" means 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) a guarantee of (i) or (ii); provided however, that a "financial obligation" shall not include municipal securities as to which a final official statement (as defined in Rule 15c2-12) has been provided to the MSRB consistent with Rule 15c2-12.

Limitations and Amendments

The District has agreed to update information and to provide notices of 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 has been 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 Notes at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Notes may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if, but only if, (1) the agreement, as so amended, would have permitted an underwriter to purchase or sell Notes in the initial primary offering in compliance with Rule 15c2-12, taking into account any amendments or interpretations of Rule 15c2-12 to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Notes consent to the amendment or (b) any qualified 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 Notes. If the District amends its agreement, it has agreed to include with the financial information and operating data next provided, in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and operating data so provided.

Compliance with Prior Undertakings

The District is of the view that during the past five years it has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule 15c2-12.

LITIGATION

In the opinion of District officials, except as may be described in this Official Statement, the District is not a party to any litigation or other proceeding pending or to their 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 Notes, the District will provide the Underwriter with a certificate to the effect that no litigation of any nature has been filed or is then pending challenging the issuance of the Notes or that affects the payment and security of the Notes or in any other manner questioning the issuance, sale or delivery of the Notes.

FORWARD LOOKING STATEMENTS

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

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

UNDERWRITING

The Underwriter has agreed, subject to certain customary conditions, to purchase the Notes at a price equal to the initial offering prices to the public, as shown on the inside cover page hereof, less an Underwriter's discount of \$_____.

The Underwriter's obligations are subject to certain conditions precedent, and it will be obligated to purchase all of the Notes, if any Notes are purchased. The Notes may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriter.

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

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

In the ordinary course of its various business activities, the Underwriter and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for its own account and for the accounts of its customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the District.

CONCLUDING STATEMENT

No person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the District. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer of solicitation.

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

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

The Resolution authorizing the issuance of the Notes will also approve the form and content of this Official Statement and any addenda, supplement or amendment thereto and authorize its further use in the re-offering of the Notes by the Underwriter. This Official Statement will be approved by the Board of Trustees of the District for distribution in accordance with the provisions of the SEC's rule codified at 17 C.F.R. Section 240.15c2-12, as amended.

/s/

President, Board of Trustees

ATTEST:

/s/

Secretary, Board of Trustees

APPENDIX A

FINANCIAL INFORMATION OF THE DISTRICT

EDGEWOOD INDEPENDENT SCHOOL DISTRICT

Financial Information

ASSESSED VALUATION ⁽¹⁾

2021/22 Total Valuation.....		\$ 689,000,495
Less Exemptions & Deductions ⁽²⁾ :		
State Homestead Exemption	\$ 34,109,361	
State Over-65 Exemption	6,501,679	
Disabled Homestead Exemption Loss	5,268,683	
Veterans Exemption Loss	606,240	
Surviving Spouse Disabled Veteran Exemption	399,240	
Productivity Loss	241,687,326	
Solar & Wind Power Exemption	140,000	
Prorations & Other Partial Exemptions	310,466	
Homestead Cap Loss	19,814,869	
	\$ 308,837,864	
2021/22 Net Taxable Valuation		\$ 380,162,631
2022/23 Preliminary Net Taxable Valuation ⁽³⁾		\$ 449,172,000

(1) Source: Comptroller of Public Accounts - Property Tax Division.
 (2) Excludes the values on which property taxes are frozen for persons 65 years of age or older and disabled taxpayers, which totaled \$30,142,112 in 2021/22.
 (3) Source: Preliminary Values from the Van Zandt County Appraisal District as of April 2022. The passage of a Texas Constitutional Amendment on May 7, 2022 increased the homestead exemption from \$25,000 to \$40,000.

OUTSTANDING OBLIGATIONS

Voted Unlimited Tax Bonds Outstanding		\$ 1,860,000
Non-Voted General Fund Obligations Outstanding ⁽¹⁾		1,362,931
Plus: The Maintenance Tax Notes ⁽²⁾		2,000,000
Total Obligations ^{(1) (2)}		5,222,931
Less: Interest & Sinking Fund Balance (As of August 31, 2021) ⁽³⁾		(209,182)
Net Obligations ⁽²⁾		\$ 5,013,749
Ratio of Net G.O. Debt to Net Taxable Valuation ⁽⁴⁾		1.12%
2022 Population Estimate ⁽⁵⁾		5,379
Per Capita Net Taxable Valuation		\$83,505
Per Capita Net G.O. Debt		\$932

(1) Includes \$552,702 of principal of the Edgewood Independent School District Public Facility Corporation Lease Revenue Bonds, Series 2008 (the "Series 2008 Lease Revenue Bonds") to be redeemed on October 1, 2022 with cash on hand.
 (2) Preliminary, subject to change.
 (3) Source: Edgewood ISD Audited Financial Statement.
 (4) See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in the Official Statement and "DEBT SERVICE REQUIREMENTS" in this appendix and see the "Audited Financial Report Fiscal Year Ended August 31, 2021" in Appendix D for more information relative to the District's outstanding obligations.
 (5) Source: Municipal Advisory Council of Texas.

PROPERTY TAX RATES AND COLLECTIONS

Fiscal Year	Net		% Collections ⁽⁵⁾	
	Taxable	Tax Rate	Current ⁽⁶⁾	Total ⁽⁶⁾
	Valuation			
2006/07	\$ 203,967,073 ⁽¹⁾	\$ 1.3932 ⁽⁷⁾	96.89%	99.03%
2007/08	208,692,858 ⁽¹⁾	1.1385 ⁽⁷⁾	96.80%	101.13%
2008/09	223,604,079 ⁽¹⁾	1.1652	96.12%	99.16%
2009/10	220,435,695 ⁽¹⁾	1.1752	94.75%	97.48%
2010/11	222,388,212 ⁽¹⁾	1.2040	96.09%	100.01%
2011/12	229,916,976 ⁽¹⁾	1.2140	95.73%	98.31%
2012/13	228,514,044 ⁽¹⁾	1.2140	96.56%	99.95%
2013/14	229,597,235 ⁽¹⁾	1.2340	96.90%	101.59%
2014/15	234,669,431 ⁽¹⁾	1.2740	96.86%	99.25%
2015/16	221,296,269 ^{(1) (2)}	1.2740	96.82%	101.99%
2016/17	226,701,147 ^{(1) (2)}	1.3140	97.43%	100.38%
2017/18	237,583,947 ^{(1) (2)}	1.3140	97.85%	100.60%
2018/19	259,667,777 ^{(1) (2)}	1.3140	97.49%	99.32%
2019/20	290,106,807 ^{(1) (2)}	1.2518 ⁽⁸⁾	96.93%	99.00%
2020/21	334,893,254 ^{(1) (2)}	1.1461 ⁽⁸⁾	98.27%	100.91%
2021/22	380,162,631 ^{(1) (2)}	1.1361 ⁽⁸⁾	(In Process of Collection)	
2022/23	449,172,000 ^{(3) (4)}			

(1) Source: Comptroller of Public Accounts - Property Tax Division.
 (2) The passage of a Texas Constitutional Amendment on November 3, 2015 increased the homestead exemption from \$15,000 to \$25,000.
 (3) Source: Preliminary Values from the Van Zandt County Appraisal District as of April 2022.
 (4) The passage of a Texas Constitutional Amendment on May 7, 2022 increased the homestead exemption from \$25,000 to \$40,000.
 (5) Source: Edgewood ISD Audited Financial Statements.
 (6) Excludes penalties and interest.
 (7) The declines in the District's Maintenance & Operation Tax for the 2006/07 and 2007/08 fiscal years are a function of House Bill 1 adopted by the Texas Legislature in May 2006. See "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in the Official Statement.
 (8) The decline in the District's Maintenance & Operation Tax from the 2018/19 fiscal year to the 2021/22 fiscal year is a function of House Bill 3 adopted by the Texas Legislature in June 2019. See "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in the Official Statement.

TAX RATE DISTRIBUTION ⁽¹⁾

	2017/18	2018/19	2019/20 ⁽²⁾	2020/21	2021/22
Maintenance & Operations	\$1.1700	\$1.1700	\$1.0684	\$0.9731	\$0.9603
Debt Service	\$0.1440	\$0.1440	\$0.1835	\$0.1730	\$0.1758
Total Tax Rate	\$1.3140	\$1.3140	\$1.2518	\$1.1461	\$1.1361

(1) On October 20, 2012, the District successfully held a tax ratification election. The voters of the District approved a maintenance and operations tax not to exceed \$1.17, although State law currently establishes a maximum rate less than such limit.

(2) The decline in the District's Maintenance & Operations Tax from the 2018/19 fiscal year to the 2021/22 fiscal year is a function of House Bill 3 adopted by the Texas Legislature in June 2019.

VALUATION AND FUNDED DEBT HISTORY

Fiscal Year	Net Taxable Valuation	Bond Debt Outstanding ⁽¹⁾	Ratio Debt to A.V. ⁽²⁾
2006/07	\$ 203,967,073	\$ 6,950,000	3.41%
2007/08	208,692,858	6,665,000	3.19%
2008/09	223,604,079	6,405,000	2.86%
2009/10	220,435,695	6,140,000	2.79%
2010/11	222,388,212	5,860,000	2.64%
2011/12	229,916,976	5,725,278	2.49%
2012/13	228,514,044	5,240,000	2.29%
2013/14	229,597,235	4,905,000	2.14%
2014/15	234,669,431	4,550,000	1.94%
2015/16	221,296,269	4,175,000	1.89%
2016/17	226,701,147	3,790,000	1.67%
2017/18	237,583,947	3,485,000	1.47%
2018/19	259,667,777	3,175,000	1.22%
2019/20	290,106,807	2,750,000	0.95%
2020/21	334,893,254	2,315,000	0.69%
2021/22	380,162,631	1,860,000 ⁽⁴⁾	0.49%
2022/23	449,172,000 ⁽³⁾	1,390,000 ⁽⁴⁾	0.31%

(1) At Fiscal Year End.

(2) See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in the Official Statement, "DEBT SERVICE REQUIREMENTS" in this Appendix and see the "Audited Financial Report Fiscal Year Ended August 31, 2021" in Appendix D for more information.

(3) Source: Preliminary Values from the Van Zandt County Appraisal District as of April 2022. The passage of a Texas Constitutional Amendment on May 7, 2022 increased the homestead exemption from \$25,000 to \$40,000.

(4) Excludes the General Fund Obligations, which are not voted unlimited tax debt.

ESTIMATED OVERLAPPING DEBT STATEMENT

Taxing Body	Amount	Percent Overlapping	Amount Overlapping
City of Edgewood	\$ -	100.00%	\$ -
Van Zandt Co	530,000	9.35%	49,555
Total Overlapping Debt ⁽¹⁾			\$ 49,555
Edgewood Independent School District ⁽²⁾			5,013,749
Total Direct & Overlapping Debt			\$ 5,063,304
Ratio of Net Direct & Overlapping Debt to Net Taxable Valuation		1.13%	
Per Capita Direct & Overlapping Debt		\$941	

(1) Equals gross debt less self-supporting debt.

(2) Includes the General Fund Obligations, which are not voted unlimited tax debt.

Source: Municipal Advisory Council of Texas. The District has not independently verified the accuracy or completeness of such information (except for the amounts relating to the District), and no person should rely upon such information as being accurate or complete.

PRINCIPAL TAXPAYERS**2021/22 Top Ten Taxpayers ⁽¹⁾**

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
Jamex Inc.	Oil & Gas	\$ 7,336,630	1.93%
Oncor Electric Delivery Co. LLC	Electric Utility	5,253,310	1.38%
Union Pacific Railroad Co.	Railroad	4,814,250	1.27%
Infinity Carports	Manufacturing	1,665,190	0.44%
Linda G. Henderson	Residential	1,609,360	0.42%
J&L Utility Service	Electric Utility	1,570,010	0.41%
Canton Lakeside Village LLC	Apartments	1,550,000	0.41%
Armando Saldivar	Residential	1,456,630	0.38%
Trinity Valley Electric Co-op	Electric Utility	1,309,500	0.34%
Gary W. Bass	Residential	1,284,850	0.34%
		<u>\$ 27,849,730</u>	<u>7.33%</u>

2020/21 Top Ten Taxpayers ⁽¹⁾

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
Jamex Inc.	Oil & Gas	\$ 9,473,686	2.83%
Oncor Electric Delivery Co. LLC	Electric Utility	4,829,402	1.44%
Union Pacific Railroad Co.	Railroad	4,502,767	1.34%
J&L Utility Service	Electric Utility	1,556,210	0.46%
Linda G. Henderson	Residential	1,412,090	0.42%
Armando Saldivar	Residential	1,299,580	0.39%
Canton Lakeside Village LLC	Apartments	1,223,210	0.37%
Gary W. Bass	Residential	1,070,630	0.32%
Trinity Valley Electric Co-op	Electric Utility	1,024,860	0.31%
Nathan & Stacey Orrick	Residential	963,570	0.29%
		<u>\$ 27,356,005</u>	<u>8.17%</u>

2019/20 Top Ten Taxpayers ⁽²⁾

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
Jamex Inc.	Oil & Gas	\$ 9,056,998	3.12%
Oncor Electric Delivery Co. LLC	Electric Utility	4,098,094	1.41%
Union Pacific Railroad Co.	Railroad	3,743,268	1.29%
J&L Utility Service	Electric Utility	1,371,630	0.47%
Trinity Valley Electric Co-op	Electric Utility	1,031,454	0.36%
Brookshire Grovery Co.	Grocery Store	889,510	0.31%
Kyle & Stormy Wilcoxson	Residential	781,560	0.27%
Edward Avila	Residential	723,930	0.25%
Cynthia A. & Albert Garcia III	Residential	664,900	0.23%
Southwestern Bell Telephone	Telephone Utility	645,630	0.22%
		<u>\$ 23,006,974</u>	<u>7.93%</u>

(1) Source: Comptroller of Public Accounts - Property Tax Division.

(2) Source: Van Zandt County Appraisal District.

CLASSIFICATION OF ASSESSED VALUATION BY USE CATEGORY ⁽¹⁾

Category	2021/22	% of Total	2020/21	% of Total	2019/20	% of Total
Real, Residential, Single-Family	\$ 185,717,053	26.95%	\$ 159,131,193	26.94%	\$ 132,853,582	26.38%
Real, Residential, Multi-Family	1,978,988	0.29%	1,792,840	0.30%	1,825,980	0.36%
Real, Vacant Lots/Tracts	5,033,331	0.73%	2,965,061	0.50%	2,712,240	0.54%
Real, Qualified Land & Improvements	247,756,723	35.96%	201,313,505	34.08%	174,232,312	34.60%
Real, Non-Qualified Land & Improvements	190,206,927	27.61%	168,800,201	28.58%	141,584,394	28.12%
Real, Commercial & Industrial	18,744,160	2.72%	15,089,645	2.55%	11,875,418	2.36%
Oil & Gas	11,520,730	1.67%	14,166,969	2.40%	13,988,285	2.78%
Utilities	14,934,790	2.17%	13,086,283	2.22%	11,509,420	2.29%
Tangible Personal, Commercial & Industrial	8,393,290	1.22%	8,598,307	1.46%	8,301,911	1.65%
Tangible Personal, Mobile Homes & Other	3,569,300	0.52%	4,311,300	0.73%	3,166,910	0.63%
Tangible Personal, Residential Inventory	1,140,450	0.17%	1,393,080	0.24%	1,493,010	0.30%
Tangible Personal, Special Inventory	<u>4,753</u>	<u>0.00%</u>	<u>8,911</u>	<u>0.00%</u>	<u>15,893</u>	<u>0.00%</u>
Total Appraised Value	\$ 689,000,495	100.00%	\$ 590,657,295	100.00%	\$ 503,559,355	100.00%
Less:						
Homestead Cap Adjustment	\$ 19,814,869		\$ 16,422,456		\$ 3,530,490	
Productivity Loss	241,687,326		196,189,067		169,164,002	
Exemptions ⁽²⁾	<u>47,335,669</u>		<u>43,152,518</u>		<u>40,758,056</u>	
Total Exemptions/Deductions ⁽³⁾	\$ 308,837,864		\$ 255,764,041		\$ 213,452,548	
Net Taxable Assessed Valuation	\$ 380,162,631		\$ 334,893,254		\$ 290,106,807	

Category	2018/19	% of Total	2017/18	% of Total	2016/17	% of Total
Real, Residential, Single-Family	\$ 119,685,760	26.87%	\$ 109,178,920	26.11%	\$ 103,441,700	26.12%
Real, Residential, Multi-Family	1,736,730	0.39%	1,826,380	0.44%	1,248,390	0.32%
Real, Vacant Lots/Tracts	2,501,520	0.56%	2,428,130	0.58%	2,462,520	0.62%
Real, Qualified Land & Improvements	147,742,780	33.17%	145,326,140	34.76%	135,168,740	34.13%
Real, Non-Qualified Land & Improvements	132,773,550	29.81%	123,162,830	29.46%	114,817,130	28.99%
Real, Commercial & Industrial	10,591,657	2.38%	9,744,252	2.33%	9,719,330	2.45%
Oil & Gas	9,173,177	2.06%	4,972,665	1.19%	7,148,806	1.80%
Utilities	11,156,592	2.50%	11,400,210	2.73%	11,021,884	2.78%
Tangible Personal, Commercial & Industrial	7,068,532	1.59%	7,115,212	1.70%	8,145,564	2.06%
Tangible Personal, Mobile Homes & Other	2,706,290	0.61%	2,394,440	0.57%	2,323,210	0.59%
Tangible Personal, Residential Inventory	234,980	0.05%	517,490	0.12%	531,100	0.13%
Tangible Personal, Special Inventory	<u>18,758</u>	<u>0.00%</u>	<u>14,490</u>	<u>0.00%</u>	<u>34,750</u>	<u>0.01%</u>
Total Appraised Value	\$ 445,390,326	100.00%	\$ 418,081,159	100.00%	\$ 396,063,124	100.00%
Less:						
Homestead Cap Adjustment	\$ 3,165,570		\$ 1,117,960		\$ 888,300	
Productivity Loss	143,277,220		141,022,780		130,845,720	
Exemptions ⁽²⁾	<u>39,279,759</u>		<u>38,356,472</u>		<u>37,627,957</u>	
Total Exemptions/Deductions ⁽³⁾	\$ 185,722,549		\$ 180,497,212		\$ 169,361,977	
Net Taxable Assessed Valuation	\$ 259,667,777		\$ 237,583,947		\$ 226,701,147	

(1) Source: Comptroller of Public Accounts - Property Tax Division.

(2) The passage of a Texas Constitutional Amendment on November 3, 2015 increased the homestead exemption from \$15,000 to \$25,000.

(3) Excludes values on which property taxes are frozen for persons 65 years of age or older and disabled taxpayers.

NON-VOTED GENERAL FUND OBLIGATIONS PRINCIPAL REPAYMENT SCHEDULE

Fiscal Year	Outstanding General Fund	Less: Obligations	Plus: Early	Plus: The Maintenance Tax Notes ⁽²⁾	Total ^{(1) (2)}	Principal Unpaid	Percent of Principal Retired
Ending 8/31	Obligations	Redeemed ⁽¹⁾	Redemption ⁽¹⁾	Tax Notes ⁽²⁾	Total ^{(1) (2)}	At Year End	Retired
2022	\$ 219,545.56	\$ -	\$ -	\$ -	\$ 219,545.56	\$ 3,362,931.33	6.13%
2023	226,324.43	-	552,701.60	-	779,026.03	2,583,905.30	27.87%
2024	233,356.70	91,645.05		20,000.00	161,711.65	2,422,193.65	32.39%
2025	240,653.19	96,135.65		20,000.00	164,517.54	2,257,676.11	36.98%
2026	248,225.28	100,846.30		20,000.00	167,378.98	2,090,297.13	41.65%
2027	256,084.90	105,787.77		20,000.00	170,297.13	1,920,000.00	46.41%
2028	158,286.83	158,286.83		160,000.00	160,000.00	1,760,000.00	50.87%
2029				165,000.00	165,000.00	1,595,000.00	55.48%
2030				175,000.00	175,000.00	1,420,000.00	60.36%
2031				180,000.00	180,000.00	1,240,000.00	65.39%
2032				185,000.00	185,000.00	1,055,000.00	70.55%
2033				195,000.00	195,000.00	860,000.00	75.99%
2034				200,000.00	200,000.00	660,000.00	81.58%
2035				210,000.00	210,000.00	450,000.00	87.44%
2036				220,000.00	220,000.00	230,000.00	93.58%
2037				230,000.00	230,000.00	-	100.00%
Total	<u>\$ 1,582,476.89</u>	<u>\$ 552,701.60</u>	<u>\$ 552,701.60</u>	<u>\$ 2,000,000.00</u>	<u>\$ 3,582,476.89</u>		

(1) Reflects the early redemption of the Series 2008 Lease Revenue Bonds in the principal amount of \$552,702 on October 1, 2022.
(2) Preliminary, subject to change.

NON-VOTED GENERAL FUND OBLIGATIONS DEBT SERVICE REQUIREMENTS ⁽¹⁾

Fiscal Year	Outstanding General Fund	Less: Obligations	Plus: Early	Plus: The Maintenance Tax Notes ⁽³⁾			Combined
Ending 8/31	Debt Service	Redeemed ⁽²⁾	Redemption ⁽²⁾	Principal	Interest	Total	Total ^{(2) (3)}
2022	\$ 272,000.39	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 272,000.39
2023	272,000.39	-	552,701.60	-	79,555.56	79,555.56	904,257.55
2024	272,000.39	118,727.43		20,000.00	80,000.00	100,000.00	253,272.96
2025	272,000.39	118,727.42		20,000.00	79,200.00	99,200.00	252,472.97
2026	272,000.39	118,727.42		20,000.00	78,400.00	98,400.00	251,672.97
2027	272,000.39	118,727.43		20,000.00	77,600.00	97,600.00	250,872.96
2028	167,588.52	167,588.52		160,000.00	76,800.00	236,800.00	236,800.00
2029				165,000.00	70,400.00	235,400.00	235,400.00
2030				175,000.00	63,800.00	238,800.00	238,800.00
2031				180,000.00	56,800.00	236,800.00	236,800.00
2032				185,000.00	49,600.00	234,600.00	234,600.00
2033				195,000.00	42,200.00	237,200.00	237,200.00
2034				200,000.00	34,400.00	234,400.00	234,400.00
2035				210,000.00	26,400.00	236,400.00	236,400.00
2036				220,000.00	18,000.00	238,000.00	238,000.00
2037				230,000.00	9,200.00	239,200.00	239,200.00
Total	<u>\$ 1,799,590.86</u>	<u>\$ 642,498.22</u>	<u>\$ 552,701.60</u>	<u>\$ 2,000,000.00</u>	<u>\$ 842,355.56</u>	<u>\$ 2,842,355.56</u>	<u>\$ 4,552,149.80</u>

(1) General Fund Obligations are payable solely from the limited maintenance and operations tax or other lawfully available funds of the District.
(2) Reflects the total anticipated cost of effectuating the early redemption of the Series 2008 Lease Revenue Bonds in the principal amount of \$552,702 on October 1, 2022.
(3) Preliminary, subject to change.

VOTED UNLIMITED TAX BOND PRINCIPAL REPAYMENT & DEBT SERVICE REQUIREMENTS ⁽¹⁾

Fiscal Year Ending 8/31	Outstanding Voted Unlimited Tax Bonds ⁽²⁾			Voted Unlimited Tax	Percent of
	Principal	Interest	Total	Bonds Unpaid At Year End	Principal Retired
2022	\$ 455,000.00	\$ 72,200.00	\$ 527,200.00	\$ 1,860,000.00	19.65%
2023	470,000.00	55,050.00	525,050.00	1,390,000.00	39.96%
2024	465,000.00	39,350.00	504,350.00	925,000.00	60.04%
2025	465,000.00	24,237.50	489,237.50	460,000.00	80.13%
2026	460,000.00	8,050.00	468,050.00	-	100.00%
	<u>\$ 2,315,000.00</u>	<u>\$ 198,887.50</u>	<u>\$ 2,513,887.50</u>		

(1) Excludes the General Fund Obligations, which are not voted unlimited tax bonds.

(2) Based on its wealth per student, the District does not expect to receive Instructional Facilities Allotment nor Existing Debt Allotment state financial assistance for the payment of debt service for the fiscal year 2021/22. The amount of state financial assistance for debt service, if any, may differ substantially each year depending on a variety of factors, including the amount, if any, appropriated for that purpose by the state legislature and a school district's wealth per student. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in the Official Statement.

TAX ADEQUACY WITH RESPECT TO THE DISTRICT'S VOTED UNLIMITED TAX BONDS

Projected Maximum Debt Service Requirement ⁽¹⁾	\$ 527,200.00
Projected State Financial Assistance for Hold Harmless of Increased Homestead Exemption ⁽²⁾	20,000.00
Projected Net Debt Service Requirement	\$ 507,200.00
 \$0.11522 Tax Rate @ 98% Collections Produces	 \$ 507,200.00
 2022/23 Preliminary Net Taxable Valuation ⁽³⁾	 \$ 449,172,000

(1) Excludes the General Fund Obligations, which are not voted unlimited tax bonds.

(2) The amount of state financial assistance for debt service, if any, may differ substantially each year depending on a variety of factors, including the amount, if any, appropriated for that purpose by the state legislature and a school district's wealth per student. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in the Official Statement. The District will not receive any Instructional Facilities Allotment nor Existing Debt Allotment state aid in 2021/22, but will receive additional state aid for the increase in the homestead exemption which took effect in 2021/22.

(3) Source: Preliminary Values from the Van Zandt County Appraisal District as of April 2022. The passage of a Texas Constitutional Amendment on May 7, 2022 increased the homestead exemption from \$25,000 to \$40,000.

AUTHORIZED BUT UNISSUED BONDS

The District has no authorized but unissued ad valorem tax bonds. The District may incur other financial obligations payable from its collection of taxes and other sources of revenue, including maintenance tax notes payable from its collection of maintenance taxes, public property finance contractual obligations, delinquent tax notes, and leases for various purposes payable from State appropriations and surplus maintenance taxes.

COMPARATIVE STATEMENT OF GENERAL FUND REVENUES AND EXPENDITURES ⁽¹⁾

	Fiscal Year Ended August 31				
	2017	2018	2019	2020	2021
Beginning Fund Balance	\$ 2,905,544	\$ 3,364,252	\$ 3,752,035	\$ 4,524,323	\$ 5,130,210
Revenues:					
Local and Intermediate Sources	\$ 2,667,620	\$ 2,852,366	\$ 3,093,406	\$ 2,996,278	\$ 3,389,007
State Sources	6,717,140	6,978,592	7,282,233	8,725,797	8,965,060
Federal Sources & Other	159,929	180,664	331,611	177,917	155,911
Total Revenues	\$ 9,544,689	\$ 10,011,622	\$ 10,707,250	\$ 11,899,992	\$ 12,509,978
Expenditures:					
Instruction	\$ 4,903,146	\$ 5,001,722	\$ 5,221,323	\$ 5,723,143	\$ 5,836,176
Instructional Resources & Media Services	48,993	53,491	50,889	38,251	4,097
Curriculum & Instructional Staff Development	109,508	189,608	181,970	235,187	220,422
Instructional Leadership	126,568	120,387	123,294	134,167	129,470
School Leadership	540,252	608,654	677,288	692,785	749,699
Guidance, Counseling & Evaluation Services	127,400	114,912	120,738	134,977	132,300
Health Services	139,758	172,435	179,154	198,451	205,601
Student (Pupil) Transportation	133,800	151,005	276,251	343,989	399,946
Cocurricular/Extracurricular Activities	581,527	712,580	593,779	580,494	610,267
General Administration	366,064	393,633	413,334	416,323	440,752
Plant Maintenance and Operations	909,624	857,761	875,555	1,045,684	922,877
Security and Monitoring Services	16,241	64,753	92,466	187,042	126,090
Data Processing Services	444,307	475,190	475,305	470,903	443,854
Debt Service - Principal on Long Term Debt	129,336	575,153	266,349	541,690	349,164
Debt Service - Interest on Long Term Debt	115,319	111,403	94,024	86,262	65,410
Debt Service - Bond Issuance Cost and Fees	250	-	-	-	-
Capital Outlay	1,557,476	123,850	211,576	395,556	186,332
Payments to Fiscal Agent/Member Districts of SSA	-	14,000	600	200	200
Other Intergovernmental Charges	61,728	61,752	64,873	69,001	71,049
Total Expenditures	\$ 10,311,297	\$ 9,802,289	\$ 9,918,768	\$ 11,294,105	\$ 10,893,706
Excess (Deficiency) of Revenues over Expenditures	\$ (766,608)	\$ 209,333	\$ 788,482	\$ 605,887	\$ 1,616,272
Other Resources and (Uses):					
Capital Leases	\$ 1,378,229	\$ -	\$ -	\$ -	\$ -
Non-Current Loans	-	220,000	-	-	-
Operating Transfers Out	(155,913)	(46,600)	(16,194)	-	-
Sale of Real or Personal Property	3,000	5,050	-	-	-
Total Other Resources (Uses)	\$ 1,225,316	\$ 178,450	\$ (16,194)	\$ -	\$ -
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	\$ 458,708	\$ 387,783	\$ 772,288	\$ 605,887	\$ 1,616,272
Ending Fund Balance	\$ 3,364,252	\$ 3,752,035	\$ 4,524,323	\$ 5,130,210	\$ 6,746,482 ⁽²⁾

(1) See "MANAGEMENT'S DISCUSSION AND ANALYSIS" in Appendix D hereto for a discussion of the 2021/22 budget and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - Possible Effects of Wealth Transfer Provisions on the District's Financial Condition" in the Official Statement.

(2) As part of the District's 2021-2022 General Fund budget, the District expects to use approximately \$2.323 million of the District's General Fund balance for a cafeteria expansion and for prepayment of the District's obligations in connection with Series 2008 Lease Revenue Bonds.

CHANGE IN NET ASSETS ⁽¹⁾

	Fiscal Year Ended August 31				
	2017	2018	2019	2020	2021
Revenues:					
Program Revenues:					
Charges for Services	\$ 323,815	\$ 428,576	\$ 443,482	\$ 323,114	\$ 284,328
Operating Grants and Contributions	1,192,218	(558,750)	1,600,220	1,938,106	1,698,817
General Revenues:					
Property Taxes Levied for General Purposes	2,456,257	2,559,309	2,787,114	2,842,737	2,978,597
Property Taxes Levied for Debt Service	302,343	315,027	343,069	488,335	529,762
State Aid - Formula Grants	6,420,773	6,693,576	6,802,993	8,265,234	8,420,272
Grants and Contributions Not Restricted	161,021	259,280	81,740	389,467	428,823
Investment Earnings	9,472	34,859	75,575	43,691	10,183
Miscellaneous	54,914	80,474	111,855	64,516	258,862
Gain (Loss) on Disposal of Assets	3,000	1,233	-	-	-
Total Revenue	\$ 10,923,813	\$ 9,813,584	\$ 12,246,048	\$ 14,355,200	\$ 14,609,644
Expenses:					
Instruction	\$ 5,313,247	\$ 3,766,543	\$ 5,612,503	\$ 7,018,700	\$ 6,489,485
Instruction Resources & Media Services	54,067	45,621	52,800	38,251	4,051
Curriculum & Staff Development	184,181	166,608	213,445	298,092	271,715
Instructional Leadership	132,610	100,922	126,732	148,769	138,453
School Leadership	582,081	441,238	700,648	810,701	815,073
Guidance, Counseling & Evaluation Services	279,765	170,303	263,049	334,233	315,745
Health Services	175,765	133,503	186,032	227,647	223,609
Student Transportation	255,056	260,607	329,637	349,810	339,650
Food Service	519,986	496,949	491,825	469,977	558,213
Cocurricular/Extracurricular Activities	558,459	503,646	685,652	758,841	731,799
General Administration	390,476	317,789	437,364	470,880	474,646
Plant Maintenance & Operations	951,434	820,546	889,663	1,041,462	968,845
Security and Monitoring Services	16,241	50,753	28,112	184,421	127,999
Data Processing Services	470,311	428,392	497,336	521,036	475,085
Interest on Long-term Debt	265,973	226,736	200,094	172,621	147,104
Bond Issuance Costs and Fees	2,577	2,000	2,000	1,250	1,250
Payments to Fiscal Agent/Member Districts of SSA	-	14,000	600	200	200
Other Intergovernmental Charges	61,728	61,752	64,873	69,001	71,049
Total Expenditures	\$ 10,213,957	\$ 8,007,908	\$ 10,782,365	\$ 12,915,892	\$ 12,153,971
Change in Net Assets	\$ 709,856	\$ 1,805,676	\$ 1,463,683	\$ 1,439,308	\$ 2,455,673
Beginning Net Assets	\$ 4,761,558	\$ 5,471,414	\$ 1,451,289	\$ 2,914,972	\$ 4,354,280
Prior Period Adjustment	\$ -	\$ (5,825,801) ⁽²⁾	\$ -	\$ -	\$ -
Ending Net Assets	\$ 5,471,414	\$ 1,451,289	\$ 2,914,972	\$ 4,354,280	\$ 6,809,953

(1) The foregoing information represents government-wide financial information provided in accordance with GASB 34, which the District adopted for the 2002 fiscal year.

(2) The 2018 prior period adjustment is due to the implementation of GASB Statement 75.

APPENDIX B

**GENERAL INFORMATION REGARDING THE DISTRICT
AND ITS ECONOMY**

EDGEWOOD INDEPENDENT SCHOOL DISTRICT

General and Economic Information

Edgewood Independent School District (the "District") is a mineral producing and agricultural area located at the intersection of U.S. Highway 80 and Farm-to-Market Road 859. Within the District is the City of Edgewood. The District's current estimated population is 5,379.

Van Zandt County (the "County") was created and organized in 1848 from Henderson County. Van Zandt is bordered partially by both the Sabine and Neches Rivers, as well as Lake Tawakoni. The county seat is Canton.

Source: *Texas Municipal Reports for Edgewood ISD and Van Zandt County*

Enrollment Statistics

<u>Year Ending 6/30</u>	<u>Enrollment</u>
2012	936
2013	898
2014	927
2015	915
2016	931
2017	947
2018	986
2019	993
2020	978
2021	963
Current	1,029

District Staff

Teachers	85
Auxiliary Personnel	22
Teachers' Aides & Secretaries	28
Administrators	8
Other	22
Total	165

Facilities

<u>Campus</u>	<u>Grades</u>	<u>Present Enrollment</u>	<u>Capacity</u>	<u>Year Built</u>	<u>Year of Addition/ Renovation</u>
Elementary	PK-2	264	420	1967	
Intermediate	3-5	209	265	1987	
Middle	6-8	227	300	1967	
High School	9-12	329	430	2000	2008 addition

Principal Employers within the District

<u>Name of Company</u>	<u>Type of Business</u>	<u>Number of Employees</u>
Edgewood ISD	Education	165
J & L Utilities	Utilities	85
Lumberyard Café	Restaurant	51
Texwin Metal Roofing	Metal Roofing and Siding	50
Infinity Carports	Metal Building	48
Sonic	Fast Food	21
Spring Market	Grocery Store	18

Unemployment Rates

	<u>April 2020</u>	<u>April 2021</u>	<u>April 2022</u>
Chambers County	9.3%	4.8%	2.9%
State of Texas	12.1%	5.9%	3.7%

Source: *Texas Workforce Commission*

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

Proposed Form of Opinion of Bond Counsel

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

**EDGEWOOD INDEPENDENT SCHOOL DISTRICT
MAINTENANCE TAX NOTES, SERIES 2022**

IN THE AGGREGATE PRINCIPAL AMOUNT OF \$2,000,000

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

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 Notes, including executed Note Numbered T-1.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Notes have been authorized and issued and the Notes delivered concurrently with this opinion have been duly delivered and that, assuming due authentication, Notes issued in exchange therefore will have been duly delivered, in accordance with law, and that the Notes, 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 general principles of equity and sovereign immunity of political subdivisions which permit the exercise of judicial discretion, constitute valid and legally binding obligations of the Issuer, and a continuing ad valorem maintenance tax of the Issuer sufficient to provide for the payment of the interest on and principal of the Notes has 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 Notes 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 Notes are not "specified private activity bonds" and that, accordingly, interest on the Notes will not be included as an individual or corporate alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). 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 Notes.



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 Notes, relating to, among other matters, the use of the project being financed 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 Notes 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 Notes may become includable in gross income retroactively to the date of issuance of the Notes.

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 Notes. We express no opinion as to any insurance policies issued with respect to the payments due for the principal of and interest on the Notes, nor as to any such insurance policies issued in the future.

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 Notes. 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 Notes as includable in gross income for federal income tax purposes.

OUR SOLE ENGAGEMENT in connection with the issuance of the Notes 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 Notes under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Notes 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 Notes, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Notes 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 Notes has been limited as described therein.

Respectfully,

APPENDIX D

**AUDITED FINANCIAL REPORT
FISCAL YEAR ENDED AUGUST 31, 2021**

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2021

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2021

TABLE OF CONTENTS

<u>Exhibit</u>	<u>Page</u>
Certificate of Board	3
Independent Auditors' Report	4
Management's Discussion and Analysis	6
<u>Basic Financial Statements</u>	
Government Wide Statements:	
A-1 Statement of Net Position	12
B-1 Statement of Activities	13
Governmental Fund Financial Statements:	
C-1 Balance Sheet	14
C-2 Reconciliation for C-1	15
C-3 Statement of Revenues, Expenditures, and Changes in Fund Balance	16
C-4 Reconciliation for C-3	17
Proprietary Fund Financial Statements:	
D-1 Statement of Net Position	18
D-2 Statement of Revenues, Expenses, and Changes in Fund Net Position	19
D-3 Statement of Cash Flows	20
Fiduciary Fund Financial Statements:	
E-1 Statement of Fiduciary Net Position	21
E-2 Statement of Changes in Fiduciary Net Position	22
Notes to the Financial Statements	23
<u>Required Supplementary Information</u>	
G-1 Budgetary Comparison Schedule - General Fund	47
G-2 Schedule of the District's Proportionate Share of the Net Pension Liability (TRS)	48
G-3 Schedule of District Contributions to TRS Pension Plan	50
G-4 Schedule of the District's Proportionate Share of the Net OPEB Liability (TRS)	52
G-5 Schedule of District's Contributions to the TRS OPEB Plan	53
Notes to Required Supplemental Information	54
<u>Other Information-Combining Statements</u>	
Nonmajor Governmental Funds:	
H-1 Combining Balance Sheet	56
H-2 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	60
<u>Other Information-Required Texas Education Agency Schedules</u>	
J-1 Schedule of Delinquent Taxes Receivable	64
J-2 Budgetary Comparison Schedule - Child Nutrition Fund	66
J-3 Budgetary Comparison Schedule - Debt Service Fund	67
J-4 State Compensatory Education and Bilingual Program Expenditures	68
<u>Federal Awards Section</u>	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	70
Report on Compliance for each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	72
Schedule of Findings and Questioned Costs	74
Schedule of Status of Prior Findings	75
Corrective Action Plan	76
K-1 Schedule of Expenditures of Federal Awards	77
Notes to Schedule of Expenditures of Federal Awards	79

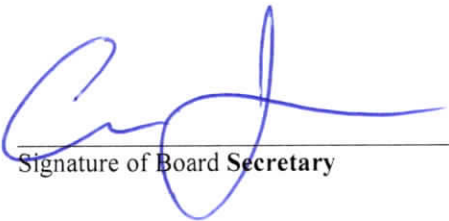
CERTIFICATE OF BOARD

Edgewood Independent School District
Name of School District

Van Zandt
County

234-903
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) approved disapproved for the year ended August 31, 2021 at a meeting of the Board of Trustees of such school district on the 13th day of December, 2021.



Signature of Board **Secretary**



Signature of Board **President**

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

Morgan, Davis, & Company, P.C.

Post Office Box 8158
Greenville, Texas 75404

**Unmodified Opinions on Basic Financial Statements Accompanied by Required Supplementary Information
and Other Information**

Independent Auditor's Report

Edgewood Independent School District
804 East Pine
Edgewood, Texas 75117

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Edgewood Independent School District as of August 31, 2021 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information:

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedules contained in Exhibits G-1, G-2, G-3, G-4, & G-5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain

limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information:

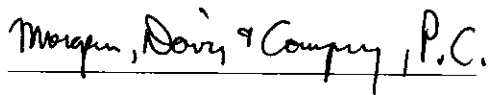
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Edgewood Independent School District's basic financial statements. The Combining Statements for Nonmajor Governmental Funds contained in Exhibits H-1 & H-2, and the Schedule of Expenditures of Federal Awards on Exhibit K-1, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining Statements for Nonmajor Governmental Funds and Schedule of Expenditures of Federal Awards are the responsibility of management and were 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 Statements for Nonmajor Governmental Funds and Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Texas Education Agency requires school districts to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulations of the State of Texas. This information is in Exhibits identified in the Table of Contents as J-1, J-2, J-3, & J-4. We have applied certain limited procedures to this supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted on inquiries of management about 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 Reporting Required by Government Auditing Standard

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2021 on our consideration of Edgewood Independent School 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 Edgewood Independent School District's internal control over financial reporting and compliance.



Morgan, Davis, & Company, P.C.
Greenville, Texas

November 30, 2021

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2021

In this section of the Annual Financial and Compliance Report, we, the administrators of Edgewood Independent School District, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2021. Please read it in conjunction with the District's Basic Financial Statements which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total combined net position increased by \$2,455,673 as a result of this year's operations.
- The District's assets exceeded its liabilities at the close of the most recent fiscal year by \$6,809,953 which represents the District's total combined net position.
- As of August 31, 2021, the District's governmental funds reported a combined fund balance of \$7,204,076 compared to \$5,358,857 for the last fiscal year. The General Fund reported a fund balance of \$6,746,482 this fiscal year compared to \$5,130,210 the last fiscal year.
- The District's total tax rate for the 2020-2021 school year was \$ 1.146114 with \$ 0.97310 for maintenance & operation and \$ 0.173014 for debt service.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 12 and 13). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 14) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the district.

The notes to the financial statements (starting on page 23) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. These are not required by T.E.A. The section labeled Required Texas Education Agency Schedules contains data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 12. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

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

These two statements report the District's net position and changes in them. The District's net position (the difference between assets and liabilities) provide 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 non-financial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, the District has one kind of activity:

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

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 14 and provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the ESSA Title I Part A from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes. The District's two kinds of funds—governmental and proprietary—use different accounting approaches.

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

- Proprietary funds—The District reports the activities for which it charges users (whether outside customers or other units of the District) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. The internal service funds (a category of proprietary funds) report activities that provide services for the District's other programs and activities—such as the District's self-insurance programs.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities. All of the District's fiduciary activities are reported in separate Statement of Fiduciary Net Position on page 21 and Statement of Changes in Fiduciary Fund Net Position on page 22. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District is presenting government-wide financial analysis in the form of current year data and prior year data and the changes in these accounts. Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

Net position of the District's governmental activities increased from \$4,354,280 last year to \$6,809,953 at August 31, 2021. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased from \$(1,207,671) last year to \$408,975 at August 31, 2021.

Changes in net position of the District's governmental activities were a \$1,439,308 increase last year compared to a \$2,455,673 increase at August 31, 2021.

Table I
Edgewood Independent School District
NET POSITION

	Governmental Activities 8/31/2021	Governmental Activities 8/31/2020	Net Change
Current and other assets	\$8,159,600	\$6,017,391	\$2,142,209
Capital assets	9,814,202	9,985,856	(171,654)
Total assets	<u>\$17,973,802</u>	<u>\$16,003,247</u>	<u>\$1,970,555</u>
Deferred Outflows	\$1,383,190	\$1,701,981	(\$318,791)
Current and other liabilities	\$808,794	\$501,516	\$307,278
Long-term liabilities	3,897,477	4,681,641	(784,164)
Net Pension Liability (District's Share)	2,207,752	2,286,020	(78,268)
Net OPEB Liability (District's Share)	2,756,749	3,472,463	(715,714)
Total liabilities	<u>\$9,670,772</u>	<u>\$10,941,640</u>	<u>(\$1,270,868)</u>
Deferred Inflows	\$2,876,267	\$2,409,308	\$466,959
Net Position:			
Net Investment in Capital Assets	\$5,916,725	\$5,304,215	\$612,510
Restricted	484,253	257,736	226,517
Unrestricted	408,975	(1,207,671)	1,616,646
Total Net Position	<u><u>\$6,809,953</u></u>	<u><u>\$4,354,280</u></u>	<u><u>\$2,455,673</u></u>

Table II
Edgewood Independent School District
CHANGES IN NET POSITION

	Governmental Activities Yr Ended 8/31/2021	Governmental Activities Yr Ended 8/31/2020	Net Change
Revenues:			
Program Revenues:			
Charges for Services	\$284,328	\$323,114	(\$38,786)
Operating grants and contributions	1,698,817	1,938,106	(239,289)
General Revenues:			
Maintenance and operations taxes	2,978,597	2,842,737	135,860
Debt service taxes	529,762	488,335	41,427
State aid - formula grants	8,420,272	8,265,234	155,038
Grants & Contributions not restricted to specific functions	428,823	389,467	39,356
Investment Earnings	10,183	43,691	(33,508)
Miscellaneous	258,862	64,516	194,346
Total Revenue	\$14,609,644	\$14,355,200	\$254,444
Expenses:			
Instruction, curriculum and media services	\$6,765,251	\$7,355,043	(\$589,792)
Instructional and school leadership	953,526	959,470	(5,944)
Student support services	879,004	911,690	(32,686)
Child nutrition	558,213	469,977	88,236
Co curricular activities	731,799	758,841	(27,042)
General administration	474,646	470,880	3,766
Plant maintenance, security & data processing	1,571,929	1,746,919	(174,990)
Debt services	148,354	173,871	(25,517)
Payments to fiscal agents	200	200	0
Other intergovernmental charges	71,049	69,001	2,048
Total Expenses	\$12,153,971	\$12,915,892	(\$761,921)
Increase in net position before transfers and special items	\$2,455,673	\$1,439,308	\$1,016,365
Transfers	0	0	0
Special Items	0	0	0
Net Position at Beginning of Fiscal Year	4,354,280	2,914,972	1,439,308
Net Position at End of Fiscal Year	\$6,809,953	\$4,354,280	\$2,455,673

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in Exhibit C-3 on page 16) reported a combined fund balance of \$7,204,076 compared to \$5,358,857 for the last fiscal year. The District's General Fund reported a fund balance increase of \$1,616,272, ending the year with \$6,746,482. The District's Special Revenue Funds reported a fund balance increase of \$134,424, ending the year with \$248,412. The District's Debt Service Fund reported a fund balance increase of \$94,523, ending the year with \$209,182.

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments included amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in August 2020) and amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets:

During the year ended August 31, 2021, the District invested \$609,841 in capital assets, consisting of various facility improvements, miscellaneous equipment, and three used school buses.

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

	<u>Beginning</u>			<u>Ending</u>
	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>
Land	\$441,470	\$0	\$0	\$441,470
Buildings & Improvements	14,885,723	186,332	0	15,072,055
Equipment	2,138,281	224,909	0	2,363,190
Vehicles	1,694,331	198,600	0	1,892,931
Capital Lease Property	3,384,627	0	0	3,384,627
Totals at Historical Cost	<u>22,544,432</u>	<u>609,841</u>	<u>0</u>	<u>23,154,273</u>
Less accumulated depreciation for:				
Buildings & Improvements	(8,842,913)	(351,491)	0	(9,194,404)
Equipment	(1,607,008)	(120,360)	0	(1,727,368)
Vehicles	(1,115,382)	(120,375)	0	(1,235,757)
Capital Lease Property	(993,273)	(189,269)	0	(1,182,542)
Total accumulated depreciation	<u>(12,558,576)</u>	<u>(781,495)</u>	<u>0</u>	<u>(13,340,071)</u>
Capital Assets, Net	<u>\$9,985,856</u>	<u>(\$171,654)</u>	<u>\$0</u>	<u>\$9,814,202</u>

Debt:

At year-end August 31, 2021, the District had \$2,315,000 outstanding in bonds compared to \$2,750,000 last year. Also, the District had \$0 outstanding in loans compared to \$136,154 last year, and the District had \$1,582,477 outstanding in capital leases compared to \$1,795,487 last year. During the current fiscal year, the District had no new borrowings.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal-year 2021 budget, and tax rates. Several of those factors were the economy, the District's population growth, and unemployment. These factors were taken into account when adopting the General Fund budget for 2021. Amounts available for appropriation in the General Fund budget are \$2,764,005. The District has added no major new programs or initiatives to the 2021 budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Edgewood Independent School District, 804 East Pine, Edgewood, Texas.

BASIC FINANCIAL STATEMENTS

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

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 3,687,330
1120 Current Investments	3,757,844
1220 Property Taxes - Delinquent	189,244
1230 Allowance for Uncollectible Taxes	(3,282)
1240 Due from Other Governments	517,158
1290 Other Receivables, Net	11,306
Capital Assets:	
1510 Land	441,470
1520 Buildings, Net	5,877,651
1530 Furniture and Equipment, Net	635,822
1540 Vehicles, Net	657,174
1550 Capital Lease Property, Net	2,202,085
1000 Total Assets	17,973,802
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflow Related to TRS Pension	824,716
1706 Deferred Outflow Related to TRS OPEB	558,474
1700 Total Deferred Outflows of Resources	1,383,190
LIABILITIES	
2110 Accounts Payable	29,934
2140 Interest Payable	37,272
2160 Accrued Wages Payable	425,014
2180 Due to Other Governments	287,075
2200 Accrued Expenses	12,826
2300 Unearned Revenue	16,673
Noncurrent Liabilities:	
2501 Due Within One Year: Loans, Note, Leases, etc.	674,546
Due in More than One Year:	
2502 Bonds, Notes, Leases, etc.	3,222,931
2540 Net Pension Liability (District's Share)	2,207,752
2545 Net OPEB Liability (District's Share)	2,756,749
2000 Total Liabilities	9,670,772
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS Pension	527,184
2606 Deferred Inflow Related to TRS OPEB	2,349,083
2600 Total Deferred Inflows of Resources	2,876,267
NET POSITION	
3200 Net Investment in Capital Assets	5,916,725
Restricted:	
3820 Restricted for Federal and State Programs	191,806
3850 Restricted for Debt Service	235,841
3870 Restricted for Campus Activities	56,506
3880 Restricted for Scholarships	100
3900 Unrestricted	408,975
3000 Total Net Position	\$ 6,809,953

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

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

Data Control Codes	1	Program Revenues		Net (Expense)	
		3	4	Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	6 Primary Gov. Governmental Activities	
Primary Government:					
GOVERNMENTAL ACTIVITIES:					
11	Instruction	\$ 6,489,485	\$ 23,798	\$ 699,308	\$ (5,766,379)
12	Instructional Resources and Media Services	4,051	-	25	(4,026)
13	Curriculum and Instructional Staff Development	271,715	-	44,503	(227,212)
21	Instructional Leadership	138,453	-	8,452	(130,001)
23	School Leadership	815,073	-	52,569	(762,504)
31	Guidance, Counseling, and Evaluation Services	315,745	-	169,582	(146,163)
33	Health Services	223,609	-	16,129	(207,480)
34	Student (Pupil) Transportation	339,650	-	13,794	(325,856)
35	Food Services	558,213	43,444	598,398	83,629
36	Extracurricular Activities	731,799	209,734	24,057	(498,008)
41	General Administration	474,646	7,352	20,542	(446,752)
51	Facilities Maintenance and Operations	968,845	-	30,841	(938,004)
52	Security and Monitoring Services	127,999	-	3,901	(124,098)
53	Data Processing Services	475,085	-	16,716	(458,369)
72	Debt Service - Interest on Long-Term Debt	147,104	-	-	(147,104)
73	Debt Service - Bond Issuance Cost and Fees	1,250	-	-	(1,250)
93	Payments Related to Shared Services Arrangements	200	-	-	(200)
99	Other Intergovernmental Charges	71,049	-	-	(71,049)
[TP]	TOTAL PRIMARY GOVERNMENT:	\$ 12,153,971	\$ 284,328	\$ 1,698,817	(10,170,826)
Data Control Codes	General Revenues:				
	Taxes:				
MT	Property Taxes, Levied for General Purposes			2,978,597	
DT	Property Taxes, Levied for Debt Service			529,762	
SF	State Aid - Formula Grants			8,420,272	
GC	Grants and Contributions not Restricted			428,823	
IE	Investment Earnings			10,183	
MI	Miscellaneous Local and Intermediate Revenue			258,862	
TR	Total General Revenues			12,626,499	
CN	Change in Net Position			2,455,673	
NB	Net Position - Beginning			4,354,280	
NE	Net Position - Ending			\$ 6,809,953	

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

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

Data Control Codes	10 General Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS			
1110 Cash and Cash Equivalents	\$ 3,200,613	\$ 452,548	\$ 3,653,161
1120 Investments - Current	3,757,844	-	3,757,844
1220 Property Taxes - Delinquent	165,137	24,107	189,244
1230 Allowance for Uncollectible Taxes	(2,864)	(418)	(3,282)
1240 Due from Other Governments	400,259	116,899	517,158
1290 Other Receivables	11,306	-	11,306
1000 Total Assets	<u>\$ 7,532,295</u>	<u>\$ 593,136</u>	<u>\$ 8,125,431</u>
LIABILITIES			
2110 Accounts Payable	\$ 3,220	\$ -	\$ 3,220
2160 Accrued Wages Payable	380,747	44,267	425,014
2180 Due to Other Governments	231,673	55,402	287,075
2200 Accrued Expenditures	7,900	4,926	12,826
2300 Unearned Revenue	7,993	8,680	16,673
2000 Total Liabilities	<u>631,533</u>	<u>113,275</u>	<u>744,808</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	154,280	22,267	176,547
2600 Total Deferred Inflows of Resources	<u>154,280</u>	<u>22,267</u>	<u>176,547</u>
FUND BALANCES			
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	191,806	191,806
3480 Retirement of Long-Term Debt	-	209,182	209,182
3490 Other Restricted Fund Balance	-	56,606	56,606
Committed Fund Balance:			
3510 Construction	2,400,000	-	2,400,000
3525 Retirement of Loans or Notes Payable	1,582,477	-	1,582,477
3600 Unassigned Fund Balance	2,764,005	-	2,764,005
3000 Total Fund Balances	<u>6,746,482</u>	<u>457,594</u>	<u>7,204,076</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 7,532,295</u>	<u>\$ 593,136</u>	<u>\$ 8,125,431</u>

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

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2021

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	7,204,076
1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase(decrease) net position.		7,455
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$22,544,432, and the accumulated depreciation was \$12,558,576. In addition, long-term liabilities, including bonds payable of \$2,750,000, loans payable of \$136,154, and capital leases payable of \$1,795,487, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. Accrued interest payable on long term debt of \$44,253 is not reflected in the fund financial statements, but is shown in the government-wide financial statements. The net effect of including the beginning balances for capital assets (net of depreciation), and long-term debt in the governmental activities, is to increase (decrease) net position.		5,259,962
3 Current year capital outlays of \$609,841, and long-term debt principal payments of \$784,164 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. Interest payable of \$6,981 is recorded in the government-wide financial statements. The net effect of including the current year capital outlays and debt principal payments is to increase (decrease) net position.		1,400,986
4 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes of \$176,547 as revenue, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		176,547
5 The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(781,495)
6 The District is required to recognize its proportionate share of the net pension liability required by GASB 68 in the amount of \$2,207,752, a deferred resource inflow in the amount of \$527,184, and a deferred resource outflow in the amount of \$824,716. The net effect of including the net pension liability, deferred resource inflows, and deferred resource outflows, is to increase (decrease) net position.		(1,910,220)
7 The District is required to recognize its proportionate share of the OPEB liability required by GASB 75 in the amount of \$2,756,749, a deferred resource inflow in the amount of \$2,349,083, a deferred resource outflow in the amount of of \$558,474. The net effect of including the net OPEB liability, deferred resource inflows, and deferred resource outflows, is to increase (decrease) net position.		(4,547,358)
19 Net Position of Governmental Activities	\$	<u>6,809,953</u>

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

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

Data Control Codes	10 General Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 3,389,007	\$ 694,601	\$ 4,083,608
5800 State Program Revenues	8,965,060	90,273	9,055,333
5900 Federal Program Revenues	155,911	1,086,848	1,242,759
5020 Total Revenues	<u>12,509,978</u>	<u>1,871,722</u>	<u>14,381,700</u>
EXPENDITURES:			
Current:			
0011 Instruction	5,836,176	223,033	6,059,209
0012 Instructional Resources and Media Services	4,097	-	4,097
0013 Curriculum and Instructional Staff Development	220,422	32,992	253,414
0021 Instructional Leadership	129,470	-	129,470
0023 School Leadership	749,699	-	749,699
0031 Guidance, Counseling, and Evaluation Services	132,300	159,759	292,059
0033 Health Services	205,601	-	205,601
0034 Student (Pupil) Transportation	399,946	119	400,065
0035 Food Services	-	598,398	598,398
0036 Extracurricular Activities	610,267	102,431	712,698
0041 General Administration	440,752	-	440,752
0051 Facilities Maintenance and Operations	922,877	1,118	923,995
0052 Security and Monitoring Services	126,090	-	126,090
0053 Data Processing Services	443,854	-	443,854
Debt Service:			
0071 Principal on Long-Term Debt	349,164	435,000	784,164
0072 Interest on Long-Term Debt	65,410	88,675	154,085
0073 Bond Issuance Cost and Fees	-	1,250	1,250
Capital Outlay:			
0081 Facilities Acquisition and Construction	186,332	-	186,332
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	200	-	200
0099 Other Intergovernmental Charges	71,049	-	71,049
6030 Total Expenditures	<u>10,893,706</u>	<u>1,642,775</u>	<u>12,536,481</u>
1200 Net Change in Fund Balances	1,616,272	228,947	1,845,219
0100 Fund Balance - September 1 (Beginning)	<u>5,130,210</u>	<u>228,647</u>	<u>5,358,857</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 6,746,482</u>	<u>\$ 457,594</u>	<u>\$ 7,204,076</u>

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

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

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$	1,845,219
<p>The District uses internal service funds to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase (decrease) net position.</p>		
		4,607
<p>Current year capital outlays of \$609,841, and long-term debt principal payments of \$784,164 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. Interest payable of \$6,981 is recorded in the government-wide financial statements. The net effect of including the current year capital outlays and debt principal payments is to increase (decrease) net position.</p>		
		1,400,986
<p>Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue by \$21,876 to show the revenue earned from the current year's tax levy, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.</p>		
		(21,876)
<p>Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.</p>		
		(781,495)
<p>Current year changes due to GASB 68 increased revenues in the amount of \$349,603, but also increased expenses in the amount of \$465,069. The impact of these items is to increase (decrease) the change in net position.</p>		
		(115,466)
<p>Current year changes due to GASB 75 increased revenues in the amount of \$99,783, but also increased expenses in the amount of \$223,481. The impact of these items is to increase (decrease) the change in net position.</p>		
		123,698
 Change in Net Position of Governmental Activities	 \$	 <u><u>2,455,673</u></u>

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

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

	Governmental Activities -	
		Internal Service Fund
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$	34,169
Total Assets		34,169
LIABILITIES		
Current Liabilities:		
Accounts Payable		26,714
Total Liabilities		26,714
NET POSITION		
Unrestricted Net Position		7,455
Total Net Position	\$	7,455

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

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

	Governmental Activities -	
	Internal Service Fund	
OPERATING REVENUES:		
Local and Intermediate Sources	\$ 21,000	
Total Operating Revenues	21,000	
OPERATING EXPENSES:		
Other Operating Costs	16,393	
Total Operating Expenses	16,393	
Operating Income	4,607	
Total Net Position - September 1 (Beginning)	2,848	
Total Net Position - August 31 (Ending)	\$ 7,455	

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

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

EXHIBIT D-3

	Governmental Activities -
	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 21,000
Cash Payments for Insurance Claims	(15,521)
Net Cash Provided by Operating Activities	5,479
Net Increase in Cash and Cash Equivalents	5,479
Cash and Cash Equivalents at Beginning of Year	28,690
Cash and Cash Equivalents at End of Year	\$ 34,169
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Income:	\$ 4,607
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (decrease) in Accounts Payable	872
Net Cash Provided by Operating Activities	\$ 5,479

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

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

	Custodial Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 26,833
Total Assets	<u>26,833</u>
NET POSITION	
Unrestricted Net Position	<u>26,833</u>
Total Net Position	<u><u>\$ 26,833</u></u>

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

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

	Custodial Fund
ADDITIONS:	
Cocurricular Services or Activities	\$ 38,512
Total Additions	<u>38,512</u>
DEDUCTIONS:	
Supplies and Materials	16,492
Other Deductions	23,386
Total Deductions	<u>39,878</u>
Change in Fiduciary Net Position	(1,366)
Total Net Position - September 1 (Beginning)	<u>28,199</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 26,833</u></u>

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

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Edgewood Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven-member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in GASB Statement No. 76, and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

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

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

Edgewood Independent School District implemented Governmental Accounting Standards Board (GASB) Number 84 *Fiduciary Activities* to improve identification of fiduciary activities for accounting and financial reporting purposes in the current year.

A. Reporting Entity

The Board of Trustees is elected by the public and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, *"The Financial Reporting Entity,"* There is a Public Facility Corporation that is a blended component unit included within the reporting entity. The Public Facility Corporation was created to obtain financing to fund a major construction project.

B. Government-Wide and Fund Financial Statements

The District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Edgewood Independent School District nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues.

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

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those clearly identifiable within a function. Depreciation expense is specifically identified by function and is included in the direct expense to each function.

Interfund activities between governmental funds appear as due to/due from on the Governmental Fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds and internal service funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Activities. Since Internal Service Funds support the operations of governmental funds, they are consolidated with the governmental funds in the government-wide financial statements. The expenditures of governmental funds that create the revenues of internal service funds are eliminated to avoid “grossing up” the revenues and expenses of the District as a whole.

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

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

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

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. All assets, liabilities, and deferred inflows of resources associated with the operation of the District are included on the Statement of Net Position. 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.

All governmental fund financial statements are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance report the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with a brief explanation to better identify the relationship between government-wide statements and the governmental fund statements. The modified accrual basis of accounting recognizes revenues in the accounting period in which they become measurable and available. For this purpose, the District considers revenues available if they are collected within 60 days of the end of the current fiscal period. It recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgements are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Revenues – Exchange Transactions – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current year and are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the District, the phrase “available for exchange transactions” means expected to be received within 60 days of the year-end.

Revenues – Non-exchange Transactions – Non-exchange transactions in which the District receives value without directly giving equal value in return, include property taxes, grants, and donations. On the government-wide financial statements, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions also must be available (i.e., collected within 60 days) before it can be recognized in the governmental funds.

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

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

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The net position is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

Expenditures/Expenses – On the accrual basis of accounting (government-wide financial statements), expenses are recognized at the time there are incurred. On the modified accrual basis (fund financial statements), expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

D. Fund Accounting

The District reports the following major governmental funds:

The General Fund – The general fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

Additionally, the District reports the following fund types:

Governmental Funds:

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

Debt Service Fund – The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

Proprietary Funds:

Internal Service Funds – Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis are accounted for in an internal service fund. The District's Internal Service Fund is the Workers Comp Self Insurance Fund. This fund is aggregated in the government-wide Statement of Net Position and Statement of Changes in Net Position.

Fiduciary Funds:

Custodial Funds – The District accounts for resources held for others in a custodial capacity in custodial funds. The District's Custodial Fund is the Student Activity Fund.

E. Encumbrance Accounting

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment of Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent an expenditure for the period, only a commitment to expend resources. Appropriations lapse at August 31 and encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent year's budget. There were no outstanding encumbrances at August 31, 2021 that were subsequently provided for in the next year's budget for the General Fund.

F. Other Accounting Policies

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

2. **Inventories** – Inventories of supplies on the balance sheet are stated at FIFO cost and they include consumable maintenance, instructional, and office items. Supplies are recorded as expenditures when they are consumed. Inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and initially recorded as an expense. Inventory and expenditures are adjusted periodically subsequent to inventory counts.
3. **Receivables and Payables** – All trade and property tax receivables are shown at face value. The property tax receivable allowance is shown at various rates based upon historical trends of outstanding property taxes receivable as of August 31, 2021.
4. **Long-term Debt** - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Amounts recorded as long-term debt represent obligations that will be met by future revenue resources that are not available as of the current balance sheet date.
5. **Vacation and Sick Leave** – Vacations are to be taken within the same year they are earned, and any unused days at the end of the year are forfeited. Therefore, no liability has been accrued in the accompanying basic financial statements. Employees of the District are entitled to sick leave based on category/class of employment. Sick leave is allowed to be accumulated but does not vest. Therefore, no liability exists for unused sick leave.
6. **Capital Assets** - Capital assets, which include land, buildings, furniture and equipment are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Classification</u>	<u>Useful Life</u>
Buildings	15-50 years
Building Improvements	15-50 years
Vehicles & Buses	5-10 years
Equipment	5-7 years

The District has no restriction on any capital assets.

7. **Due From/Due To Other Funds** – Interfund receivables and payables arise from interfund transactions and are recorded in all affected funds in the period in which transactions are executed in the normal course of operations. See Note III-E for detailed discussion of interfund receivables and payables.
8. **Net Position/Fund Balance:**

Net position on the government-wide *Statement of Net Position* includes the following:

Net Investment in Capital Assets reports the difference between capital assets, net of accumulated depreciation, and the outstanding balance of debt, excluding unspent bond proceeds that are directly attributable to the acquisition, construction or improvement of those capital assets.

Restricted for Federal and State Grant Programs is the component of net position restricted to be spent for specific purposes prescribed by federal and state granting agencies.

Restricted for Debt Service is the component of net position that is restricted for payment of debt service by constraints established by bond covenants.

Restricted for Campus Activities is the component of net position that is restricted for campus activities.

Restricted for Scholarships is the component of net position that is restricted for scholarships.

Unrestricted Net Position is the residual difference between assets, deferred outflows, liabilities, and deferred inflows that is not invested in capital assets or restricted for specific purpose.

Net position represents the difference between assets plus deferred outflow of resources, and liabilities and deferred inflow of resources. Net investment in capital assets consists of cost of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowing used for the acquisition, construction, or improvements of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislature adopted by the district or through external restrictions imposed by creditor, grantors, or laws or regulations of other governments. All other net positions are reported as unrestricted.

Fund balances on the governmental funds' *Balance Sheet* include the following:

Non-spendable fund balance is the portion of the gross fund balance that is not expendable because it is either not in spendable form or is legally or contractually required to be maintained intact.

Restricted fund balance includes amounts restricted for a specific purpose by the provider (such as grantors, bondholders, and high levels of government), through constitutional provisions, or by enabling legislation. Debt service resources are to be used for future servicing of the District's bonded debt and are restricted through debt covenants. Capital projects bond funds are restricted by the bondholders for the specific purpose of capital projects and capital outlays. Federal & State grant resources are restricted pursuant to the mandates of the granting agency.

Committed fund balance is that portion of fund balance that is committed to a specific purpose by the District's Board of Trustees. The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by Board action. These amounts cannot be used for any other purpose unless the Board removes or changes the constraint by exercising the same type of action originally used to commit the funds.

Unassigned fund balance is the difference between the total fund balance and the total of the non-spendable, restrict, and committed fund balances and can be utilized for any legal purpose. This portion of the total fund balance in the General Fund is available to finance operating expenditures.

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

10. Total Columns on Combined Financial Statements – These total columns do not purport to present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles.

11. District's Policy as to Defining Operating & Non-operating Revenues of Proprietary Funds – Operating revenues are generally defined as those which originate through the ongoing activities of the fund. In contrast, non-operating revenues include, but are not limited to; capital expenditures, transfers, investing and financing activities.

12. Application of Restricted or Unrestricted Resources - When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When expenditures are incurred for which committed, or unassigned fund balances are available, the District considers amounts to have been spent first from committed funds, then unassigned funds, as need, unless the Board of Trustees has provided otherwise its commitment actions.

13. Grant Fund Accounting – The Special Revenue Fund includes programs that are financed on a project grant basis. These projects have grant periods that can range from less than twelve months to in excess of three years. Grants are recorded as revenues when earned, which the District considers to be earned to the extent expenditures have been incurred, the District has met all eligibility requirements, and funds are available.

14. Estimates and Assumptions – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

15. Deferred Outflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. Certain deferred charges related to TRS pension and other post-employment benefits are reported as deferred outflows of resources on the government-wide statement of net position.

16. Deferred Inflows of Resources - In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has one type of item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Uncollected property taxes which are assumed collectible are reported in this category on the balance sheet for governmental funds. They are not reported in this category on the government wide statement of net position. Certain deferred charges related to TRS pension and other post-employment benefits are reported as deferred inflows on the government-wide statement of net position.

II. STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY

A. Budgetary Data

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Food Service Fund (which is included in the Special Revenue Funds). The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 in RSI and the other two reports are in Exhibit J-2 and J-3.

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

1. Prior to August 20, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by 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. Because the District has a policy of careful budgetary control, several amendments were necessary during the year.
4. 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 year end. A reconciliation of fund balances for both appropriated budget and non-appropriated budget special revenue funds is as follows:

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

Appropriated Budget Funds - Food Service	\$191,806
Nonappropriated Budget Funds-Campus Activity	56,506
Nonappropriated Budget Funds-Scholarship Funds	100
All Special Revenue Funds	\$248,412

III. DETAILED NOTES ON ALL FUNDS & ACCOUNT GROUPS

Note A. DEPOSITORY CONTRACT LAW

The funds of the District must be deposited under the terms of a contract, contents of which are set out in the Depository Contract Law. 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 dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

At August 31, 2021, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts) was \$5,392,330, and \$1,028,294 in Texpool investment accounts and \$1,024,550 in Texstar investment accounts. At August 31, 2021 and during the year then ended, the District's combined deposits were **fully insured** by FDIC insurance or collateralized with securities held by the District's agent bank in the District's name, or by letters of credit.

Depository information required to be reported to the Texas Education Agency is as follows:

- a. Depository: First State Bank of Ben Wheeler, Ben Wheeler, Texas
- b. The highest combined balance of cash, savings, and time deposits accounts amounted to \$5,704,220, and occurred during the month of May 2021.
- c. The market value of securities pledged as of the date of the highest combined balance on deposit was \$7,646,992.
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$728,379.

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

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

The District has the following recurring fair value measurements as of August 31, 2021:

Cash & Cash Equivalents of \$5,392,330 are valued using quoted market prices (Level 1 inputs).
Investments in Texpool accounts of \$1,028,294 are valued using quoted market prices (Level 1 inputs).
Investments in Texstar accounts of \$1,024,550 are valued using quoted market prices (Level 1 inputs).

The District has no investments measured at the Net Asset Value (NAV) per Share or its equivalent.

The **Public Funds Investment Act (PFIA)** (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, which must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. agencies, municipal securities, repurchase agreements, and certain other investments. The investments owned at fiscal year-end are held by the District or its agent in the District's name.

In compliance with the PFIA, the District has adopted a deposit and investment policy, which address the following risks:

Credit Risk is the risk that a security issuer may default on an interest or principal payment. The District controls and monitors this risk by purchasing quality rated instruments that have been evaluated by nationally recognized agencies such as Standards and Poor's (S&P) or Moody's Investor Service.

Custodial Credit Risk is the risk that, in the event of the failure of a depository financial institution or counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover its deposits, value of its investments, or collateral securities that are in the possession of an outside party. The PFIA, the District’s investment policy, and Government Code Chapter 2257 “Collateral for Public Funds” contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments. The District’s funds are deposited and invested under terms of a depository contract with amounts greater than the FDIC coverage protected by approved pledged securities held on behalf of the District.

Concentration of Credit Risk is the risk associated with holding investments that are not pools and full faith credit securities. These risks are controlled by limiting the percentages of these investments in the District’s portfolio.

Interest Rate Risk is the risk that interest rates will rise and an investment in a fixed-income security will decrease in value. Interest rate risk is reduced by diversifying, investing in securities with different durations, and laddering maturity dates. The District manages its exposure to interest rate risk by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase.

Foreign Currency Risk is the potential for loss due to fluctuations in exchange rates. The District’s policy does not allow for any direct foreign investments, and therefore the District is not exposed to foreign currency risk.

Note B. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

The assessed value of the roll as of the end of the fiscal year was \$306,109,083. The tax rates levied for the fiscal year ended August 31, 2021, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$0.97310 and \$0.173014 per \$100 valuation, respectively, for a total of \$1.146114 per \$100 valuation. Current year tax collections for the period ended August 31, 2021, were 100.72% of the levy and 98.45% in the prior year.

Note C. DELINQUENT TAXES RECEIVABLE

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Note D. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Available School Fund.

Receivables due from other governments as of August 31, 2021 are as follows:

<u>Fund</u>	<u>State Grants</u>	<u>Federal Grants</u>	<u>Other Governments</u>	<u>Totals</u>
General Fund	\$393,696	\$0	\$6,563	\$400,259
Debt Service Funds	0	0	1,094	1,094
Special Revenue Funds	0	115,805	0	115,805
Totals	\$393,696	\$115,805	\$7,657	\$517,158

Note E. INTERFUND TRANSACTIONS

Interfund balances at August 31, 2021, consisted of the following individual receivables & payables:

None

Interfund transfers for the year ended August 31, 2021, consisted of the following individual amounts:

None

Note F. CAPITAL ASSETS

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

	<u>Beginning</u> Balance	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Land	\$441,470	\$0	\$0	\$441,470
Buildings & Improvements	14,885,723	186,332	0	15,072,055
Equipment	2,138,281	224,909	0	2,363,190
Vehicles	1,694,331	198,600	0	1,892,931
Capital Lease Property	3,384,627	0	0	3,384,627
Totals at Historical Cost	<u>22,544,432</u>	<u>609,841</u>	<u>0</u>	<u>23,154,273</u>
Less accumulated depreciation for:				
Buildings & Improvements	(8,842,913)	(351,491)	0	(9,194,404)
Equipment	(1,607,008)	(120,360)	0	(1,727,368)
Vehicles	(1,115,382)	(120,375)	0	(1,235,757)
Capital Lease Property	(993,273)	(189,269)	0	(1,182,542)
Total accumulated depreciation	<u>(12,558,576)</u>	<u>(781,495)</u>	<u>0</u>	<u>(13,340,071)</u>
Capital Assets, Net	<u>\$9,985,856</u>	<u>(\$171,654)</u>	<u>\$0</u>	<u>\$9,814,202</u>

Depreciation expense for the current year was charged to governmental functions as follows:

11 Instruction	\$357,006
13 Curriculum & Instructional Staff	13,222
21 Instructional Leadership	6,611
23 School Leadership	46,278
31 Guidance, Counseling, & Evaluation Services	19,834
33 Health Services	13,222
34 Student (Pupil) Transportation	133,597
35 Food Services	33,056
36 Cocurricular/Extracurricular Activities	46,278
41 General Administration	26,445
51 Plant Maintenance & Operations	52,890
52 Security & Monitoring Services	6,611
53 Data Processing Services	<u>26,445</u>
Total Depreciation Expense	<u>\$781,495</u>

Note G. LONG-TERM DEBT

A summary of changes in long-term debt for the year ended August 31, 2021 is as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due</u> <u>within One</u> <u>Year</u>
Governmental Activities:					
General Obligation Bonds	\$2,750,000		\$0 (\$435,000)	\$2,315,000	\$455,000
Loans	136,154	0	(136,154)	0	0
Capital Leases	1,795,487	0	(213,010)	1,582,477	219,546
Total Governmental Activities	<u>\$4,681,641</u>	<u>\$0</u>	<u>(\$784,164)</u>	<u>\$3,897,477</u>	<u>\$674,546</u>

Bonds

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

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2021.

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

<u>Description</u>	<u>Interest Rates</u> <u>Payable</u>	<u>Amounts of</u> <u>Original Issue</u>	<u>Interest</u> <u>Current Year</u>	<u>Beginning</u> <u>Amounts</u> <u>Outstanding</u> <u>9/01/20</u>	<u>Issued</u>	<u>Retired</u>	<u>Ending Amounts</u> <u>Outstanding</u> <u>8/31/21</u>
Unltd Tax Refunding Bonds- Series 2008	4.00%	\$3,725,000	\$32,300	\$960,000	\$0	(\$305,000)	\$655,000
Unltd Tax Refunding Bonds- Series 2012	2.00-3.50%	\$2,035,000	56,375	1,790,000	0	(130,000)	1,660,000
Total General Obligation Bonds			<u>\$88,675</u>	<u>\$2,750,000</u>	<u>\$0</u>	<u>(\$435,000)</u>	<u>\$2,315,000</u>

Debt service requirements for bonds are as follows:

<u>Year Ending August 31,</u>	<u>Bonds</u>		<u>Total Requirements</u>
	<u>Principal</u>	<u>Interest</u>	
2022	\$455,000	\$72,200	\$527,200
2023	470,000	55,050	525,050
2024	465,000	39,350	504,350
2025	465,000	24,238	489,238
2026	460,000	8,050	468,050
2027-Maturity	0	0	0
Total Bonds	<u>\$2,315,000</u>	<u>\$198,888</u>	<u>\$2,513,888</u>

Loans

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

<u>Date of Issue/Maturity</u>	<u>Purpose/Lawful Authority</u>	<u>Fund Payable From/Interest Rate</u>	<u>Current Year Interest</u>	<u>Beginning Balance</u>	<u>Amount Issued</u>	<u>Amount Retired</u>	<u>Ending Balance</u>
2/18-2/23	Public Property Finance	General/3.71%	\$5,055	\$136,154	\$0	(\$136,154)	\$0
Totals			\$5,055	\$136,154	\$0	(\$136,154)	\$0

Debt service requirements for loans are as follows:

None

Capital Leases

On June 1, 2008, in accordance with the Public Property Finance Act, as amended Section 271.001, the District entered into a capital lease contract with a nonprofit corporation, the Edgewood ISD Public Facility Corporation, created pursuant to the provisions of Chapter 303, as amended, Texas Local Government Code, as amended, for the use, purchase or other acquisition and improvement of school facilities and the acquisition of furniture, and equipment related hereto. The facility will be capitalized for approximately \$2,080,000. The effective rate of interest was 4.90%. This capital lease will be paid off during the year ending August 31, 2028. The Edgewood ISD Public Facility Corporation is treated as a blended component unit for the District's report.

On September 28, 2016, the District entered into a capital lease for the purchase of HVAC system improvements under Texas Local Government Code section 271. The system was capitalized for \$1,378,229. The minimum annual payment is \$153,273. The effective rate of interest was 2.00%. This capital lease is scheduled to be liquidated during the year ending August 31, 2027.

Debt service requirements for capital leases are as follows:

<u>Year Ending August 31,</u>	<u>Capital Leases</u>		<u>Total Requirements</u>
	<u>Principal</u>	<u>Interest</u>	
2022	\$219,546	\$52,454	\$272,000
2023	226,324	45,676	272,000
2024	233,357	38,643	272,000
2025	240,653	31,347	272,000
2026	248,225	23,775	272,000
2027-Maturity	414,372	25,219	439,591
Totals	\$1,582,477	\$217,114	\$1,799,591

Note H. DUE TO OTHER GOVERNMENTS

As of August 31, 2021, the District had no amounts due to Texas Education Agency for 2020-2021 state revenues.

Note I. UNEARNED REVENUE & UNAVAILABLE REVENUE

Unearned revenue is that portion of the net revenue receivable which is expected to be collected within the first 60 days following the fiscal year end. Unavailable revenue is that portion of the net revenue receivable which is not expected to be collected within the first 60 days following the fiscal year end.

Unearned revenue and Unavailable revenue at August 31, 2021 consisted of the following:

	<u>Special Revenue</u>			<u>Totals</u>
	<u>General Fund</u>	<u>Fund</u>	<u>Debt Service Fund</u>	
Unearned Revenue:				
Property Tax Revenue	\$7,993	\$0	\$1,422	\$9,415
Local Food Service Revenue	0	7,258	0	7,258
Total Unearned Revenue	<u>\$7,993</u>	<u>\$7,258</u>	<u>\$1,422</u>	<u>\$16,673</u>
Unavailable Revenue:				
Property Tax Revenue	\$154,280	\$0	\$22,267	\$176,547
Total Unavailable Revenue	<u>\$154,280</u>	<u>\$0</u>	<u>\$22,267</u>	<u>\$176,547</u>

Note J. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

	<u>Special Revenue</u>			<u>Totals</u>
	<u>General Fund</u>	<u>Funds</u>	<u>Debt Service Fund</u>	
Property Taxes	\$3,001,715	\$0	\$531,750	\$3,533,465
Penalties, Interest, & Other Tax				
Related Income	51,638	0	7,963	59,601
Investment Income	9,657	173	353	10,183
Services to Other LEAs	25,228	0	0	25,228
Tuition	13,656	0	0	13,656
Gifts & Bequests	300	2,000	0	2,300
Net Insurance Recovery	181,442	0	0	181,442
Food Service Sales	0	43,605	0	43,605
Athletics	75,749	0	0	75,749
Co-curricular	0	108,757	0	108,757
Other	29,622	0	0	29,622
Totals	<u>\$3,389,007</u>	<u>\$154,535</u>	<u>\$540,066</u>	<u>\$4,083,608</u>

Note K. RISK MANAGEMENT

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

Health Care Coverage

The District offers all employees health care coverage under the TRS Active Care insurance plan, which is a statewide health coverage program for public education employees established by the 77th Texas Legislature. The District contributed \$245 per month per enrolled employee to the Plan, and employees, at their option, authorized payroll withholdings to pay the additional cost of premiums for themselves and dependents.

CAS Workers Compensation Coverage

The District was self-funded for workers compensation insurance and has an interlocal agreement with Claims Administration Services, Inc. (CAS) to serve as the District's third-party administrator. Transactions related to the plan are accounted for in the Workers Compensation Self Insurance Fund, an internal service fund of the District. The District makes all contributions to the fund. Claims Administrative Services, Inc. obtained excess loss insurance, which limited annual claims paid from the entire fund for the year ended August 31, 2021, to \$350,000 for any individual participant. At August 31, 2021, the District's unpaid claims totaled \$26,714, which includes incurred but not reported claims. The liability is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information obtained prior to the issuance of the financial

statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing the claims liability does not necessarily result in an exact amount. Claims are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

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

	<u>Year Ended August 31, 2020</u>	<u>Year Ended August 31, 2021</u>
Unpaid claims, beginning of fiscal year	\$28,132	\$25,842
Incurred claims (including IBNR's)	1,263	16,393
Claim payments	(3,553)	(15,521)
Unpaid claims, end of fiscal year	<u>\$25,842</u>	<u>\$26,714</u>

TASB Workers Compensation Coverage

During the year ended August 31, 2021, Edgewood ISD met its statutory workers compensation obligations through participation in the TASB Risk Management Fund. The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers compensation benefits to its members' injured employees.

The Fund and its members are protected against higher-than-expected claims cost through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$2 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2020, the Fund carries a discounted reserve of \$44,135,645 for future development on reported claims and claims that have been incurred but not reported. For the year-ended August 31, 2021, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted 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 on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

TASB Auto, Liability, & Property Programs

During the year ended August 31, 2021, Edgewood ISD participated in the following Risk Management Fund Programs:

Auto Liability, Auto Physical Damage, Privacy & Information Security, Property, and School Liability

The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for its Auto, Liability, and Property programs. The terms and limits of stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2021, the Fund anticipates that Edgewood ISD has no additional liability beyond the contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted 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 on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

Litigation and Contingencies

The District may be subjected to loss contingencies arising principally in the normal course of operations. In the opinion of the administration, the outcome of any lawsuits will not have a material adverse effect on the accompanying financial statements and accordingly no provision for losses has been recorded.

State and Federal Programs

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

Note L. DEFINED BENEFIT PENSION PLAN

Plan Description. Edgewood Independent School District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS) 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.

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

Pension Plan Fiduciary Net Position. Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the internet at <http://www.trs.texas.gov>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2020 Comprehensive Annual Financial Report by TRS provides the following information regarding components of the Net Pension Liability of the Pension plan as of August 31, 2020:

<u>Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$ 218,974,205,084
Less: Plan Fiduciary Net Position	<u>165,416,245,243</u>
Net Pension Liability	<u>\$ 53,557,959,841</u>
Net position as a percentage of total pension liability	75.54%

Benefits Provided. TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension benefits are established or amended under the authority of the Texas Constitution, Article XVI, Section 67 and by the Legislature in the Texas Government Code, Title 8, Subtitle C. The Board of Trustees does not have the authority to establish or amend benefits. State law requires the plan to be actuarially sound in order for the Legislature to consider a benefit enhancement, such as supplemental payment to the retirees. In May 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (SB12) that provides for gradual contribution increases from the state, participating employers and active employees to make the pension fund actuarially sound. These increases immediately made the pension fund actuarially sound and the legislature approved funding for a 13th check. All eligible members retired as of December 31, 2018 received an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000, whichever was less.

Contributions. Contribution requirements are established or amended pursuant to Article 16, Section 67 of the Texas Constitution which requires the Texas Legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code Section 821.006 prohibits benefit improvements if it increases the period of TRS' unfunded actuarial liability to greater than 31 years or, if the amortization period already exceed 31 years, the period would be increased by such action. Actuarial implications of the funding provided in this manner are determined by the System's actuary.

Employee contribution rates are set in state statute, Texas Government Code 825.402. SB12 in the 86th Legislature set contribution rates for fiscal year 2020 and fiscal year 2021. Beginning September 1, 2019, all employers are required to pay the

Public Education Employer contribution of 1.5%. Contribution Rates can be found in the TRS 2020 CAFR, Note 11, on page 82.

Contribution Rates

	2020	2021
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	7.5%	7.5%
Employers	7.5%	7.5%
District's 2021 FY Employer Contributions		\$ 176,899
District's 2021 FY Member Contributions		\$ 550,059
Measurement Year NECE On-Behalf Contributions		\$ 453,781

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

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the Plan during the fiscal year reduced by the employer contributions. Employers (including public schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code
- During a new member's first 90 days of employment
- When any part or all of an employee's salary is paid by federal funding sources or a privately sponsored source.

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

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

Actuarial Assumptions.

Roll Forward - The actuarial valuation was performed as of August 31, 2019. Update procedures were used to roll forward the total pension liability to August 31, 2020.

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

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

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

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

The actuarial methods and assumptions used in the determination of the total pension liability are the same assumptions used in

the actuarial valuation as of August 31, 2019. For a full description of these assumptions please see the TRS actuarial valuation report dated November 14, 2019.

Discount Rate. The single discount rate used to measure the total pension liability was 7.25%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the statutorily required rates set by the Legislature during the 2019 legislative session. It is assumed that future employer and state contributions will be 8.50% of payroll in fiscal year 2020 gradually increasing to 9.66% of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. 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.

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 presented in the Asset Allocations the following table from the TRS Comprehensive Annual Financial Report for 2020, page 53.

Table 3.A.1: Asset Allocations			
Asset Class	Target Allocation ¹ %	Long-Term Expected Geometric Real Rate of Return ²	Expected Contribution to Long- Term Portfolio Returns
Global Equity			
USA	18.0 %	3.9 %	0.99 %
Non-U.S. Developed	13.0	5.1	0.92
Emerging Markets	9.0	5.6	0.83
Private Equity	14.0	6.7	1.41
Stable Value			
Government Bonds	16.0 %	(0.7)%	(0.05)%
Absolute Return (Including Credit Sensitive Investments)	—	1.8	—
Stable Value Hedge Funds	5.0	1.9	0.11
Real Return			
Real Estate	15.0 %	4.6 %	1.02 %
Energy, Natural Resources, and Infrastructure	6.0	6.0	0.42
Commodities	—	0.8	—
Risk Parity			
Risk Parity	8.0 %	3.0 %	0.30 %
Asset Allocation Leverage			
Cash	2.0 %	(1.5)%	(0.03)%
Asset Allocation Leverage	(6.0)	(1.3)	0.08
Inflation Expectation			2.00 %
Volatility Drag ³			(0.67)%
Expected Return	100.0 %		7.33 %

¹ Target allocations are based on the FY2020 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.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.25%) in measuring the Net Pension Liability. The discount rate can be found in the 2020 TRS CAFR, Note 11, page 84.

	1% Decrease in Discount Rate (6.25%)	Current Single Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
District's proportionate share of the net pension liability:	\$ 3,404,314	\$ 2,207,752	\$ 1,235,571

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2021, Edgewood Independent School District reported a liability of \$2,207,752 for its proportionate

share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Edgewood Independent School District. The amount recognized by Edgewood Independent School District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with Edgewood Independent School District were as follows:

District's Proportionate share of the collective net pension liability	\$ 2,207,752
State's proportionate share that is associated with the District	<u>5,890,324</u>
Total	<u>\$ 8,098,076</u>

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

At August 31, 2020 the employer's proportion of the collective net pension liability was 0.000041221734% compared to 0.000043976200% at August 31, 2019.

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

Changes in Benefits - In May 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (SB12) that provides for gradual contribution increases from the state, participating employers and active employees to make the pension fund actuarially sound. The increases immediately made the pension fund actuarially sound, and the Legislature approved funding for a 13th check. All eligible members retired as of December 31, 2018, received an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000, whichever was less.

For the year ended August 31, 2021, Edgewood Independent School District recognized pension expense of \$708,475 and revenue of \$708,475 for support provided by the State in the Government Wide Statement of Activities.

At August 31, 2021, Edgewood Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources: (The amounts shown below will be he cumulative layers from the current and prior years combined.)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	\$ 4,031	\$ 61,612
Changes in actuarial assumptions	512,277	217,817
Net Difference between projected and actual investment earnings	44,694	
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	86,815	247,755
Contributions paid to TRS subsequent to the measurement date [to be calculated by employer]	176,899	
Total	\$ 824,716	\$ 527,184

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

Year ended August 31:	Pension Expense Amount
2022	\$ 30,314
2023	47,855
2024	75,019
2025	11,957
2026	(38,337)
Thereafter	(6,176)

Note M. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

Plan Description. The Edgewood Independent School District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

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

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

<u>Net OPEB Liability</u>	<u>Total</u>
Total OPEB Liability	\$ 40,010,833,815
Less: plan fiduciary net position	<u>(1,996,317,932)</u>
Net OPEB liability	<u>\$ 38,014,515,883</u>
Net position as a percentage of total OPEB liability	4.99%

Benefits Provided. TRS-Care provides health insurance coverage to retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension system. Eligible non-Medicare retirees and their dependents may pay premiums to participate in the high-deductible health plans. Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system.

The General Appropriations Act passed by the 86th Legislature included funding to maintain TRS Care premiums at their current level through 2021. The 86th Legislature also passed SB 1682 which requires TRS to establish a contingency reserve in the TRS-Care fund equal to 60 days of expenditures. This amount is estimated at \$277,490,586 as of August 31, 2020.

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

TRS-Care Monthly Premium Rates

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

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

Texas Insurance Code, Section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of salary. Section 1575.204 establishes a public-school contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the employer. The actual public school contribution rate is prescribed by the Legislature in the General Appropriations Act which is 0.75% of each active employee's pay for fiscal year 2020. The following table shows contributions to the TRS-Care plan by type of contributor.

	<u>2020</u>	<u>2021</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding Remitted by Employers	1.25%	1.25%

District's 2021 FY Employer Contributions	\$ 58,630
District's 2021 FY Member Contributions	\$ 46,433
Measurement Year NECE On-Behalf Contributions	\$ 74,066

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.

A supplemental appropriation was authorized by Senate Bill 1264 of the 86th Texas Legislature to provide \$2,208,137 for fiscal year 2020 and \$3,312,206 for fiscal year 2021, for consumer protections against medical and health care billing by certain out-of-network providers. Funding will be in fiscal year 2021.

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

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

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Salary Increases
Rates of Disability	

The active mortality rates were based on 90% 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:

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 participation after age 65. 25% pre-65	Normal Retirement: 65% participation prior to age 65 and 40% retirees are assumed to discontinue coverage at age 65.
Expenses health care benefits are included in the	Third-party administrative expenses related to the delivery of age-adjusted claims costs.
Projected Salary Increases	3.05% - 9.05%, including inflation
Ad-hoc Post Employment Benefit Changes	None

The initial medical trend rates were 9.00% for Medicare retirees and 7.30% for non-Medicare retirees. There was an initial prescription drug trend rate of 9.00% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 13 years.

Discount Rate. A single discount rate of 2.33% was used to measure the total OPEB liability. There was a decrease of .30% in the discount rate since the previous year. The Discount Rate can be found in the 2020 TRS CAFR on page 76. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate.

Sensitivity of the Net OPEB Liability:

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (2.33%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (1.33%)	Current Single Discount Rate (2.33%)	1% Increase in Discount Rate (3.33%)
District's proportionate share of the Net OPEB Liability:	\$ 3,308,093	\$ 2,756,749	\$ 2,321,267

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the Net OPEB Liability:	\$ 2,251,911	\$ 2,756,749	\$ 3,429,123

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2021, Edgewood Independent School District reported a liability of \$2,756,749 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 Edgewood Independent School District were as follows:

District's Proportionate share of the collective net OPEB liability	\$ 2,756,749
State's proportionate share that is associated with the District	<u>3,704,410</u>
Total	<u>\$ 6,461,159</u>

The Net OPEB Liability was measured as of August 31, 2020 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2019 thru August 31, 2020.

At August 31, 2020 the employer's proportion of the collective Net OPEB Liability was 0.000072518333% compared to the 0.000073427219% as of August 31, 2019.

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

The discount rate changed from 2.63% as of August 31, 2019 to 2.33% as of August 31, 2020. This change increased the Total OPEB liability (TOL).

The participation rate for post-65 retirees was lowered from 50% to 40%. This change lowered the Total OPEB Liability.

The ultimate health care trend assumption was lowered from 4.50% to 4.25% 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 in Benefit Terms: There were no changes in benefit terms since the prior measurement date.

For the year ended August 31, 2021, Edgewood Independent School District recognized OPEB expense of \$(25,722) and revenue of \$(25,722) for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	\$144,342	\$1,261,629
Changes in actuarial assumptions	170,034	757,018
Net Difference between projected and actual investment earnings	896	
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	184,572	330,436
Contributions paid to TRS subsequent to the measurement date [to be calculated by employer]	58,630	
Total	\$558,474	\$2,349,083

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

Year ended August 31:	OPEB Expense Amount
2022	\$ (310,203)
2023	(310,323)
2024	(310,393)
2025	(310,376)
2026	(236,741)
Thereafter	(371,203)

Note N. MEDICARE PART D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. The allocation of these on-behalf payments is based on the ratio of a reporting entity's covered payroll to the entire payroll reported by all reporting entities. State Contributions for Medicare Part D made on behalf of Edgewood Independent School District's employees were \$31,465, \$29,672, and \$23,120, respectively for fiscal years ended August 31, 2021, 2020, and 2019.

Note O. JOINT VENTURES – SHARED SERVICE ARRANGEMENTS

The District participates in shared services arrangements for various education services, with the Education Service Center. The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, nor does the district have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to Edgewood Independent School District. The fiscal agent manager is responsible for all financial activities of the shared services arrangement.

Note P. SUBSEQUENT EVENTS

In reviewing its financial statements, management has evaluated events subsequent to the balance sheet date through November 30, 2021, which is the date the financial statements were available to be issued.

THIS PAGE LEFT BLANK INTENTIONALLY

REQUIRED SUPPLEMENTAL INFORMATION

THIS PAGE LEFT BLANK INTENTIONALLY

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 2,951,938	\$ 2,985,108	\$ 3,389,007	\$ 403,899
5800	State Program Revenues	8,846,562	8,494,052	8,965,060	471,008
5900	Federal Program Revenues	153,100	144,100	155,911	11,811
5020	Total Revenues	11,951,600	11,623,260	12,509,978	886,718
EXPENDITURES:					
Current:					
0011	Instruction	6,077,203	6,048,863	5,836,176	212,687
0012	Instructional Resources and Media Services	7,994	7,994	4,097	3,897
0013	Curriculum and Instructional Staff Development	238,350	238,350	220,422	17,928
0021	Instructional Leadership	136,602	136,602	129,470	7,132
0023	School Leadership	740,439	753,439	749,699	3,740
0031	Guidance, Counseling, and Evaluation Services	142,756	142,756	132,300	10,456
0033	Health Services	210,939	210,939	205,601	5,338
0034	Student (Pupil) Transportation	451,111	451,111	399,946	51,165
0036	Extracurricular Activities	657,222	657,222	610,267	46,955
0041	General Administration	454,627	454,627	440,752	13,875
0051	Facilities Maintenance and Operations	1,118,975	1,097,975	922,877	175,098
0052	Security and Monitoring Services	137,461	137,461	126,090	11,371
0053	Data Processing Services	464,574	472,574	443,854	28,720
Debt Service:					
0071	Principal on Long-Term Debt	256,950	349,164	349,164	-
0072	Interest on Long-Term Debt	64,200	65,786	65,410	376
0073	Bond Issuance Cost and Fees	250	250	-	250
Capital Outlay:					
0081	Facilities Acquisition and Construction	716,447	416,447	186,332	230,115
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	2,500	2,500	200	2,300
0099	Other Intergovernmental Charges	73,000	73,000	71,049	1,951
6030	Total Expenditures	11,951,600	11,717,060	10,893,706	823,354
1200	Net Change in Fund Balances	-	(93,800)	1,616,272	1,710,072
0100	Fund Balance - September 1 (Beginning)	5,130,210	5,130,210	5,130,210	-
3000	Fund Balance - August 31 (Ending)	\$ 5,130,210	\$ 5,036,410	\$ 6,746,482	\$ 1,710,072

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2021

	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018
District's Proportion of the Net Pension Liability (Asset)	0.000041222%	0.000043976%	0.00004298%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 2,207,752	\$ 2,286,020	\$ 2,365,728
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	5,890,324	5,166,546	5,480,596
Total	<u>\$ 8,098,076</u>	<u>\$ 7,452,566</u>	<u>\$ 7,846,324</u>
District's Covered Payroll	\$ 6,890,301	\$ 6,218,099	\$ 5,971,723
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	32.04%	36.76%	39.62%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.54%	75.24%	73.74%

Note: GASB Codification, Vol. 2, P20.183 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2020 for year 2021, August 31, 2019 for year 2020, August 31, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for year 2017, August 31, 2015 for year 2016 and August 31, 2014 for year 2015.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

<u>FY 2018</u> <u>Plan Year 2017</u>	<u>FY 2017</u> <u>Plan Year 2016</u>	<u>FY 2016</u> <u>Plan Year 2015</u>	<u>FY 2015</u> <u>Plan Year 2014</u>
0.000046032%	0.000047352%	0.000057452%	0.000040004%
\$ 1,471,865	\$ 1,789,370	\$ 2,030,852	\$ 1,068,562
3,214,070	4,069,941	3,851,784	3,510,395
<u>\$ 4,685,935</u>	<u>\$ 5,859,311</u>	<u>\$ 5,882,636</u>	<u>\$ 4,578,957</u>
\$ 5,791,278	\$ 5,982,563	\$ 6,063,898	\$ 6,330,449
25.42%	29.91%	33.49%	16.88%
82.17%	78.00%	78.43%	83.25%

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2021

	2021	2020	2019
Contractually Required Contribution	\$ 176,899	\$ 170,420	\$ 153,922
Contribution in Relation to the Contractually Required Contribution	176,899	170,420	153,922
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 7,143,610	\$ 6,890,301	\$ 6,218,099
Contributions as a Percentage of Covered Payroll	2.48%	2.47%	2.48%

Note: GASB Codification, Vol. 2, P20.183 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

	2018	2017	2016	2015
\$	144,401	\$ 185,773	\$ 187,593	\$ 208,227
	144,401	185,773	187,593	208,227
\$	-	\$ -	\$ -	\$ -
\$	5,971,723	\$ 5,791,278	\$ 5,982,563	\$ 6,063,898
	2.42%	3.21%	3.14%	3.43%

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2021

	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.000072518%	0.000073427%	0.000069617%	\$ 0.000076401%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 2,756,749	\$ 3,472,463	\$ 3,476,057	\$ 3,322,396
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	3,704,410	4,614,127	5,179,249	\$ 4,563,514
Total	<u>\$ 6,461,159</u>	<u>\$ 8,086,590</u>	<u>\$ 8,655,306</u>	<u>\$ 7,885,910</u>
District's Covered Payroll	\$ 6,890,301	\$ 6,218,099	\$ 5,971,723	\$ 5,791,278
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	40.01%	55.84%	58.21%	\$ 57.37%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	4.99%	2.66%	1.57%	\$ 0.91%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore the amounts reported for FY 2021 are for the measurement date of August 31, 2020. The amounts for FY 2020 are for the measurement date of August 31, 2019. The amounts for FY 2019 are for the measurement date August 31, 2018. The amounts for FY 2018 are based on the August 31, 2017 measurement date.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR FISCAL YEAR 2021

	2021	2020	2019	2018
Contractually Required Contribution	\$ 58,630	\$ 55,119	\$ 52,385	\$ 48,022
Contribution in Relation to the Contractually Required Contribution	58,630	55,119	52,385	48,022
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 7,143,610	\$ 6,890,301	\$ 6,218,099	\$ 5,971,723
Contributions as a Percentage of Covered Payroll	0.82%	0.80%	0.84%	0.80%

Note: GASB Codification, Vol. 2, P50.238 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

Information in this schedule should be provided only for the years where data is available. Eventually 10 years of data should be presented.

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2021

A. Notes to Schedules for the TRS Pension

Changes of Benefit terms:

In May 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (SB12) that provides for gradual contribution increases from the state, participating employers and active employees to make the pension fund actuarially sound. The increases immediately made the pension fund actuarially sound, and the Legislature approved funding for a 13th check.

All eligible members retired as of December 31, 2018, received an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000, whichever was less.

Changes of Assumptions:

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

B. Notes to Schedules for the TRS OPEB Plan

Changes in Benefits:

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

Changes in Assumptions:

The following assumptions, methods and plan changes which are specific to TRS-Care were updated from the prior year's report:

- . The discount rate changed from 2.63 % as of August 31, 2019 to 2.33%, as of August 31, 2020. This change increased the Total OPEB Liability.
- . The participation rate for post-65 retirees was lowered from 50% to 40%. This change lowered the Total OPEB Liability.
- . The ultimate health care trend assumption was lowered from 4.50% to 4.25% 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.

COMBINING STATEMENTS

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2021

Data Control Codes	211 ESSA I, A Improving Basic Program	224 IDEA Part B Formula	225 IDEA Part B Preschool	240 National Breakfast and Lunch Program
ASSETS				
1110 Cash and Cash Equivalents	\$ (10,611)	\$ (12,041)	\$ -	\$ 175,283
1220 Property Taxes - Delinquent	-	-	-	-
1230 Allowance for Uncollectible Taxes	-	-	-	-
1240 Due from Other Governments	20,800	18,894	-	35,642
1000 Total Assets	<u>\$ 10,189</u>	<u>\$ 6,853</u>	<u>\$ -</u>	<u>\$ 210,925</u>
LIABILITIES				
2160 Accrued Wages Payable	\$ 9,184	\$ 6,151	\$ -	\$ 10,675
2180 Due to Other Governments	-	-	-	-
2200 Accrued Expenditures	1,005	702	-	1,186
2300 Unearned Revenue	-	-	-	7,258
2000 Total Liabilities	<u>10,189</u>	<u>6,853</u>	<u>-</u>	<u>19,119</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	-	-	-	-
2600 Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	-	191,806
3480 Retirement of Long-Term Debt	-	-	-	-
3490 Other Restricted Fund Balance	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>191,806</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 10,189</u>	<u>\$ 6,853</u>	<u>\$ -</u>	<u>\$ 210,925</u>

255 ESSA II, A Training and Recruiting	266 ESSER I Emergency Relief Grant	277 Coronavirus Relief Fund CARES Act	282 ESSER III Emergency Relief Grant	289 ESSA Title IV Part A	385 Visually Impaired SSVI	410 Instructional Materials Allotment	461 Campus Activity Funds
\$ (9,489)	\$ -	\$ -	\$ (10,005)	\$ (685)	\$ -	\$ -	\$ 56,506
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
9,679	-	-	30,105	685	-	-	-
<u>\$ 190</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,100</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,506</u>
\$ 171	\$ -	\$ -	\$ 18,086	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
19	-	-	2,014	-	-	-	-
-	-	-	-	-	-	-	-
<u>190</u>	<u>-</u>	<u>-</u>	<u>20,100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	56,506
-	-	-	-	-	-	-	<u>56,506</u>
<u>\$ 190</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,100</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,506</u>

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2021

Data Control Codes	498 Local Scholarship Funds	Total Nonmajor Special Revenue Funds	511 Debt Service Fund	Total Nonmajor Governmental Funds	
ASSETS					
1110	Cash and Cash Equivalents	\$ 100	\$ 189,058	\$ 263,490	\$ 452,548
1220	Property Taxes - Delinquent	-	-	24,107	24,107
1230	Allowance for Uncollectible Taxes	-	-	(418)	(418)
1240	Due from Other Governments	-	115,805	1,094	116,899
1000	Total Assets	<u>\$ 100</u>	<u>\$ 304,863</u>	<u>\$ 288,273</u>	<u>\$ 593,136</u>
LIABILITIES					
2160	Accrued Wages Payable	-	\$ 44,267	-	\$ 44,267
2180	Due to Other Governments	-	-	55,402	55,402
2200	Accrued Expenditures	-	4,926	-	4,926
2300	Unearned Revenue	-	7,258	1,422	8,680
2000	Total Liabilities	<u>-</u>	<u>56,451</u>	<u>56,824</u>	<u>113,275</u>
DEFERRED INFLOWS OF RESOURCES					
2601	Unavailable Revenue - Property Taxes	-	-	22,267	22,267
2600	Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>22,267</u>	<u>22,267</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	191,806	-	191,806
3480	Retirement of Long-Term Debt	-	-	209,182	209,182
3490	Other Restricted Fund Balance	100	56,606	-	56,606
3000	Total Fund Balances	<u>100</u>	<u>248,412</u>	<u>209,182</u>	<u>457,594</u>
4000	Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 100</u>	<u>\$ 304,863</u>	<u>\$ 288,273</u>	<u>\$ 593,136</u>

THIS PAGE LEFT BLANK INTENTIONALLY

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

Data Control Codes	211 ESSA I, A Improving Basic Program	224 IDEA Part B Formula	225 IDEA Part B Preschool	240 National Breakfast and Lunch Program
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 43,778
5800 State Program Revenues	-	-	-	2,184
5900 Federal Program Revenues	128,862	200,110	483	677,894
5020 Total Revenues	128,862	200,110	483	723,856
EXPENDITURES:				
Current:				
0011 Instruction	123,555	50,356	483	-
0013 Curriculum and Instructional Staff Development	5,307	-	-	-
0031 Guidance, Counseling, and Evaluation Services	-	149,754	-	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	-	598,398
0036 Extracurricular Activities	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
Debt Service:				
0071 Principal on Long-Term Debt	-	-	-	-
0072 Interest on Long-Term Debt	-	-	-	-
0073 Bond Issuance Cost and Fees	-	-	-	-
6030 Total Expenditures	128,862	200,110	483	598,398
1200 Net Change in Fund Balance	-	-	-	125,458
0100 Fund Balance - September 1 (Beginning)	-	-	-	66,348
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ 191,806

255 ESSA II, A Training and Recruiting	266 ESSER I Emergency Relief Grant	277 Coronavirus Relief Fund CARES Act	282 ESSER III Emergency Relief Grant	289 ESSA Title IV Part A	385 Visually Impaired SSVI	410 Instructional Materials Allotment	461 Campus Activity Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	108,757
-	-	-	-	-	1,227	7,480	-
27,685	3,076	9,418	30,105	9,215	-	-	-
27,685	3,076	9,418	30,105	9,215	1,227	7,480	108,757
-	1,199	9,418	20,100	9,215	1,227	7,480	-
27,685	-	-	-	-	-	-	-
-	-	-	10,005	-	-	-	-
-	119	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	640	-	-	-	-	-	99,291
-	1,118	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
27,685	3,076	9,418	30,105	9,215	1,227	7,480	99,291
-	-	-	-	-	-	-	9,466
-	-	-	-	-	-	-	47,040
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	56,506

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

Data Control Codes	498 Local Scholarship Funds	Total Nonmajor Special Revenue Funds	511 Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 2,000	\$ 154,535	\$ 540,066	\$ 694,601
5800 State Program Revenues	-	10,891	79,382	90,273
5900 Federal Program Revenues	-	1,086,848	-	1,086,848
5020 Total Revenues	2,000	1,252,274	619,448	1,871,722
EXPENDITURES:				
Current:				
0011 Instruction	-	223,033	-	223,033
0013 Curriculum and Instructional Staff Development	-	32,992	-	32,992
0031 Guidance, Counseling, and Evaluation Services	-	159,759	-	159,759
0034 Student (Pupil) Transportation	-	119	-	119
0035 Food Services	-	598,398	-	598,398
0036 Extracurricular Activities	2,500	102,431	-	102,431
0051 Facilities Maintenance and Operations	-	1,118	-	1,118
Debt Service:				
0071 Principal on Long-Term Debt	-	-	435,000	435,000
0072 Interest on Long-Term Debt	-	-	88,675	88,675
0073 Bond Issuance Cost and Fees	-	-	1,250	1,250
6030 Total Expenditures	2,500	1,117,850	524,925	1,642,775
1200 Net Change in Fund Balance	(500)	134,424	94,523	228,947
0100 Fund Balance - September 1 (Beginning)	600	113,988	114,659	228,647
3000 Fund Balance - August 31 (Ending)	\$ 100	\$ 248,412	\$ 209,182	\$ 457,594

REQUIRED TEXAS EDUCATION AGENCY SCHEDULES

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED AUGUST 31, 2021

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2012 and prior years	\$ 1.040000	\$ 0.174000	\$ 214,423,024
2013	1.170000	0.044000	216,752,480
2014	1.170000	0.064000	216,581,877
2015	1.170000	0.104000	220,317,042
2016	1.170000	0.104000	206,777,912
2017	1.170000	0.144000	209,939,097
2018	1.170000	0.144000	218,747,030
2019	1.170000	0.144000	238,217,853
2020	1.068350	0.183480	266,097,234
2021 (School year under audit)	0.973100	0.173014	306,109,083
1000 TOTALS			

(10) Beginning Balance 9/1/2020	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2021
\$ 17,554	\$ -	\$ 3,980	\$ 666	\$ 1	\$ 12,909
5,913	-	986	37	-	4,890
7,105	-	1,075	59	(41)	5,930
9,421	-	1,499	133	(62)	7,727
9,119	-	1,660	148	(37)	7,274
13,774	-	3,473	427	(159)	9,715
21,099	-	5,230	644	481	15,706
34,672	-	10,938	1,346	327	22,715
102,349	-	45,796	7,865	(7,166)	41,522
-	3,508,359	2,927,078	520,425	-	60,856
<u>\$ 221,006</u>	<u>\$ 3,508,359</u>	<u>\$ 3,001,715</u>	<u>\$ 531,750</u>	<u>\$ (6,656)</u>	<u>\$ 189,244</u>

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 125,100	\$ 62,100	\$ 43,778	\$ (18,322)
5800 State Program Revenues	1,500	1,500	2,184	684
5900 Federal Program Revenues	292,744	557,244	677,894	120,650
5020 Total Revenues	<u>419,344</u>	<u>620,844</u>	<u>723,856</u>	<u>103,012</u>
EXPENDITURES:				
Current:				
0035 Food Services	<u>419,344</u>	<u>620,844</u>	<u>598,398</u>	<u>22,446</u>
6030 Total Expenditures	<u>419,344</u>	<u>620,844</u>	<u>598,398</u>	<u>22,446</u>
1200 Net Change in Fund Balances	-	-	125,458	125,458
0100 Fund Balance - September 1 (Beginning)	<u>66,348</u>	<u>66,348</u>	<u>66,348</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 66,348</u>	<u>\$ 66,348</u>	<u>\$ 191,806</u>	<u>\$ 125,458</u>

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - DEBT SERVICE FUND
 FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 511,609	\$ 511,609	\$ 540,066	\$ 28,457
5800 State Program Revenues	71,972	71,972	79,382	7,410
5020 Total Revenues	583,581	583,581	619,448	35,867
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Debt	435,000	435,000	435,000	-
0072 Interest on Long-Term Debt	88,900	88,900	88,675	225
0073 Bond Issuance Cost and Fees	2,850	2,850	1,250	1,600
6030 Total Expenditures	526,750	526,750	524,925	1,825
1200 Net Change in Fund Balances	56,831	56,831	94,523	37,692
0100 Fund Balance - September 1 (Beginning)	114,659	114,659	114,659	-
3000 Fund Balance - August 31 (Ending)	\$ 171,490	\$ 171,490	\$ 209,182	\$ 37,692

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
STATE COMPENSATORY EDUCATION AND BILINGUAL EDUCATION PROGRAM EXPENDITURES
FOR THE YEAR ENDED AUGUST 31, 2021

Section A: Compensatory Education Programs

AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
<hr/>		
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
<hr/>		
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$739,354
<hr/>		
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year.	\$515,876
<hr/>		

Section B: Bilingual Education Programs

AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
<hr/>		
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
<hr/>		
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	\$14,326
<hr/>		
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25,35)	\$9,471
<hr/>		

FEDERAL AWARDS SECTION

Morgan, Davis, & Company, P.C.

Post Office Box 8158

Greenville, Texas 75404

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

Edgewood Independent School District
804 East Pine
Edgewood, Texas 75117

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Edgewood Independent School District, as of and for the year ended August 31, 2021 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 30, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Edgewood Independent School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Edgewood Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Edgewood Independent School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Edgewood Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Morgan, Davis & Company, P.C.

Morgan, Davis, & Company, P.C.
Greenville, Texas

November 30, 2021

Morgan, Davis & Company, P.C.
Post Office Box 8158
Greenville, Texas 75404

**Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and
Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance**

Independent Auditor's Report

Edgewood Independent School District
804 East Pine
Edgewood, Texas 75117

Report on Compliance for Each Major Federal Program

We have audited Edgewood Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Edgewood Independent School District's major federal programs for the year ended August 31, 2021. Edgewood Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Edgewood Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Edgewood Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Edgewood Independent School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Edgewood Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2021.

Report on Internal Control Over Compliance

Management of Edgewood Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Edgewood Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing

an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Edgewood Independent School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Morgan, Davis & Company, P.C.
Morgan, Davis & Company, P.C.
Greenville, Texas

November 30, 2021

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2021

Summary of Auditor's Results:

The type of report we issued on whether the financial statements of Edgewood Independent School District were prepared in accordance with GAAP as an unmodified opinion.

With respect to internal control over financial reporting, we identified no material weaknesses and we reported no significant deficiencies.

We noted no noncompliance material to the financial statements,

With respect to internal control over major federal programs, we identified no material weaknesses and we reported no significant deficiencies.

The type of report we issued on compliance for major programs was an unmodified opinion.

We disclosed no audit findings which the auditor is required to report in accordance with 2 CFR 200.516(a).

We identified the following major programs:

Child Nutrition Cluster
School Breakfast Program, Assistance Listing # 10.553
National School Lunch Program, Assistance Listing # 10.555

The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.

The auditee does not qualify as a low risk auditee.

Financial Statements Findings:

There are no findings related to financial statements which are required to be reported in accordance with *Generally Accepted Auditing Standards*.

Federal Award Findings and Questioned Costs:

There are no findings or questioned costs related to federal awards which are required to be reported by 2 CFR 200.516(a).

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2021

(Prepared by the District's Administration)

There were no prior audit findings which required corrective action.

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2021

(Prepared by the District's Administration)

There were no corrective actions necessary for the year ended August 31, 2021.

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2021

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal Assistance Listing No.	Pass-Through Entity Identifying Number	Federal Expenditures
DEPARTMENT OF THE TREASURY			
<u>Passed Through State Department of Education</u>			
COVID - 19 Coronavirus Relief Fund-PPRP	21.019	N/A	\$ 9,418
Total Passed Through State Department of Education			9,418
TOTAL DEPARTMENT OF THE TREASURY			9,418
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
ESSA, Title I, Part A - Improving Basic Programs	84.010A	20610101234903	938
ESSA, Title I, Part A - Improving Basic Programs	84.010A	21610101234903	117,735
ESSA, Title I, Part A - Improving Basic Programs	84.010A	22610101234903	10,189
Total Assistance Listing Number 84.010A			128,862
*IDEA - Part B, Formula	84.027	20660001234903	53,915
*IDEA - Part B, Formula	84.027	21660001234903	132,980
*IDEA - Part B, Formula	84.027	22660001234903	13,215
Total Assistance Listing Number 84.027			200,110
*IDEA - Part B, Preschool	84.173	21661001234903	483
Total Special Education Cluster (IDEA)			200,593
ESSA, Title II, Part A, Teacher Principal Training	84.367A	20694501234903	3,729
ESSA, Title II, Part A, Teacher Principal Training	84.367A	21694501234903	20,376
ESSA, Title II, Part A, Teacher Principal Training	84.367A	22694501234903	3,580
Total Assistance Listing Number 84.367A			27,685
ESSA Title IV, Part A	84.424A	20680101234903	135
ESSA Title IV, Part A	84.424A	21680101234903	9,080
Total Assistance Listing Number 84.424A			9,215
ESSER I Grant	84.425D	20521001234903	3,076
ARP-ESSER III Grant	84.425U	21528001234903	30,105
Total Assistance Listing Number 84.425			33,181
Total Passed Through State Department of Education			399,536
TOTAL U.S. DEPARTMENT OF EDUCATION			399,536
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through Texas Dept of Human Services</u>			
Medicaid Administrative Claiming Program - MAC	93.778	N/A	5,032
Total Passed Through Texas Dept of Human Services			5,032
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			5,032
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	21234903	165,758
*National School Lunch Program - Cash Assistance	10.555	21234903	378,574
*National School Lunch Prog. - Non-Cash Assistance	10.555	21234903	35,899

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED AUGUST 31, 2021

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal Assistance Listing No.	Pass-Through Entity Identifying Number	Federal Expenditures
Total Assistance Listing Number 10.555			414,473
Total Child Nutrition Cluster			580,231
USDA Emergency Operations Cost Reimbursement	10.559	21234903	22,693
NSLP Equipment Assistance Grant	10.579	21234903	74,970
Total Passed Through the State Department of Agriculture			677,894
TOTAL U.S. DEPARTMENT OF AGRICULTURE			677,894
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,091,880

*Clustered Programs

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2021

1. For all federal programs, the District uses the fund types specified in Texas Education Agency’s *Financial Accountability System Resource Guide*. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance is generally accounted for in a Special Revenue Fund.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund or, in some instances, in the General Fund which are Governmental Fund type funds. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned.
3. The District has elected to not use the 10% de-minimis indirect cost rate as allowed under the Uniform Guidance.
4. The period performance for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 90 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Performance of Federal Funds, Part 3, Uniform Guidance Compliance Statement.
5. Assistance Listing numbers for commodity assistance are the Assistance Listing numbers of the programs under which USDA donated the commodities.
6. Reconciliation Information:

Amount reported on the Schedule of Expenditures of Federal awards	\$ 1,091,880
SHARS Revenue reported in the General Fund	145,415
Revenue Received for Coronavirus Relief Fund for FY20 Expenditures	5,464
Federal Program Revenue Reported on Exhibit C-3	\$ 1,242,759

THIS PAGE LEFT BLANK INTENTIONALLY

SCHOOLS FIRST QUESTIONNAIRE

Edgewood Independent School District

Fiscal Year 2021

SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement?	No
SF3	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If there was a warrant hold not cleared in 30 days, then not timely.)	Yes
SF4	Was the school district issued a warrant hold? (Yes even if cleared within 30 days.)	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules in effect at the fiscal year end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year end.	\$0

Financial Advisory Services
Provided By:

