

ADDENDUM TO PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 13, 2023

TO

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 7, 2023

Relating To

\$90,000,000*

JUDSON INDEPENDENT SCHOOL DISTRICT

**(A political subdivision of the State of Texas located in Bexar County, Texas)
UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2023 (NON-PSF)**

PLEASE BE ADVISED that the above referenced Preliminary Official Statement, dated February 7, 2023 is hereby amended as follows with the following language to be inserted as its own section after the section “CONTINUING DISCLOSURE”:

SAN ANTONIO EXPRESS-NEWS ARTICLE

The District is aware of the issue raised by a local news report on February 11, 2023 concerning a trustee’s wife being paid as a consultant by a political action committee that supported the bond. The election contest period under the Texas Election Code related to the Election has expired. The aforementioned events have no impact on the District’s Authority for Issuance and the Security for Payment as it relates to the Bonds.

All other provisions of the Preliminary Official Statement shall remain as originally stated in the Preliminary Official Statement and are not affected by this Addendum.

***Preliminary, subject to change.**

PRELIMINARY OFFICIAL STATEMENT
Dated February 7, 2023

NEW ISSUE - BOOK-ENTRY-ONLY

Moody's - "Aa2"
(See "OTHER PERTINENT INFORMATION -
Municipal Bond Rating" herein)

In the opinion of Cantu Harden Montoya LLP, assuming continuing compliance by the District (defined below) after the date of initial delivery of the Bonds (defined below) with certain covenants contained in the Order (defined below) and subject to the matters set forth under "TAX MATTERS" herein, interest on the Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income of the owners thereof pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Bonds, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. See "TAX MATTERS" herein.

\$90,000,000*

JUDSON INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Bexar County)
UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2023 (NON-PSF)

Dated Date: February 1, 2023

Due: February 1, as shown on page -ii- herein

The "Judson Independent School District Unlimited Tax School Building Bonds, Series 2023" (the "Bonds"), as shown on page -ii- herein, are direct obligations of the Judson Independent School District (the "District") and are payable from an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property within the District. The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Sections 45.001 and 45.003(b)(1), as amended, Texas Education Code, an election held in the District on November 8, 2022 (the "Election"), and an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Trustees (the "Board") of the District on December 15, 2022. See "THE BONDS - Authority for Issuance" herein. As permitted by the provisions of Chapter 1371, the Board, in the Bond Order, delegated the authority to certain District officials (each an "Authorized Official") to execute an approval certificate (the "Approval Certificate" and, together with the Bond Order, the "Order") establishing the final pricing terms for the Bonds.

THE BONDS **WILL NOT** BE GUARANTEED BY THE STATE OF TEXAS PERMANENT SCHOOL FUND GUARANTEE PROGRAM. (See "THE BONDS - Security for Payment" herein.)

Interest on the Bonds will accrue from February 1, 2023 (the "Dated Date"), will be payable on February 1 and August 1 of each year, commencing August 1, 2023, until stated maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds will be issued as fully registered obligations in principal denominations of \$5,000, or integral multiples thereof within a stated maturity. The Bonds will be issued in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository (the "Securities Depository"). Book-entry interests in the Bonds will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of the Bonds ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, principal and interest on the Bonds will be payable by the Paying Agent/Registrar, initially Zions Bancorporation, National Association, dba Amegy Bank, Houston, Texas, to the Securities Depository, which will in turn remit such principal and interest to its participants, which will in turn remit such principal and interest to the Beneficial Owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Proceeds from the sale of the Bonds will be used for the purposes of (i) designing, constructing, renovating, improving, upgrading, updating, acquiring, and equipping school facilities (and any necessary or related removal of existing facilities), with priority given to safety and security at all District campuses and (ii) designing, constructing, renovating, improving, upgrading, updating, acquiring, and equipping school facilities (and any necessary or related removal of existing facilities), the purchase of any necessary sites for school facilities, and the purchase of new school buses, with priority given to a new Middle School and new Elementary School, and (iii) paying costs associated with the issuance of the Bonds. See "SOURCES AND USES OF FUNDS" herein.

**For Stated Maturities, Principal Amounts, Interest Rates, Initial Yields,
CUSIP Numbers and Redemption Provisions for the Bonds, see page -ii- herein**

The Bonds are offered for delivery when, as and if issued and received by the initial purchasers thereof named below (the "Underwriters") and are subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by Cantu Harden Montoya LLP, San Antonio, Texas, and Walsh, Gallegos, Treviño, Kyle & Robinson, P.C., San Antonio, Texas, Co-Bond Counsel. See "LEGAL MATTERS" herein for a discussion of Co-Bond Counsels' opinions. Certain legal matters will be passed upon for the Underwriters by their legal counsel, Greenberg Traurig, LLP, Houston, Texas. It is expected that the Bonds will be available for delivery through the services of DTC, New York, New York, on or about March 8, 2023.

Estrada Hinojosa

Frost Bank

Siebert Williams Shank & Co., LLC

* Preliminary, subject to change.

**STATED MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES,
INITIAL YIELDS, CUSIP NUMBERS, AND REDEMPTION PROVISIONS**

\$90,000,000⁽¹⁾

**JUDSON INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Bexar County)
UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2023 (NON-PSF)**

CUSIP No. Prefix 481305 ⁽²⁾

Stated Maturity February 1	Principal Amount (\$)	Interest Rate (%)	Initial Yield (%)	CUSIP No. Suffix⁽²⁾
2024	\$15,000,000			
2025	500,000			
2026	500,000			
2027	500,000			
2028	500,000			
2029	250,000			
2030	250,000			
2031	250,000			
2032	250,000			
2033	250,000			
2034	250,000			
2035	250,000			
2036	800,000			
2037	5,000,000			
2038	1,500,000			
2039	1,750,000			
2040	500,000			
2041	1,750,000			
2042	3,500,000			
2043	4,000,000			
2044	5,500,000			
2045	10,500,000			
2046	11,500,000			
2047	12,450,000			
2048	12,500,000			

(Accrued Interest to be added from the Dated Date)

Redemption Provisions

The District reserves the right to redeem the Bonds maturing on and after February 1, 203_ in whole or in part, in the principal amount of \$5,000 or any integral multiple thereof, on February 1, 203_ or any date thereafter, at the redemption price of par plus accrued interest to the date of redemption. If two or more serial bonds of consecutive maturity are combined into one or more "term" Bonds (the "Term Bonds") by the Underwriters, such Term Bonds will also be subject to mandatory sinking fund redemption in accordance with the provisions of the Order. (See "THE BONDS - Redemption Provisions of the Bonds" herein.)

⁽¹⁾ Preliminary, subject to change.

⁽²⁾ CUSIP numbers are included solely for the convenience of owners of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems, Inc., on behalf of American Bankers Association. CUSIP numbers will be assigned to this issue by the CUSIP Service Bureau and are included solely for convenience of the owners of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the Underwriters, the District or the Financial Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein.

JUDSON INDEPENDENT SCHOOL DISTRICT
8012 Shin Oak
Live Oak, Texas 78233

BOARD OF TRUSTEES

<u>Name</u>	<u>Position</u>	<u>Total Years Served</u>	<u>Term Expires May</u>	<u>Occupation</u>
Jennifer Rodriguez	President	5	2025	Education
Rafael Diaz Martinez, Jr.	Vice President	2	2023	Business Owner
Debra Eaton	Secretary	5	2025	Retired Military
Suzanne Kenoyer	Trustee	5	2023	Retired Educator
Shatonya King	Trustee	4	2025	Education
Renée A. Paschall	Trustee	7	2023	Retired Educator
José A. Macias, Jr.	Trustee	12	2025	Non-Profit Administrator

ADMINISTRATION - FINANCE CONNECTED

<u>Name</u>	<u>Title</u>	<u>Total Years Experience</u>	<u>Total Years With District</u>
Dr. Milton Fields III	Interim Superintendent of Schools*	20	15
William Atkins**	Assistant Superintendent of Finance and Operations	27	4
Karen Olert	Executive Director of Accounting	25	6

* *Dr. Jeanette Ball resigned on November 20, 2022. Dr. Milton Fields III was named Interim Superintendent on December 1, 2022. The Board of Trustees will embark on a process to name a new Superintendent of Schools at a later date.*

** *Mr. Atkins submitted his resignation, which will be effective June 30, 2023. On January 2, 2023 Mr. Atkins took personal leave. In the interim, Ceci Davis the District's Chief of District Innovation and Scott Stephens the District's Director of Finance will effectively be handling Mr. Atkins' duties. A replacement for Mr. Atkins will be named at a later date.*

CONSULTANTS AND ADVISORS

ABIP, P.C. San Antonio, Texas	Certified Public Accountants
Cantu Harden Montoya LLP San Antonio, Texas	Co-Bond Counsel
Walsh, Gallegos, Treviño, Kyle & Robinson, P.C. San Antonio, Texas	Co-Bond Counsel
SAMCO Capital Markets, Inc. San Antonio, Texas	Financial Advisor

For Additional Information Contact:

Duane L. Westerman, Senior Managing Director
 Nicholas Westerman, Managing Director
 SAMCO Capital Markets, Inc.
 1020 N.E. Loop 410, Suite 640
 San Antonio, Texas 78209
 Phone (210) 832-9760
 Fax (210) 832-9794
 Email: dwesterman@samcocapital.com

William Atkins, Chief Financial Officer
 Judson Independent School District
 8012 Shin Oak Drive
 Live Oak, Texas 78233
 Phone (210) 945-5506
 Fax (210) 945-6905
 Email: watkins@judsonisd.org

USE OF INFORMATION IN THE OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended (the "Rule") and in effect on the date of this Preliminary Official Statement, this document constitutes an "official statement" of the District with respect to the Bonds 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.

No dealer, broker, salesman, or other person has been authorized by the District to give any information or to make any representation with respect to the Bonds, other than as 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 either of the foregoing.

This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale. The information set forth herein has been obtained from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriters.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will under any circumstances create any implication that there has been no change in the information or opinions set forth herein after the date of this Official Statement.

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

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

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

None of the District, the Financial Advisor, or the Underwriters make any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company ("DTC") or its book-entry-only system described under the caption "BOOK-ENTRY-ONLY SYSTEM" as such information has been provided by DTC.

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

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

(The remainder of this page has been left blank intentionally.)

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

OFFICIAL STATEMENT SUMMARY INFORMATION

The following information is qualified in its entirety by more detailed information and financial statements appearing elsewhere in this Official Statement:

THE DISTRICT	The Judson Independent School District (the "District"), a political subdivision of the State of Texas, is located in the northeast portion of Bexar County, Texas. The District is approximately 55.87 square miles in area and serves a population of approximately 137,791. Included within the District are the Texas cities of Kirby, Converse, and portions of San Antonio, Universal City, Selma and Live Oak. The District was created under State statute and 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 BONDS	The Bonds mature on February 1 in each of the years 2024 through 2048, inclusive. Interest on the Bonds shall accrue from the Dated Date (identified below) and is payable initially on August 1, 2023 and semiannually on February 1 and August 1 thereafter until stated maturity or prior redemption.
DATED DATE	February 1, 2023.
REDEMPTION	The District reserves the right to redeem the Bonds maturing on and after February 1, 20__ , in whole or in part, in the principal amount of \$5,000 or any integral multiple thereof, on February 1, 20__ or any date thereafter, at the redemption price of par plus accrued interest to the date of redemption. If two or more serial bonds of consecutive maturity are combined into one or more "term" Bonds (the "Term Bonds") by the Underwriters, such Term Bonds will also be subject to mandatory sinking fund redemption in accordance with the provisions of the Order. See "THE BONDS - Redemption Provisions of the Bonds" herein.
SECURITY FOR THE BONDS	The Bonds constitute direct obligations of the District payable from an annual ad valorem tax levied against all taxable property located therein, without legal limitation as to rate or amount. The Bonds will not be guaranteed by the State of Texas Permanent School Fund Guarantee Program. (See "THE BONDS - Security for Payment" herein.)
PERMANENT SCHOOL FUND GUARANTEE	THE BONDS WILL NOT BE GUARANTEED BY THE STATE OF TEXAS PERMANENT SCHOOL FUND GUARANTEE PROGRAM. (See "THE BONDS - Security for Payment" herein.)
TAX MATTERS	In the opinion of Cantu Harden Montoya LLP, the interest on the Bonds will be excludable from gross income for federal tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under the caption "TAX MATTERS" herein, including the alternative minimum tax of the owners thereof who are individuals. See "TAX MATTERS" and "APPENDIX D - Forms of Opinions of Co-Bond Counsel. The opinion of Walsh Gallegos Treviño Kyle & Robinson, P.C. will not address tax issues.
PAYING AGENT/REGISTRAR	The initial Paying Agent/Registrar is Zions Bancorporation, National Association, dba Amegy Bank, Houston, Texas.
BOOK-ENTRY-ONLY SYSTEM	The District intends to use the Book-Entry-Only System of The Depository Trust Company. See "BOOK-ENTRY-ONLY SYSTEM" herein.
MUNICIPAL BOND RATING	The Bonds have been assigned an unenhanced rating of "Aa2" by Moody's Investors Service, Inc. ("Moody's"). See "OTHER PERTINENT INFORMATION - Municipal Bond Rating" herein.
FUTURE BOND ISSUES	The District anticipates issuing a second installment of its voted authorization from the Election, as well as refunding bonds for debt service savings within the next 12 months.
PAYMENT RECORD	The District has never defaulted on the payment of its bonded indebtedness.
DELIVERY	When issued, anticipated on or about March 8, 2023.
LEGALITY	The Bonds are subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by Cantu Harden Montoya LLP, San Antonio, Texas, and Walsh, Gallegos, Treviño, Kyle & Robinson, P.C., San Antonio, Texas, Co-Bond Counsel. See "APPENDIX D - Forms of Opinions of Co-Bond Counsel" herein.

PRELIMINARY OFFICIAL STATEMENT

relating to

\$90,000,000*

JUDSON INDEPENDENT SCHOOL DISTRICT

(A political subdivision of the State of Texas located in Bexar County, Texas)

UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2023 (NON-PSF)

INTRODUCTION

This Official Statement of Judson Independent School District (the "District") is provided to furnish certain information in connection with the sale of the District's \$90,000,000* Unlimited Tax School Building Bonds, Series 2023 (the "Bonds").

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 such financial and other information, will necessarily continue or be repeated in the future.

This Official Statement, which includes the cover page, the schedule, and the appendices hereto, provides certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained upon request from the District and, during the offering period, from the District's Financial Advisor, SAMCO Capital Markets, Inc., 1020 N.E. Loop 410, Suite 640, San Antonio, Texas 78209, 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 Official Statement pertaining to the Bonds will be filed by the initial purchasers of the Bonds (the "Underwriters") with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("EMMA") system. See "CONTINUING DISCLOSURE" herein for a description of the District's undertaking to provide certain information on a continuing basis. Capitalized terms used, but not defined herein, shall have the meanings ascribed thereto in the Order (defined below).

INFECTIOUS DISEASE OUTBREAK - COVID-19

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

On March 13, 2020, the Governor declared a state of disaster for all counties in the State in response to the Pandemic. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting State business or any order or rule of a State agency (including TEA) that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has since issued a number of executive orders relating to COVID-19 preparedness, mitigation, and reopening. Under executive orders in effect as of the date of this Official Statement, there are no COVID-19 related operating limits for any business or other establishment. The Governor retains the right to impose additional restrictions on activities. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on (nor accessed through) such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

The TEA advised districts that for the 2021-2022 school year district funding would return to being based on "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") calculations requiring attendance to be taken. However, the TEA has crafted an approach for determining ADA during the pandemic that provided districts with several options for determining daily attendance. These include remote synchronous instruction, remote asynchronous instruction, on campus instruction, and the Texas Virtual Schools Network.

* Preliminary, subject to change.

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

The Pandemic negatively affected travel, commerce, and financial markets globally, and may continue to negatively affect economic growth and financial markets worldwide. A continuation of the Pandemic and the economic impact of the Pandemic could in the future reduce or negatively affect property values within the District in future years. Additionally, the Pandemic and other demographic and economic conditions could impact student enrollment. With the changes made to the Finance System in HB 3, school funding is increasingly tied to ADA. As a result, student enrollment will be an important factor for M&O funding for the District going forward. The Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes.

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

THE BONDS

General Description

The Bonds will be dated February 1, 2023 (the "Dated Date") and will accrue interest from the Dated Date, and such interest shall be payable on February 1 and August 1 in each year, commencing August 1, 2023, until stated maturity or prior redemption. The Bonds will mature on the dates and in the principal amounts and will bear interest at the rates set forth on page -ii- of this Official Statement.

Interest on the Bonds is payable to the registered owner thereof appearing on the bond registration books kept by the Paying Agent/Registrar relating to the Bonds (the "Bond Register") on the Record Date (identified below) and such interest shall be paid by the Paying Agent/Registrar (i) by check sent by United States mail, first class, postage prepaid, to the address of the registered owner recorded in the Bond Register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. The principal of the Bonds is payable at stated maturity or prior redemption upon their presentation and surrender to the Paying Agent/Registrar. The Bonds will be issued only in fully registered form in any integral multiple of \$5,000 principal for any one maturity.

Initially the Bonds will be registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the owners thereof.** Notwithstanding the foregoing, as long as the Bonds are held in the Book-Entry-Only System, principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners (defined herein) of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Authority for Issuance

The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Sections 45.001 and 45.003(b)(1), as amended, Texas Education Code, an election held in the District on November 8, 2022 (the "Election"), an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Trustees (the "Board") of the District on December 15, 2022 and an approval certificate executed by certain District officials (each an "Authorized Official") establishing the final pricing terms for the Bonds (the "Approval Certificate" and, together with the Bond Order, the "Order").

Security for Payment

The Bonds constitute direct obligations of the District payable from the proceeds of an annual ad valorem tax levied against all taxable property located therein, without any legal limitation as to rate or amount. The Bonds will not be guaranteed by the State of Texas Permanent School Fund Guarantee Program.

Use of Proceeds

The proceeds of the Bonds (which include certain premium allocations) represent the first installment of voted bonds (described below) approved at the election held in the District on November 8, 2022 (the "Election"). Following the issuance of the Bonds, the District anticipates that it will have \$255,299,000* authorized but unissued bonds as further described below. See "VALUATION AND DEBT DATA - Authorized but Unissued General Obligation Bonds" in APPENDIX A attached hereto.

A summary of the bonds authorized at said Election is as follows:

Purpose	Amount Authorized	Amount Previously Issued	Amount This Issue*	Amount Remaining*
Safety and Security	\$172,034,900	\$-0-	\$90,000,000	\$ 82,034,900
New School Facilities	\$173,265,000	\$-0-	\$ -0-	\$173,265,000
Total	\$345,299,900	\$-0-	\$90,000,000	\$255,299,900

* Preliminary, subject to change. Includes the Bonds certain net premium allocations.

Permanent School Fund Guarantee

THE BONDS WILL NOT BE GUARANTEED BY THE STATE OF TEXAS PERMANENT SCHOOL FUND GUARANTEE PROGRAM. (See "THE BONDS - Security for Payment" herein.)

Payment Record

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

Legality

The Bonds are subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by Cantu Harden Montoya LLP, San Antonio, Texas, and Walsh, Gallegos, Treviño, Kyle & Robinson, P.C., San Antonio, Texas, Co-Bond Counsel. The legal opinions of Co-Bond Counsel will accompany the bond certificates deposited with DTC or be printed on the Bonds. The forms of the legal opinions of Co-Bond Counsel appear in APPENDIX D attached hereto.

Delivery

When issued; anticipated to occur on or about March 8, 2023.

Future Issues

The District anticipates issuing a second installment of its voted authorization from the Election, as well as refunding bonds for debt service savings within the next 12 months.

Redemption Provisions of the Bonds

The District reserves the right to redeem the Bonds maturing on or after February 1, 203_, at the option of the District, in whole or in part, in the principal amount of \$5,000 or any integral multiple thereof, on February 1, 203_ or any date thereafter, at the redemption price of par plus accrued interest to the date of redemption. Additionally, if two or more serial bonds of consecutive maturities are combined into one or more "term" Bonds (the "Term Bonds") by the Underwriters, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with the provisions of the Order.

Selection of Bonds for Redemption

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

Notice of Redemption

Not less than 30 days prior to a redemption date for the Bonds, the District shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to each registered owner of a Bond to be redeemed, in whole or in part, at the address of the holder appearing on the Bond Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER ONE OR MORE BONDHOLDERS FAILED

TO RECEIVE SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

In the Order, the District reserves the right in the case of a redemption to give notice of its election or direction to redeem Bonds conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date or (ii) the District retains the right to rescind such notice at any time prior to the scheduled redemption date if the District delivers a certificate of the District to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any Bonds subject to conditional redemption where redemption has been rescinded shall remain outstanding, and the rescission shall not constitute an event of default. Further, in the case of a conditional redemption, the failure of the District to make moneys and/or authorized securities available in part or in whole on or before the redemption date shall not constitute an event of default.

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

Defeasance

The Order provides that the Bonds may be defeased, refunded or discharged in any manner permitted by applicable law. Under current State law, such discharge may be accomplished by either (i) depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of and all interest to accrue on the Bonds to maturity or prior redemption or (ii) by depositing with a paying agent, or other authorized escrow agent, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested in (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 of the United States of America, and that are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding obligations to refund the Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent. Authorized District officials may limit these eligible securities as deemed necessary, in connection with the sale of the Bonds. The foregoing obligations may be in book-entry-only form, and shall mature and/or bear interest in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds. If any such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Order.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid for purposes of applying any debt limitation on indebtedness or for purposes of taxation. After firm banking and financial arrangements for the discharge, final payment, or redemption of the Bonds have been made as described above, all rights of the District to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, the District may reserve the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption, at an earlier date, those Bonds which have been defeased to their maturity date, if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Amendments

The District may amend the Order without the consent of or notice to any registered owners 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 Bonds then outstanding, amend, add to, or rescind any of the provisions of the Order; except that, without the consent of all of the registered owners of the Bonds then outstanding, no such amendment, addition, or rescission may (1) change the date specified as the date on which the principal of or any installment of interest on any Bond is due and payable, reduce the principal amount, the redemption price therefor, or the rate of interest thereon, or in

any other way modify the terms of payment of the principal of or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the percentage of the aggregate principal amount of Bonds required to be held for consent to any amendment, addition, waiver, or rescission.

Default and Remedies

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Order, the registered owners may seek a writ of mandamus to compel District officials to carry out their legally imposed duties with respect to the Bonds, if there is no other available remedy at law to compel performance of the Bonds or the Order and the District's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Order does not provide for the appointment of a trustee to represent the interest of the registered owners upon any failure of the District to perform in accordance with the terms of the Order, or upon any other condition and, accordingly, all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Chapter 1371, which pertains to the issuance of public securities by issuers such as the District, permits the District to waive sovereign immunity in the proceedings authorizing the issuance of the Bonds. Notwithstanding its reliance upon the provisions of Chapter 1371 in connection with its issuance of the Bonds (as further described herein under the subcaption "THE BONDS - Authority for Issuance"), the District has not waived the defense of sovereign immunity with respect thereto. Because it is unclear whether the Texas legislature has effectively waived the District's sovereign immunity from a suit for money damages outside of Chapter 1371, registered owners may not be able to bring such a suit against the District for breach of the Bonds or Order covenants. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the United States Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce 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 opinions of Co-Bond Counsel will note that all opinions relative to the enforceability of the Order and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors and general principles of equity which permit the exercise of judicial discretion.

SOURCES AND USES OF FUNDS

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

Sources of Funds:

Par Amount of Bonds	\$ _____
[Net] Reoffering Premium on the Bonds	
Accrued Interest	
Total Sources	\$ _____

Uses of Funds:

Deposit to Construction Fund	\$ _____
Deposit to Bond Fund (including accrued interest and capitalized interest)	
Underwriters' Discount	
Costs of Issuance ⁽¹⁾	
Contingency	
Total Uses	\$ _____

⁽¹⁾ Includes legal fees of the District, financial advisory fees, rating agency fees, fees of the Paying Agent/Registrar, and other costs of issuance.

REGISTRATION, TRANSFER AND EXCHANGE

Successor Paying Agent/Registrar

The District covenants that until the Bonds are paid it will at all times maintain and provide a paying agent/registrar. In the Order, the District retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new Paying Agent/Registrar must accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the District must be a bank, trust company, financial institution or other entity duly qualified and legally authorized to serve and perform the duties of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District will promptly cause a notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall give the address of the new Paying Agent/Registrar.

Record Date

The record date ("Record Date") for determining the registered owner entitled to receive a payment of interest on a Bond is the fifteenth business day of the month next preceding each interest payment date. If the date for the payment of the principal of or interest on, or redemption price of, the Bonds shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the Paying Agent/ Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

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. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each registered owner of a Bond appearing on the Bond Register at the close of business on the last business day next preceding the date of mailing of such notice.

Registration, Transferability and Exchange

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

Limitation on Transfer of Bonds

Neither the District nor the Paying Agent/Registrar shall be required to make any such transfer, conversion or exchange (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date or (ii) with respect to any Bond or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date; provided, however, that such limitation shall not apply to uncalled portions of a Bond redeemed in part.

Replacement Bonds

In the event the Book-Entry-Only System has been discontinued, and any Bond is mutilated, destroyed, stolen or lost, a new Bond of like kind and in the same maturity and amount as the Bond so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Bond, such new Bond will be delivered only upon surrender and cancellation of such mutilated Bond. In the case of any Bond issued in lieu of and in substitution for a Bond which has been destroyed, stolen, or lost, such new Bond will be delivered only (a) upon filing with the District and the Paying Agent/Registrar evidence satisfactory to establish to the District and the Paying Agent/Registrar that such Bond has been destroyed, stolen or lost and proof of the ownership thereof, and (b) upon furnishing the District and the Paying Agent/Registrar with bond or indemnity satisfactory to them. The person requesting the authentication and delivery of a new Bond must comply with

such other reasonable regulations as the Paying Agent/Registrar may prescribe and pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

BOOK-ENTRY-ONLY SYSTEM

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

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

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

DTC, the world's largest 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 an S&P Global Ratings' rating of "AA+." The DTC Rules applicable to its Participants are on file with the United States Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC [nor its nominee], the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the District or the Paying Agent/Registrar. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but none of the District, the Financial Advisor, or the Underwriters takes 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 Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Order will be given only to DTC.

Effect of Termination of Book-Entry-Only System

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

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. Prospective investors are encouraged to review Title I of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Valuation of Taxable Property

The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within each county in which a district is located is the responsibility of the respective Appraisal District for that county (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 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 May 7, 2022, a constitutional amendment was approved by voters of the State, increasing the exemption of the appraised value of all homesteads from \$25,000 to \$40,000 effective immediately, applying retroactively to the tax year beginning January 1, 2022. Senate Bill 1, passed during the Third Special Session of the 87th Texas Legislature, makes provisions for additional state aid to hold school districts harmless for tax revenue losses resulting from the increased homestead exemption.

Local Option Homestead Exemptions

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

State Mandated Freeze on School District Taxes

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

Personal Property

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

Freeport and Goods-in-Transit Exemptions

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

Certain goods, that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days ("Goods-in-Transit"), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official

action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer's motor vehicle, boat, or heavy equipment inventory.

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

Temporary Exemption for Qualified Property Damaged by a Disaster

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

Other Exempt Property

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

Tax Increment Reinvestment Zones

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

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

Tax Limitation Agreements

The Texas Economic Development Act (Chapter 313, Texas Tax Code, as amended), allows school districts to grant limitations on appraised property values to certain corporations and limited liability companies to encourage economic development within the school district. Generally, during the last eight (8) years of the ten-year term of a tax limitation agreement, a school district may only levy and collect M&O taxes on the agreed-to limited appraised property value. For the purposes of calculating its Tier One and Tier Two entitlements, the portion of a school district's property that is not fully taxable is excluded from the school district's taxable property values. Therefore, a school district will not be subject to a reduction in Tier One or Tier Two State funds as a result of lost M&O tax revenues due to entering into a tax limitation agreement (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts"). The 87th Texas Legislature did not vote to extend this program, which is now scheduled to expire by its terms, effective December 1, 2022. (See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - State Funding for School Districts".)

This program expired effective December 31, 2022.

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

The Property Tax Code as Applied to the District

The District grants an exemption to the market value of residence homesteads of \$40,000; the District has not granted an additional exemption of 20% of the market value of residence homesteads.

The District grants an exemption to the market value of the residence homestead to persons 65 years of age or older of \$10,000. Disabled persons are granted an exemption of \$10,000 until age 65, after which time only the over-65 exemption applies.

Disabled veterans are granted an exemption according to their percent (%) of disability.

100 percent and unemployable disabled veterans and surviving spouses homestead properties are fully exempt from ad valorem taxation.

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

The District does not tax non-business personal property, and the District's Tax Assessor-Collector collects the District's taxes.

The District does not permit split payments or discounts.

The District has exempted freeport property and, therefore, does not tax freeport property. On December 15, 2011, the District's Board of Trustees adopted a resolution authorizing the continued taxation of goods-in-transit for the 2012 tax year and beyond.

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 Changes in Law on District Bonds

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

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

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

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

Overview

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

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

Prior to the 2019 Legislative Session, a school district’s maximum M&O tax rate for a given tax year was determined by multiplying that school district’s 2005 M&O tax rate levy by an amount equal a compression percentage set by legislative appropriation or, in the absence of legislative appropriation, by the Commissioner of Education (the “Commissioner”). This compression percentage was historically set at 66.67%, effectively setting the maximum compressed M&O tax rate for most school districts at \$1.00 per \$100 of taxable value, since most school districts in the State had a voted maximum M&O tax rate of \$1.50 per \$100 of taxable value. 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.

2023 Legislative Session

The 88th Texas Legislature commenced on January 10, 2023. The Legislature meets in regular session in odd numbered years, for 140 days. When the Legislature is not in session, the Governor may call one or more special sessions, at the Governor’s discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. During this time, the Legislature may enact laws that materially change current law as it relates to the funding of public schools, including the District. Such legislation may include legislation that modifies the process for setting school district tax rates or implements temporary tax relief measures. During the 88th Texas Legislative Session, the Legislature will consider a general appropriations act and may consider legislation affecting the Finance System and ad valorem taxation procedures, among other legislation affecting school districts and the administrative agencies that oversee school districts. The District can make no representations or predictions regarding the scope of legislation that may be considered during the 88th Legislative Session or the potential impact of such legislation at this time.

Local Funding for School Districts

A school district’s M&O tax rate into two distinct parts: the “Tier One Tax Rate”, which is the local M&O tax rate required for a school district to receive any part of the basic level of State funding (referred to herein as “Tier One”) under the Foundation School Program, as further described below, and the “Enrichment Tax Rate”, which is any local M&O tax effort in excess of its Tier One Tax Rate. 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 is the lesser of three alternative calculations: (1) 93% or a lower percentage set by appropriation for a school year; (2) a percentage determined by formula if the estimated total taxable property value of the State (as submitted annually to the State Legislature by the State Comptroller) has increased by at least 2.5% over the prior year; and (3) the prior year State Compression Percentage. For any year, the maximum State Compression Percentage is 93%. For the State fiscal year ending in 2023, the State Compression Percentage is set at 89.41%

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

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

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

School districts may levy an Enrichment Tax Rate at a level of their choice, subject to the limitations described under "TAX RATE LIMITATIONS – Public Hearing and Voter-Approval Tax Rate"; however to levy any of the Enrichment Tax Rate in a given year, a school district must have levied 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 "– State Funding for School Districts – Tier Two").

State Funding for School Districts

State funding for school districts is provided through the two-tiered Foundation School Program, which guarantees certain levels of funding for school districts in the State. School districts are entitled to a legislatively appropriated guaranteed yield on their Tier One Tax Rate and Enrichment Tax Rate. When a school district's Tier One Tax Rate and Enrichment Tax Rate generate tax revenues at a level below the respective entitlement, the State will provide "Tier One" funding or "Tier Two" funding, respectively, to fund the difference between the school district's entitlements and the calculated M&O revenues generated by the school district's respective M&O tax rates. The first level of funding, Tier One, is the basic level of funding guaranteed to all school districts based on a school district's Tier One Tax Rate. Tier One funding may then be "enriched" with Tier Two funding. Tier Two provides a guaranteed entitlement for each cent of a school district's Enrichment Tax Rate, allowing a school district to increase or decrease its Enrichment Tax Rate to supplement Tier One funding at a level of the school district's own choice. While Tier One funding may be used for the payment of debt service (except for school districts subject to the recapture provisions of Chapter 49 of the Texas Education Code, as discussed herein), and in some instances is required to be used for that purpose (see "TAX RATE LIMITATIONS - I&S Tax Rate Limitations"). Tier Two funding may not be used for the payment of debt service or capital outlay.

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

Tier One and Tier Two allotments represent the State's share of the cost of M&O expenses of school districts, with local M&O taxes representing the school district's local share. EDA and IFA allotments supplement a school district's local I&S

taxes levied for debt service on eligible bonds issued to construct, acquire and improve facilities, provided that a school district qualifies for such funding and that the State Legislature makes sufficient appropriations to fund the allotments for a State fiscal biennium. Tier One and Tier Two allotments and existing EDA and IFA allotments are generally required to be funded each year by the State Legislature.

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

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

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

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

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

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

Since future-year IFA awards were not funded by the State Legislature for the 2022-2023 State fiscal biennium and debt service assistance on school district bonds that are not yet eligible for EDA is not available, debt service payments during the 2022-2023 State fiscal biennium on new bonds issued by school districts in the 2022-2023 State fiscal biennium to construct, acquire and improve facilities must be funded solely from local I&S taxes. A school district may also qualify for a NIFA allotment, which provides assistance to school districts for operational expenses associated with opening new instructional facilities. In the 2021 Legislative Session the State Legislature appropriated funds in the amount of \$70,000,000 for each fiscal year of the 2022-2023 State fiscal biennium for NIFA allotments.

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

Furthermore, “property-wealthy” school districts that received additional State funds under the Finance System prior to the enactment of the 2019 Legislation are entitled to an equalized wealth transition grant on an annual basis through the 2023-2024 school year in an amount equal to the amount of additional revenue such school district would have received under former Texas Education Code Sections 41.002(e) through (g), as those sections existed on January 1, 2019. This grant is phased out through the 2023-2024 school year 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 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 Texas Legislature. Furthermore, 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 year school under the formula transition grant exceeds \$400 million, the Commissioner shall proportionately reduce each district’s or school’s allotment. The reduction in the amount to which a district or school is entitled may not result in an amount that is less than zero.

Local Revenue Level in Excess of Entitlement

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

Recapture is 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.

THE SCHOOL FINANCE SYSTEM AS APPLIED TO THE DISTRICT

The District's wealth per student for the 2022-23 school year is less than the equalized wealth value. Accordingly, the District has not been required to exercise one of the permitted wealth equalization options. As a district with wealth per student less than the equalized wealth value, the District may benefit in the future by agreeing to accept taxable property or funding assistance from or agreeing to consolidate with a property-rich district to enable such district to reduce its wealth per student to the permitted level.

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

For the State fiscal year ending in 2023 (the 2022-2023 school year), the State Compression Percentage was set at 89.41% which means the maximum MCR for the 2022-2023 school year in the State is \$0.8941 per \$100 of assessed valuation. However, the local compression formula produced a lower MCR for the District, resulting in the application of a MCR of \$0.8282 per \$100 of taxable value for the District. For a detailed discussion of State funding for school districts, see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - State Funding for School Districts" herein.

TAX RATE LIMITATIONS

M&O Tax Rate Limitations

The District is authorized to levy an M&O tax rate pursuant to the approval of the voters of the District at an election held on April 20, 1974, in accordance with the provisions of Chapter 20, Texas Education Code (now codified as Section 45.003, Texas Education Code, as amended).

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

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

I&S Tax Rate Limitations

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

Section 45.0031 of the Texas Education Code, as amended, requires a school district to demonstrate to the Texas Attorney General that it has the prospective ability to pay its maximum annual debt service on a proposed issue of bonds and all previously issued bonds, other than bonds approved by voters of a school district at an election held on or before April 1, 1991 and issued before September 1, 1992 (or debt issued to refund such bonds, collectively, "exempt bonds"),

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

Public Hearing and Voter-Approval Tax Rate

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

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

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

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

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

Before adopting its annual tax rate, a public meeting must be held for the purpose of adopting a budget for the succeeding year. A notice of public meeting to discuss the school district's budget and proposed tax rate must be published in the time, format and manner prescribed in Section 44.004 of the Texas Education Code. Section 44.004(e) of the Texas Education Code provides that a person who owns taxable property in a school district is entitled to an

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

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

EMPLOYEE RETIREMENT PLAN AND OTHER POST-EMPLOYMENT BENEFITS

The District's employees participate in a retirement plan with the State of Texas. The Plan is administered by the Teacher Retirement System of Texas ("TRS"). Aside from the District's contribution to the TRS, the District has no pension fund expenditures or liabilities, except for portions of salaries that exceed salary limits of TRS. The District does not offer any post-employment retirement benefits and has no liabilities for "Other Post Employment Retirement Benefits" as defined in GASB Statement No. 45. See "Note 11: Defined Benefit Pension Plan" in the audited financial statements of the District for the fiscal year ended June 30, 2022 as set forth in APPENDIX C hereto.

The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS-Care provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. See "Notes to Basic Financial Statements - Note 12: Defined Other Postemployment Plan - Retiree Health Plan" in the audited financial statements for the District for the fiscal year ended June 30, 2022 as set forth in APPENDIX C hereto.

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.

INVESTMENT POLICIES

The District invests its investable funds (including bond proceeds and money pledged to the payment of or as security for bonds or other indebtedness issued by the District or obligations under a lease, installment sale, or other agreement of the District) in investments authorized by State law and in accordance with investment policies approved and reviewed annually by the Board. Both State law and the District's investment policies are subject to change.

Legal Investments

Under State law, the District is authorized to make investments meeting the requirements of the PFIA, which currently include (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the District selects from a list the governing body or designated investment committee of the District adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in the State that the District selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the District's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the District appoints as the District's custodian of the banking deposits issued for the

District's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission (the "SEC") and operating under SEC Rule 15c3-3; (9) (i) certificates of deposit or share certificates meeting the requirements of the Public Funds Investment Act (Chapter 2256, Texas Government Code) (the "PFIA") that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and provided for by law for District deposits, or (ii) certificates of deposits where (a) the funds are invested by the District through (A) a broker that has its main office or a branch office in the State and is selected from a list adopted by the District as required by law, or (B) a depository institution that has its main office or branch office in the State that is selected by the District, (b) the broker or the depository institution selected by the District arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the District, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the District appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to SEC Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the District with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described in clause (1) above, clause (12) below, require the securities being purchased by the District or cash held by the District to be pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party selected and approved by the District, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (13) no-load money market mutual funds registered with and regulated by the United States SEC that provide the District with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and that comply with federal SEC Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and (14) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and either (a) a duration of one year or more and invest exclusively in obligations described in under this heading, or (b) a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract and are pledged to the District and deposited with the District or a third party selected and approved by the District.

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

Political subdivisions such as the District are authorized to implement securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) 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; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less.

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

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

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

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

Current Investments*

As of December 1, 2022, the following percentages of the District's investable funds were invested as indicated below:

<u>Category of Investment</u>	<u>Amount</u>	<u>Percentage</u>	<u>Term of Investment</u>
Investment Pools	\$169,308,405*	100.00%	1 year

* Unaudited.

As of such date, the market value of such investments (as determined by the District by reference to published quotations, dealer bids, and comparable information) was approximately 100% of their 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.

LEGAL MATTERS

Legal Opinions and No-Litigation Certificate

The District will furnish the Underwriters a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Bonds are valid and legally binding obligations of the District, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Co-Bond Counsel, to the effect that the Bonds are valid and legally binding obligations of the District. Co-Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firms have not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in their capacity as Co-Bond Counsel, such firms have reviewed the information under the captions "THE BONDS" (exclusive of the subcaptions "Payment Record," "Permanent School Fund Guarantee," and "Default and Remedies," as to which no opinion is expressed), "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS," "CURRENT PUBLIC SCHOOL FINANCE SYSTEM," "TAX RATE LIMITATIONS," "LEGAL MATTERS" (excluding the last two sentences of this paragraph and the information under the subcaption "Litigation," as to which no opinion is expressed), "TAX MATTERS," "CONTINUING DISCLOSURE" (excluding the information under the subcaption "Compliance with Prior Agreements," as to which no opinion is expressed), "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS," and "OTHER PERTINENT INFORMATION - Registration and Qualification of Bonds for Sale" in the Official Statement and such firms are of the opinion that the information relating to the Bonds and the legal issues contained under such captions and subcaptions is an accurate description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the Order. The legal fee to be paid Co-Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. Co-Bond Counsel's legal opinions will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry Only System. Certain legal matters will be passed upon for the Underwriters by their counsel, Greenberg Traurig, LLP, Houston, Texas, whose compensation is contingent on the sale and delivery of the Bonds.

Though they represent the Financial Advisor and the Underwriters from time to time in matters unrelated to the Bonds, Co-Bond Counsel have been engaged by and only represent the District with respect to the issuance of the Bonds. The legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues expressly 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 from the transaction.

Litigation

In the opinion of various officials of the District, except as disclosed in this Official Statement, there is no litigation or other proceeding pending against or, to their knowledge, threatened against the District in any court, agency, or administrative body (either state or federal) wherein an adverse decision would materially adversely affect the financial condition of the District.

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

TAX MATTERS

Opinion

The delivery of the Bonds is subject to the opinion of Cantu Harden Montoya LLP, San Antonio, Texas, to the effect that interest on the Bonds for federal income tax purposes (1) will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), of the owners thereof pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. The statute, regulations, rulings, and court decisions on which such opinions are based are subject to change. A form of Cantu Harden Montoya LLP's legal opinion appears in APPENDIX D hereto.

In rendering the foregoing opinion, Cantu Harden Montoya LLP will rely upon the representations and certifications of the District made in a certificate of even date with the initial delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance with the provisions of the Order by the District subsequent to the issuance of the Bonds. The Order contains covenants by the District with respect to, among other matters, the use of the proceeds of the Bonds and the facilities and equipment financed or refinanced therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, if required, the calculation and payment to the United States Treasury of any arbitrage "profits" and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds.

Except as described above, Cantu Harden Montoya LLP as Co-Bond Counsel will express no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Co-Bond Counsels' opinions are not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the Issuer described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinion of Cantu Harden Montoya LLP and Cantu Harden Montoya LLP's legal opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures the IRS is likely to treat the District as the "taxpayer," and the owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the Issuer may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Tax Changes

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Ancillary Tax Consequences

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, property and casualty insurance companies, life insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust ("FASIT"), individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

For taxable years beginning after 2022, the Code imposes a minimum tax of 15 percent of the adjusted financial statement income of certain large corporations, generally consisting of corporations (other than S corporations, regulated investment companies and real estate investment trusts) with more than \$1 billion in average annual adjusted financial statement income, determined over a three-year period. For this purpose, adjusted financial statement income generally consists of the net income or loss of the taxpayer set forth on the taxpayer's applicable financial statement for the taxable year, subject to various adjustments, but is not reduced for interest earned on tax-exempt obligations, such as the Bonds. Prospective purchasers that could be subject to this minimum tax should consult with their own tax advisors regarding the potential impact of owning the Bonds.

Tax Accounting Treatment of Discount Bonds

The initial public offering price to be paid for certain bonds may be less than the amount payable on such bonds at maturity (the "Discount Bonds"). An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bonds. A portion of such original issue discount, allocable to the holding period of a Discount Bond by the initial purchaser, will be treated as interest for federal income tax purposes, excludable from gross income on the same terms and conditions as those for other interest on the Bonds. Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during his taxable year.

However, such accrued interest may be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, property and casualty insurance companies, life insurance companies, S corporations with subchapter C earnings and profits, owners of an interest in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

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

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination for federal income tax purposes of accrued interest upon disposition of Discount Bonds and with respect to the state and local tax consequences of owning Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on the Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

Tax Accounting Treatment of Premium Bonds

The initial public offering price to be paid for certain bonds may be greater than the stated redemption price on such bonds at maturity (the "Premium Bonds"). An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and its stated redemption price at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium with respect to the Premium Bonds. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity.

Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

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

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

CYBERSECURITY

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

CONTINUING DISCLOSURE

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

Annual Reports

The District will file certain updated financial information and operating data with the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement in APPENDIX A, attached hereto, exclusive of the tables reflecting "Direct and Estimated Gross Overlapping Funded Debt Payable from Ad Valorem Taxes," "Estimated Interest & Sinking Fund Management Index 2021/2022" and "2022/2023 Pro Forma Interest & Sinking Fund Management Index," respectively, and in APPENDIX C attached hereto. Additionally, the tables which provide neither quantitative financial information nor operating data for the District, including, but not limited to the "Authorized But Unissued General Obligation Bonds" and "Anticipated Issuance of Additional Bonds," have not been and will not be included in the District's annual filings. The District will update and provide this information to the MSRB within 6 months after the end of each fiscal year ending in and after 2023.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the United States Securities and Exchange Commission (the "SEC") Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if the District commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the District will provide unaudited financial statements by the required time and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX C or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District's current fiscal year end is June 30. Accordingly, it must provide updated information by the last day of December in each year, unless it changes its fiscal year. If the District changes its fiscal year, it will file notice of such change with the MSRB.

Notice of Certain Events

The District will file with the MSRB notice of any of the following events with respect to the Bonds in a timely manner (not more than 10 business days after occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a Financial Obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such 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 any such Financial Obligation of the District, any of which reflect financial difficulties. In the Order, the District will adopt policies and procedures to ensure timely compliance of its continuing disclosure undertakings

Neither the Bonds nor the Order make any provision for debt service reserves, credit enhancement, or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports." The District will provide each notice described in this paragraph to the MSRB.

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

Availability of Information from MSRB

All information and documentation filing required to be made by the District in accordance with its undertaking made for the Bonds will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB.

Limitations and Amendments

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

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

Compliance With Prior Undertakings

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

OTHER PERTINENT INFORMATION

At the time of the publication of the Preliminary Official Statement, the District contracts with SAMCO Capital Markets, Inc. as its Dissemination Agent on its filings related to continuing disclosure.

Authenticity of Financial Information

The financial data and other information contained herein have been obtained from the District's records, audited financial statements and other sources, which are believed to be reliable. All of the summaries of the statutes, documents and orders contained in this Official Statement are made subject to all of the provisions of such statutes, documents and orders. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

Registration and Qualification of Bonds for Sale

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

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

Municipal Bond Rating

The Bonds have been assigned an unenhanced rating of “Aa2” by Moody’s Investors Service, Inc. An explanation of the significance of such ratings may be obtained from Moody’s. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

THE BONDS **WILL NOT** BE GUARANTEED BY THE STATE OF TEXAS PERMANENT SCHOOL FUND GUARANTEE PROGRAM. (See “THE BONDS - Security for Payment” herein.)

An explanation of the significance of any rating may be obtained from the company furnishing the rating. The rating reflects only the view of such organizations and the District makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating companies, if in the judgment of such companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

Financial Advisor

SAMCO Capital Markets, Inc. (the “Financial Advisor”) is employed as the Financial Advisor to the District in connection with the issuance of the Bonds. The Financial Advisor’s fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. SAMCO Capital Markets, Inc., in its capacity as Financial Advisor, has relied on the opinions of Co-Bond Counsel and has not verified and does not assume any responsibility for the information, covenants, and representations contained in any of the bond documentation with respect to the federal income tax status of the Bonds. In the normal course of business, the Financial Advisor may also from time to time sell investment securities to the District for the investment of 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 its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

Underwriting

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the District at the price equal to the initial offering prices to the public, as shown on page -ii- herein, less an Underwriters’ discount of \$_____, plus accrued interest from their Dated Date to their date of initial delivery. The Underwriters’ obligation is subject to certain conditions precedent. The Underwriters will be obligated to purchase all of the Bonds, if any of the Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriters.

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

In the ordinary course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the District (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the District. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

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.

Information from External Sources

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, SEC Rule 15c2-12.

Authorization of the Official 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 has been approved by the Board of the District for distribution in accordance with provisions of the SEC's Rule codified at 17 C.F.R. Section 240.15c2-12, as amended.

The Order has been approved the form and content of this Official Statement and any addenda, supplement or amendment thereto and authorize its further use in the reoffering of the Bonds by the Underwriters.

JUDSON INDEPENDENT SCHOOL DISTRICT

/s/

Authorized Official

APPENDIX A
Selected Financial Information
of the District

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VALUATION AND DEBT DATA

Assessed Valuation*

2022 Appraised Valuation of District	\$16,487,764,701
Less: Exemptions/Deductions	<u>2,859,117,333</u>
2022 Total Taxable Assessed Valuation	\$13,628,647,368

Source: *Bexar Appraisal District*

* Includes valuations against which freeze of tax levy was granted for disabled persons and persons 65 years or older in 2022.

Direct Debt Information

Total All Bonded Indebtedness Payable from Ad Valorem Taxes: (at 12-01-2022)		
Limited Tax	\$ 2,600,000	
Unlimited Tax	641,919,086	\$644,519,086*
Less Estimated Interest & Sinking Fund Consolidated Cash Balance (at 12-01-2022)		<u>20,142,364</u>
NET BONDED INDEBTEDNESS PAYABLE FROM AD VALOREM TAXES		\$624,376,722*

* Preliminary, subject to change. Includes the Bonds.

Direct Debt Ratios

Ratio of Total Bonded Debt (\$644,519,086*) to 2022 Taxable Assessed Valuation (\$13,628,647,368)	4.73%
Ratio of Total Bonded Debt (\$644,519,086*) to 2022 Total Appraised Valuation (\$16,487,764,701)	3.91%
Ratio of Net Bonded Debt (\$624,376,722*) to 2022 Taxable Assessed Valuation (\$13,628,647,368)	4.58%
Ratio of Net Bonded Debt (\$624,376,722*) to 2022 Total Appraised Valuation (\$16,487,764,701)	3.79%
Ratio of Total Bonded Debt Net of State Assistance (\$634,371,387) to Taxable Assessed Valuation	4.65%

* Preliminary, subject to change.

Non-Funded Debt

At June 30, 2022, the District is obligated under leases for buses (\$77,211) and copiers (\$799,416). The copiers were leased for various District offices and campuses for a term of 5 years at a fixed interest rate of 3.6%. The monthly payments are \$39,840. The buses are leased for a term of 5 years at a fixed rate of 6.0%. The monthly payments are \$2,000. These leases are not renewable and the District will not acquire the assets at the end of the lease term. Future minimum lease payments on these operating leases are as follows:

Year Ending June 30	Principal	Interest	Total
2023	\$ 251,802	\$ 29,069	\$ 280,871
2024	205,870	20,101	225,971
2025	202,604	12,386	214,990
2026	200,482	4,509	204,991
2027	15,869	48	15,917
	<u>\$ 876,627</u>	<u>\$ 66,113</u>	<u>\$ 942,740</u>

Source: *District's 2022 Annual Financial Report.*

Authorized But Unissued General Obligation Bonds

After the issuance of the Bonds, the District will have \$255,299,000* remaining authorized but unissued debt.

* Preliminary, subject to change

Anticipated Issuance of Additional Bonds

The District anticipates issuing a second installment of its voted authorization from the Election, as well as potential refunding bonds for debt service savings within the next 12 months.

Population and Per Capita Indebtedness

2022 District Population Estimate	137,791
2022 Per Capita Taxable Assessed Valuation (\$13,628,647,368).....	\$98,908.11
Per Capita Direct Debt (\$644,519,086*)	\$4,677.51

* Preliminary, subject to change. Includes the Bonds.

Enrollment and Average Daily Attendance Data

2022/2023 Enrollment (at 12/1/22)	25,958
2022/2023 Average Daily Attendance (12/1/22)	22,017
2022 Taxable Assessed Valuation (\$13,628,647,368) Per Enrollment	\$525,026.87

Valuation and Bonded Debt Data

Area of District in Square Miles	55.87
Area of District in Acres	35,758
Total Direct Bonded Debt (\$644,519,086*) Per Acre	\$18,024.47
2022 Taxable Assessed Valuation (\$13,628,647,368) Per Acre	\$381,135.62

* Preliminary, subject to change. Includes the Bonds.

Outstanding Debt By Issues

	<u>Original Amount</u>	<u>Amount Outstanding at 12-01-2022 ⁽¹⁾</u>
	Original Amount	Amount Outstanding at 12-1-2022 ⁽¹⁾
Limited Tax:		
Maintenance Tax Notes, Series 2019	\$ 3,000,000	\$ 2,600,000
Unlimited Tax:		
School Building and Refunding Bonds, Series 2007	240,779,223	5,689,223
Refunding Bonds, Series 2015	61,270,000	55,060,000
School Building and Refunding Bonds, Series 2016	310,915,000	290,900,000
Refunding Bonds, Series 2016A	63,985,000	52,085,000
School Building Bonds, Series 2016B	4,945,000	4,495,000
School Building Bonds, Series 2017	55,730,000	54,930,000
Refunding Bonds, Series 2020	11,710,000	5,815,000
Refunding Bonds, Taxable Series 2020	87,129,863	82,944,863
School Building Bonds, Series 2023 (the "Bonds")	90,000,000 ⁽³⁾	<u>90,000,000</u> ⁽³⁾
Total Debt		\$644,519,086 ⁽³⁾
Less State Assistance from EDA and IFA (1.83% estimated) ⁽²⁾		<u>10,147,699</u>
Total Debt Net of State Assistance		\$634,371,387 ⁽³⁾

⁽¹⁾ Unaudited.

⁽²⁾ This amount represents the amount of State assistance expected to be received by the District as a percentage of the total annual debt service requirement.

⁽³⁾ Preliminary, subject to change.

**Consolidated Schedule of Bonded Issue Principal Requirements
(Year Ending June 30 In Each Of The Years 2023-2048 Inclusive)***

2023	\$ 15,700,000	
2024	29,905,000	
2025	19,155,000	
2026	10,330,048	
2027	10,564,175	13.34%
2028	21,150,000	
2029	22,455,000	
2030	23,230,000	
2031	23,830,000	
2033	24,620,000	31.30%
2033	25,500,000	
2034	26,460,000	
2035	27,440,000	
2036	28,385,000	
2037	32,815,000	53.21%
2038	22,940,953	
2039	23,718,910	
2040	31,525,000	
2041	32,665,000	
2042	33,965,000	75.77%
2043	35,385,000	
2044	36,805,000	
2045	37,675,000	
2046	20,750,000	
2047	12,450,000	98.05%
2048	<u>12,500,000</u>	100.00%
	\$641,919,085	

* Preliminary, subject to change. Includes the Bonds, and excludes the maintenance tax debt.

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Direct and Estimated Gross Overlapping Funded Debt Payable from Ad Valorem Taxes

Expenditures of the various taxing bodies overlapping the territory of the District are paid out of ad valorem taxes levied by these taxing bodies on properties overlapping the District. These political taxing bodies are independent of the District and may incur borrowings to finance their expenditures. The following statements of direct and estimated overlapping ad valorem tax bonds were developed from information contained in the "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have authorized or issued additional bonds since the date stated below, and such entities may have programs requiring the authorization and/or issuance of substantial amounts of additional bonds, the amount of which cannot be determined. The following table reflects the estimated share of direct and overlapping extended debt of these various taxing bodies:

Political Subdivision	Gross Debt		Percent Overlapping	Amount Overlapping
	Amount	As Of		
Alamo Community College District	\$ 777,390,000	01/31/2023	6.58%	\$ 51,152,262
Bexar County	2,015,625,000	01/31/2023	6.58%	132,628,125
Bexar County Hospital District	1,168,200,000	01/31/2023	6.58%	76,867,560
Cibolo Canyons Special Improvement District	35,145,000	01/31/2023	67.67%	23,782,622
Converse, City of	28,350,000	01/31/2023	89.78%	25,452,630
Kirby, City of	5,935,000	01/31/2023	100.00%	5,935,000
Live Oak, City of	26,015,000	01/31/2023	70.51%	18,343,177
San Antonio, City of	2,371,095,000	01/31/2023	2.38%	56,432,061
Selma, City of	27,480,000	01/31/2023	57.40%	15,773,520
Universal City, City of	20,299,000	01/31/2023	81.22%	<u>16,486,848</u>
Estimated Overlapping Funded Debt				\$ 422,853,805
Judson ISD	644,519,086 *		100.00%	<u>644,519,086</u> *
Total Direct and Estimated Overlapping Funded Debt				\$1,067,372,891
Ratio to 2022 Taxable Assessed Valuation (\$13,628,647,368)				7.83%
Ratio to 2022 Taxable Assessed Valuation (\$13,628,647,368) Net of State Assistance				7.76%
Per Capita (137,791) Direct and Estimated Overlapping Debt				\$7,746.32

* Preliminary, subject to change. Includes the Bonds.

(1) Cibolo Creek Municipal Authority does not levy an ad valorem tax; therefore, the percentage overlapping cannot be computed as general obligation debt.

TAXATION DATA

Historical Valuations, Tax Rates, and Collection Data

Tax Year	Assessed Valuation*	Tax Rate	% Collections		Year Ending
			Current	Total	
2012	\$ 6,156,414,807	\$1.425	98.51%	100.47%	6-30-13
2013	6,398,463,860	1.425	98.42%	98.58%	6-30-14
2014	6,833,285,053	1.425	98.51%	100.69%	6-30-15
2015	7,496,258,662	1.420	98.44%	100.44%	6-30-16
2016	8,192,510,476	1.470	98.64%	100.14%	6-30-17
2017	8,929,694,880	1.425	98.18%	99.43%	6-30-18
2018	9,917,538,075	1.440	98.05%	99.07%	6-30-19
2019	10,742,429,172	1.358	97.88%	98.64%	6-30-20
2020	11,051,434,701	1.275	97.94%	99.33%	6-30-21
2021	12,001,029,291	1.270	98.70%	100.02%	6-30-22
2022	13,628,647,368	1.220	(In process of collection)		6-30-23

* 2011 through 2021 taken from the District's 2022 Annual Financial Report; 2022 taken from Bexar Appraisal District information.

Tax Rate Distribution

<u>Tax Year</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Local Maintenance	\$0.855 ⁽¹⁾	\$0.878 ⁽¹⁾	\$0.912 ⁽¹⁾	\$0.970 ⁽¹⁾	\$1.040
Interest & Sinking Fund	<u>0.365</u>	<u>0.392</u>	<u>0.363</u>	<u>0.388</u>	<u>0.400</u>
Total	\$1.220	\$1.270	\$1.275	\$1.358	\$1.440

Source: *The District*

⁽¹⁾ The decline in the District's Maintenance and Operations Tax is a function of House Bill 3 adopted by the Texas Legislature in June 2019. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - Local Funding for School Districts."

2022 Tax Exemptions/Deductions Allowed

State-mandated \$40,000 General Homestead Exemptions	\$1,041,203,375
\$10,000 Over-65 Homestead Exemptions and Disabled Homestead Exemptions	91,408,549
100% Disabled or Unemployable Veterans Homestead Exemptions	661,162,934
Veterans Exemptions	39,372,152
Freeport Exemptions	45,226,437
Pollution Control Exemptions Loss	1,933,088
Productivity Loss	109,426,731
10% Per Year Cap on Residential Homestead	863,157,166
Freeze Value Loss	<u>6,226,901</u>
Total Exemptions and Exclusions	\$2,859,117,333

Source: *Bexar Appraisal District*

Schedule of Delinquent Taxes Receivable Fiscal Year Ended June 30, 2022

<u>Last Ten Years</u>	<u>Ending Balance 6/30/2022</u>
2012 and prior years	\$ 417,833
2013	103,299
2014	119,129
2015	139,229
2016	145,493
2017	280,734
2018	289,099
2019	371,114
2020	557,494
2021	<u>2,487,571</u>
Total	\$4,910,995

Source: *District's 2022 Annual Financial Report*

Ten Largest Taxpayers

Name	Type of Property	2022 Net Taxable Assessed Valuation	% of Total 2022 Assessed Valuation
HEB Grocery Company LP	Retail Grocery Store	\$ 647,582,959	4.75%
Breit JWM San Antonio LP	Hotel	290,920,768	2.13%
Wal-Mart Stores Inc. #2404	Retail	91,251,300	0.67%
SA Development Company LP	Commercial Real Estate	85,637,650	0.63%
Randolph Brooks Federal	Financial/Banking	81,759,580	0.60%
United Parcel Service	Shipping/Freight	72,177,330	0.53%
Labatt Institutional Supply	Wholesale Food Distributors	62,550,300	0.46%
Pure TTPC Apts LLC	Apartments	62,500,000	0.46%
Blue Atlantic Mira Loma LP	Apartments	54,500,000	0.40%
Lookout Hollow Consolidated LLC	Real Estate	<u>53,154,970</u>	<u>0.39%</u>
Total		\$1,502,034,857	11.02%*

Source: Bexar Appraisal District information.

* As shown in the table above, the top ten taxpayers in the District account for in excess of 11% of the District's tax base. Adverse developments in economic conditions, especially in a particular industry in which any one of these large taxpayers participates, could adversely impact these businesses and, consequently, the tax values in the District, resulting in less local tax revenue. If any major taxpayer, or a combination of top taxpayers, were to default in the payment of taxes, the ability of the District to make timely payment of debt service on the Bonds may be dependent on its ability to enforce and liquidate its tax lien, which is a time consuming process that may only occur annually. See "THE BONDS - Default and Remedies" and "AD VALOREM TAX PROCEDURES - District's Rights in the Event of Tax Delinquencies" in this Official Statement.

Taxpayers by Classification

Classification	2022		2021		2020	
	Assessed Valuation	Percent Of Total	Assessed Valuation	Percent Of Total	Assessed Valuation	Percent Of Total
Real Estate:						
Single Family Residential	\$10,414,565,313	63.17%	\$ 8,190,470,227	60.21%	\$ 7,356,653,321	57.26%
Multi-Family Residential	1,084,094,481	6.58%	895,086,280	6.58%	839,379,500	6.53%
Vacant - Platted Lots/Tracts	141,443,465	0.86%	153,596,228	1.13%	155,105,066	1.21%
Acreage (Land Only)	110,134,300	0.67%	104,758,486	0.77%	106,157,807	0.83%
Farm & Ranch Improvements	128,634,763	0.78%	127,399,559	0.94%	156,966,815	1.22%
Commercial	2,718,423,265	16.49%	2,470,125,042	18.16%	2,526,729,772	19.67%
Industrial	165,965,311	1.01%	119,932,100	0.88%	121,455,595	0.95%
Personal:						
Utilities	55,543,252	0.34%	52,977,925	0.39%	50,000,384	0.39%
Business	1,408,283,420	8.54%	1,274,872,276	9.37%	1,306,501,109	10.17%
Mobile Homes	76,139,473	0.46%	47,929,807	0.35%	45,229,770	0.35%
Residential Inventory	143,162,358	0.87%	132,175,929	0.97%	147,716,549	1.14%
Special Inventory	<u>41,375,300</u>	<u>0.25%</u>	<u>33,397,950</u>	<u>0.25%</u>	<u>36,557,190</u>	<u>0.28%</u>
Total Valuation	\$16,487,764,701	100.00%	\$13,602,721,809	100.00%	\$12,848,452,878	100.00%
Less Exemptions & Exclusions	<u>2,859,117,333</u>		<u>1,972,805,372</u>		<u>1,841,431,649</u>	
Net Taxable Assessed Valuation	<u>\$13,628,647,368</u>		<u>\$11,629,916,437</u>		<u>\$11,007,021,229</u>	

Source: Bexar Appraisal District.

ESTIMATED INTEREST & SINKING FUND MANAGEMENT INDEX 2022/23

Interest & Sinking Fund Balance at 6-30-2022.....	\$29,688,580
Estimated Income from \$0.365 I&S Tax Rate @ 97% Collected Using 2022 Taxable Assessed Valuation of \$13,628,647,368	48,305,394
Estimated Other Income	<u>750,000</u>
Estimated Total Funds Available	78,744,394
2022/23 Debt Service Requirement	<u>49,166,925</u>
Estimated Interest & Sinking Fund Balance at 6-30-2023	\$29,577,469

**CONSOLIDATED DEBT SERVICE REQUIREMENTS
INCLUDING THE BONDS AT ASSUMED RATES***

FISCAL YEAR 30-June	CURRENTLY OUTSTANDING DEBT SERVICE	PLUS: THE BONDS AT ASSUMED RATES*				GRAND TOTAL ALL DEBT SERVICE
		PRINCIPAL DUE 2/1	INTEREST DUE 8/1	INTEREST DUE 2/1	TOTAL	
2023	\$49,166,925.00					
2024	33,742,752.05	\$15,000,000		\$ 2,250,000.00	\$17,250,000.00	\$ 49,166,925.00
2025	36,976,412.45	500,000	\$ 1,875,000.00	1,875,000.00	4,250,000.00	50,992,752.05
2026	37,632,470.05	500,000	1,862,500.00	1,862,500.00	4,225,000.00	41,226,412.45
2027	37,862,292.05	500,000	1,850,000.00	1,850,000.00	4,200,000.00	41,857,470.05
2028	37,852,926.45	500,000	1,837,500.00	1,837,500.00	4,175,000.00	42,062,292.05
2029	38,783,983.55	250,000	1,825,000.00	1,825,000.00	3,900,000.00	42,027,926.45
2030	38,926,272.10	250,000	1,818,750.00	1,818,750.00	3,887,500.00	42,683,983.55
2031	38,942,892.45	250,000	1,812,500.00	1,812,500.00	3,875,000.00	42,813,772.10
2032	38,984,796.25	250,000	1,806,250.00	1,806,250.00	3,862,500.00	42,817,892.45
2033	39,039,654.50	250,000	1,800,000.00	1,800,000.00	3,850,000.00	42,847,296.25
2034	39,072,719.75	250,000	1,793,750.00	1,793,750.00	3,837,500.00	42,889,654.50
2035	39,018,377.00	250,000	1,787,500.00	1,787,500.00	3,825,000.00	42,910,219.75
2036	38,428,744.20	800,000	1,781,250.00	1,781,250.00	4,362,500.00	42,843,377.00
2037	24,229,385.65	5,000,000	1,761,250.00	1,761,250.00	8,522,500.00	42,791,244.20
2038	37,560,950.00	1,500,000	1,636,250.00	1,636,250.00	4,772,500.00	32,751,885.65
2039	37,277,050.00	1,750,000	1,598,750.00	1,598,750.00	4,947,500.00	42,333,450.00
2040	38,685,800.00	500,000	1,555,000.00	1,555,000.00	3,610,000.00	42,224,550.00
2041	37,334,800.00	1,750,000	1,542,500.00	1,542,500.00	4,835,000.00	42,295,800.00
2042	35,648,200.00	3,500,000	1,498,750.00	1,498,750.00	6,497,500.00	42,169,800.00
2043	35,349,600.00	4,000,000	1,411,250.00	1,411,250.00	6,822,500.00	42,145,700.00
2044	34,014,200.00	5,500,000	1,311,250.00	1,311,250.00	8,122,500.00	42,172,100.00
2045	28,632,000.00	10,500,000	1,173,750.00	1,173,750.00	12,847,500.00	42,136,700.00
2046	9,620,000.00	11,500,000	911,250.00	911,250.00	13,322,500.00	41,479,500.00
2047		12,450,000	623,750.00	623,750.00	13,697,500.00	22,942,500.00
2048		12,500,000	312,500.00	312,500.00	13,125,000.00	13,697,500.00
	<u>\$862,783,203.50</u>	<u>\$90,000,000</u>	<u>\$37,186,250.00</u>	<u>\$39,436,250.00</u>	<u>\$166,622,500.00</u>	<u>\$1,016,280,703.50</u>

* Preliminary, subject to change.

2023/2023 PRO FORMA INTEREST & SINKING FUND MANAGEMENT INDEX

Estimated Interest & Sinking Fund Balance at 6-30-2023.....	\$29,577,469
Estimated Income from \$0.3654 I&S Tax Rate @ 97% Collected Using 2023 Estimated Taxable Assessed Valuation of \$14,446,578,210	51,204,162
Estimated Other Income	<u>750,000</u>
Total Estimated Funds Available	81,531,631
2023/24 Debt Service Requirement	<u>50,992,752</u>
Estimated Interest & Sinking Fund Balance at 6-30-2024	\$30,538,879

FIVE-YEAR RECORD OF FINANCIAL OPERATIONS

The following summary of the District's results of operation reflects the District's historical performance under prior systems of school finance in Texas. For a description of the prior systems, the revised current system, and how the District's future financial performance may be affected by the revised system and ongoing litigation see "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in the Official Statement.

REVENUE	Year Ended 6/30				
	2022	2021	2020	2019	2018
Local and Intermediate Sources ⁽¹⁾	\$160,626,145	\$146,647,617	\$150,729,552	\$151,993,955	\$135,167,074
State Program Revenues	108,755,830	118,037,175	108,420,980	88,760,152	97,550,896
Federal Program Revenues	<u>69,680,544</u>	<u>27,409,909</u>	<u>28,011,628</u>	<u>30,500,437</u>	<u>24,682,933</u>
Total all Revenue	\$339,062,519	\$292,094,701	287,162,160	271,254,544	257,400,903
EXPENDITURES					
Instruction & Instruction Related	161,531,493	146,011,204	134,796,765	134,388,187	132,843,060
Instructional and School Leadership	14,644,027	14,886,655	21,037,439	14,725,471	14,675,439
Support Services - Student (Pupil)	42,794,113	32,307,424	38,730,458	38,486,328	37,159,797
Administrative Support Services	7,426,350	5,260,460	4,663,727	4,768,581	5,241,988
Support Services - Non-student Based	41,612,462	30,442,910	29,518,803	27,904,306	28,437,851
Ancillary Services	313,027	562,127	1,004,395	1,189,704	1,319,908
Debt Service	47,795,946	41,197,329	38,640,937	38,325,858	36,130,651
Capital Outlay	12,664,964	33,338,139	55,076,221	74,459,991	71,121,094
Intergovernmental Charges	<u>790,277</u>	<u>732,798</u>	<u>908,153</u>	<u>874,762</u>	<u>949,347</u>
Total all Expenditures	329,572,659	304,739,046	324,376,898	335,123,188	327,879,135
Total Other Resources and (Uses)	<u>(4,000,000)</u>	930,129	1,639,949	6,143,349	90,311,116
Special Item	544,837	789,337	--	--	--
Excess (Deficiency) of Revenues and Other Resources Over Expenditures and Other Uses	6,034,697	(10,924,879)	(35,574,789)	(57,725,295)	19,832,884
Fund Balance Beginning of Year	208,650,575	219,575,454	255,150,243	311,654,154	291,821,270
Prior Period Adjustment	<u>4,000,000</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
Fund Balance End of Year	<u>\$218,685,272</u>	<u>\$208,650,575</u>	<u>\$219,575,454</u>	<u>\$255,150,243</u>	<u>\$311,654,154</u>
Fund Balance - General Fund Only ⁽²⁾	\$127,604,289	\$110,851,807	\$88,491,661	\$78,385,273	\$ 76,191,002

Source: The District's audited financial statements.

⁽¹⁾ Ad valorem taxes and other local services.

⁽²⁾ Increase in General Fund Balance is attributable to the District utilizing ESSER funding along with unfilled teacher/paraprofessional positions and increased enrollment post COVID."

	Year Ended 6/30				
	2022	2021	2020	2019	2018
Assessed Valuation	\$12,001,029	\$11,051,434,701	\$10,742,429,172	\$9,917,538,075	\$8,929,763,228
Total Tax Rate	\$1.270	\$1.275	\$1.358	\$1.440	\$1.425
Percent of Debt Service To Total Expenditures	14.50%	13.52%	11.79%	11.44%	11.02%

APPENDIX B

**General Information Regarding the District
And Its Economy**

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THE DISTRICT

This Appendix contains a brief discussion of certain economic and demographic characteristics of the area in which the District is located. Information in this Appendix has been obtained from sources that are believed to be reliable, although no investigation has been made to verify the accuracy of such information.

Location and Economy

The District is located in south central Texas immediately northeast of San Antonio, Texas and contains 56.62 square miles. Created in 1958 pursuant to an election for the consolidation of the Kirby, Converse and Selma Common School Districts, the District is located entirely within Bexar County in the east and northeast portion.

Incorporated cities within the District include all of Kirby and Converse, and portions of Live Oak, Selma, Universal City and San Antonio, but such cities are not obligated for any payments on the Bonds. A brief description of each follows.

Kirby

Incorporated in 1955; the 2020 population estimate was 8,841. Kirby is a home rule city (council-manager) whose governing body consists of a mayor, a six-member council, a city secretary and a city manager. This progressive, growing residential city has one bank and numerous retail trade establishments. Residents are engaged in business occupations or are employed in San Antonio commerce or at nearby military bases in civil service.

The City owns its waterworks and sewer collection systems. Outstanding indebtedness consists of \$6,465,000 general obligation debt.

Located east of San Antonio Kirby is served by State Highway 78, IH 35 and IH 10, and paved streets throughout.

Judson Independent School District facilities located in Kirby include Kirby Middle School and Joseph H. Hopkins Elementary School.

Converse

Incorporated in 1961; the 2020 population estimate of Converse, Texas ("Converse") was 29,070. Converse is a home rule city (council-manager) whose governing body consists of a mayor, six councilmembers and a city manager. This progressive, growing residential city has one bank and numerous retail establishments. Converse annexed several commercial properties including the Converse Business Park. In addition, there are two new residential developments, Miramar and Hanover Cove, being developed on Loop 1604.

Located northeast of San Antonio, Converse is served by State Highway 78, with connecting roads to nearby IH 35 and Farm Road 1604, an outer loop in Bexar County. Downtown San Antonio is only minutes away by route of Highway 78, IH 10, or IH 35. Employment is by San Antonio commerce, business or Randolph Air Force Base.

Converse owns its waterworks and sewer distribution systems, with general obligation debt outstanding in the amount of \$28,350,000.

Judson Independent School District facilities located in Converse include Judson High School, Judson Middle School, JSTEM, Judson Performing Arts Center, Converse Elementary School, Copperfield Elementary School, Thompson Learning Center, and the Judson Secondary Alternative School. Also located in Converse is St. Monica's Catholic School, teaching grades pre-school through 6th.

Selma

Incorporated in 1964; the 2020 population estimate of Selma, Texas ("Selma") was 12,313. Selma is a general law city whose governing body consists of a mayor, five aldermen and a city clerk/manager. Selma has general obligation debt outstanding in the amount of \$27,480,000.

Selma is located north of San Antonio on IH 35. Businesses in the city include: Spaw Glass Contracting, building contractor; Gillman Honda, an automobile dealership; Fischer Nuts' Company, a nut processing plant; Retama Park racetrack, live horse racing; and the Forum Shopping Center, which includes Old Navy, Toys R Us, TJ Maxx, Pier One Imports, Hobby Lobby, Beal's, Academy, Costco, Furniture Row and Rush Business Center. New residential developments include Retama Ridge and Retama Spring.

Educational facilities located in Selma include Our Lady of Perpetual Help Parochial School, teaching grades Pre-School through 8th, which opened in 1901.

Universal City

Incorporated in 1960; the 2020 estimated population of Universal City, Texas ("Universal City") was 21,153. Because of its location adjacent to the Main Gate to Randolph Air Force Base, Universal City has achieved a more developed stage than other areas of the District. An estimated 50% of the Universal City lies in the Judson Independent School District with the remainder lying in an adjoining school district.

State Highway 78, Farm Road 1604 and IH 35 serve the needs of the Universal City. Universal City is located between Converse, Selma and Live Oak.

One telemarketing company is the largest employer, employing 1,200. The Olympia Hills Golf & Conference Center, consisting of an 18-hole municipal golf course and club house, was recently named one of the top affordable courses in America and number one in Texas by *Golf Digest*.

Universal City owns its waterworks but sewer distribution is under contract, with an estimated 6,086 and 5,875 connections respectively at fiscal year-end 2018. The City has outstanding general obligation indebtedness in the amount of \$20,299,000.

Judson Independent School District facilities located in Universal City include Kitty Hawk Middle School, Coronado Village Elementary School, Salinas Elementary, and Olympia Elementary School.

Live Oak

Incorporated in 1960; the 2020 estimated population of Live Oak, Texas ("Live Oak") was 16,104. Live Oak is a home rule city, the governing body consisting of a mayor, five councilmembers and a city manager.

Establishments include: a Federal Credit Union headquarters office; two automobile dealerships; one hospital; one-half of The Forum Shopping Center, including Target, Best Buy, Home Depot, Kohl's and an 18-screen movie theater.

The Texas Municipal Report on the city reports the outstanding general obligation indebtedness of Live Oak at \$26,015,000.

Judson Independent School District facilities located in Live Oak include Ed Franz Elementary School, Crestview Elementary School and the Judson Administrative Offices.

San Antonio

A major metropolitan city of the United States with a 2020 estimated population of 2,320,000, San Antonio, Texas (San Antonio) operates as a Council-Manager form of government. The city is divided into 10 council districts designed to ensure equal population distribution between all districts. Each district elects one person to sit on the City Council with the mayor elected on a city-wide basis. The council hires the City Manager to handle day to day operations.

San Antonio is located west of the Judson Independent School District. San Antonio extends into the Judson District in several areas. Business, industry and commerce of San Antonio provide most of the jobs for the residents within the District. Located in the "Sunbelt," San Antonio is experiencing considerable growth. The economy of San Antonio has been stable in the past due to the military influence. Military bases and installations located in the San Antonio area include Fort Sam Houston Army Base and Brooke Army Medical Center, Randolph Air Force Base, Army South Command, and Brooks City Base. The former Kelly Air Force Base has been converted to the Kelly USA Business Park operated by the Greater Kelly Development Authority.

Because of the military installations, many retired military personnel make their homes in San Antonio due to the availability of commissary and medical facilities.

San Antonio has a complete and modern expressway system with easy access to the major interstate highways. The San Antonio International Airport has flights originating to and from Mexico and other Central and South American countries. San Antonio is a financial center for South Texas and Northern Mexico, serving an economy that includes agriculture, both farming and ranching, and the oil and gas industry.

Tourism is a vital part of the San Antonio economy. Sea World of Texas and Fiesta Texas Theme Park continue to be leading tourist attractions in Texas. The Alamodome, a dome stadium with a seating capacity of 65,000, is available for a variety of events. The five-time world-champion San Antonio Spurs NBA basketball team has a new home in the new AT&T Center. The AT&T Center has a seating capacity of 18,232 and is also the home of the San Antonio Livestock Show and Rodeo, as well as many other events.

Judson Independent School District facilities in San Antonio include Park Village Elementary School, Woodlake Hills Middle School, William Paschall Elementary School, Mary Lou Hartman Elementary School, and the Judson Learning Academy, located within Rolling Oaks Mall.

Unincorporated Areas

There are numerous developments throughout the District which are not located in an incorporated city. Major residential developments include Woodlake, Fields of Dover and Highland Farms, located on State Highway FM 78 between Kirby and Converse. In addition, numerous developments along Binz-Englemann Road include Escondido Creek and Valley View, as well as Windfield and Miller Ranch along Foster Road. The new JW Marriott Resort along with the two Tournament Players Golf Courses ("TPC") are located in Judson ISD as well as Cibolo Canyons, which surrounds the TPC. The JW Marriott Resort jumped to a top ten taxpayer in its first year on the tax rolls.

Judson Independent School District facilities located in unincorporated areas include Candlewood Elementary, Galen R. Eloff Elementary, Masters Elementary, Miller's Point Elementary, Spring Meadows Elementary, Woodlake Elementary, Metzger Middle School, and Wagner High School.

Largest Employers in the District - 2022

<u>Organization</u>	<u>Nature of Business</u>	<u>Number of Employees</u>
H. E. Butt Grocery Company	Food Manufacturing	10,006
Judson Independent School District	Public Education	3,031
Alorica Telemarketing	Telemarketing	1,200+
United Parcel Service	Consolidated Mail Service	1,200
JW Marriott San Antonio	Hotel	903
Wal-Mart Discount City (3)	Retail Store	700
DPT Laboratories Ltd-Mylan	Contract Pharmaceutical	825
Labatt Institutional Supply	Food Products Distribution	551
Randolph Brooks Federal Credit Union	Financial	500
Flowers Bakery	Bakery	250
	(Contracted)	250
Frito-Lay, Inc.	Food Manufacturing	388
Ben E. Keith	Wholesale Food Distributor	350
Halmark	Computer Sales IBM	300
Sears Roebuck & Company	Retail Store	300
Big Red Bottling Company	Bottling Plant	295
Pepsi-Cola Bottling Group	Bottling Plant	253
Jordan Ford	Automobile Dealer	219
KLN Steel	Steel Institutional Furniture	99

Commercial and Industrial

Located in the District on major highway interchanges including IH 35, Farm Road 1604, Loop 410 and State Highway 78 are eight of the top ten taxpayers. Among the firms located in this area are: H.E. Butt Grocery Company, a chain grocery firm with offices, warehouses, cold storage, bakery and dock facilities having combined space in excess of 1,991,300 square feet; Wal-Mart Stores, Inc. two stores located on Loop 1604 and FM 78; Ben E. Keith & Company, a food service distributor; Frito-Lay, Inc., a division of Pepsico, in operation in a plant containing approximately 104,200 square feet; and Sysco Corporation, hotel and restaurant food suppliers on a 24-acre site containing 155,700 square feet of floor space. Kimco Forum @ Olympia LP is the largest retail mega-center in Texas. Tenants include Target, Home Depot, Best Buy, PetsMart, Bealls, Haverty's, Compass Bank, Linens 'N Things, Old Navy, Office Max, Ross Dress For Less, Pier One, Barnes and Noble, Outback Steakhouse, IHOP, Macaroni Grill, TGI Fridays, Kohl's and Hobby Lobby.

Other commercial and industrial firms include the Flowers Bakery, a bakery; Texaco Inc., land storage facilities; Featherlite Corporation, a brick and cinderblock manufacturing plant; Burke Custom Forms Group, a steel products company; two bottling plants; three automobile dealerships; and numerous motels and retail trade establishments. Also in the District is the recent Cibolo Canyons development. This includes an 1,002 room JW Marriott Resort with its two TPC golf courses. The Valero Texas Open Golf Tournament is played on the AT&T Oaks TPC course here. The AT&T Canyons Course is the site of the San Antonio Championship.

A major highway interchange has been completed at the intersection of IH 35 and Farm Road 1604 in the District near Universal City, Live Oak and Selma. A shopping mall having combined space in excess of 1,000,000 square feet is also located in the District at the intersection of Farm Road 1604 and Nacogdoches Road.

Eagle Ford Shale... A major contributor to the area's more recent economic success has been the Eagle Ford Shale boom. The oil and gas fields have attracted strategic players from the industry including Baker Hughes, Weatherford, and Halliburton. These companies have established large work sites in southeast Bexar County. During March of 2013, a

report from the University of Texas at San Antonio estimates 20,000 jobs have been created as a result of the oil and natural gas exploration. An additional report from the UTSA Institute for Economic Development established the \$28 billion invested during 2012 places the Eagle Ford Shale as the most invested oilfield in the world.

Higher Education Facilities

In addition to public schools afforded within the District, higher educational facilities are available in San Antonio. These include the University of Texas at San Antonio, University of Texas Health Science Center, St. Mary's University, Trinity University, University of the Incarnate Word, Our Lady of the Lake University, Texas A & M University, San Antonio, Wayland Baptist University, Alamo Community College District, and the nearby facilities of Texas State University - San Marcos and Texas Lutheran University in Seguin. Northeast Lakeview College, a part of Alamo Community College District, opened its campus off Kitty Hawk Road and Loop 1604 in the Fall of 2008.

Community Services

Hotel and motel facilities are located within the District and in adjacent San Antonio. Bexar County Hospital District and private hospitals provide the finest medical facilities in the Southwest. A San Antonio daily newspaper is available, as are radio and television stations and San Antonio and Bexar County library facilities. The recreational facilities of San Antonio and Bexar County are available to residents of the District. These include the public swimming pools, parks, golf courses, the famous Brackenridge Park and Zoo, the Convention Center, the Alamodome, and the SeaWorld and Fiesta Texas amusement parks.

EDUCATION SYSTEM

Administration

Policy making and supervisory functions are the responsibility of and are vested in a seven-member Board of Trustees (the "Board"). Members of the Board serve three-year staggered terms with elections being held each year on the first Saturday in May. The Board delegates administrative responsibilities to the Superintendent of Schools.

Accreditation

The District is fully accredited by the Texas Education Agency.

Budget and Personnel

The maintenance and operating and debt service budget for the 2022-23 school year is approximately \$303,664,460. The District employs approximately 3,800 people, including professional and other, and will have a payroll of approximately \$236,438,304.

Average Daily Attendance and Percentage Increase

<u>School Year</u>	<u>Refined Average Daily Attendance</u>	<u>% ADA Change</u>
2010-11	20,566	1.55%
2011-12	20,782	1.05%
2012-13	20,988	0.99%
2013-14	21,390	1.92%
2014-15	21,716	1.52%
2015-16	21,521	-0.90%
2016-17	21,315	-0.96%
2017-18	21,390	0.35%
2018-19	21,251	-0.65%
2019-20	21,751	2.35%
2020-21	22,109	1.65%
2021-22	20,876	-5.58%
2022-23 ⁽¹⁾	22,017	5.47%

* As of December 1, 2022.

⁽¹⁾ Increase in Average Daily Attendance attributable to students returning from COVID-19 and growth in population within the District.

Present Facilities

<u>School Facility</u>	<u>Year Occupied</u>	<u>Grade Span</u>	<u>Enrollment at 12-01-22</u>
<u>Elementary Schools:</u>			
Candlewood Elementary	1989-90	Age 3 - Grade 5	515
Converse Elementary	1955-56	Age 3 - Grade 5	614
Copperfield Elementary	2014-15	Age 3 - Grade 5	906
Coronado Village Elementary	1972-73	Age 3 - Grade 5	431
Crestview Elementary	1975*-19**	Age 3 -Grade 5	684
Galen R. Eloff Elementary	1994*-19**	Age 3 - Grade 5	679
Hopkins Elementary	1970-71	Age 3 - Grade 5	792
Franz Elementary	1968-69	Age 3 - Grade 5	388
Masters Elementary	2009-10	Age 3 - Grade 5	806
Miller's Point Elementary	1987*-19**	Age 3 - Grade 5	618
Olympia Elementary	1980*-19**	Age 3 - Grade 5	542
Park Village Elementary	1972*-00**	Age 3 - Grade 5	444
Spring Meadows Elementary	1986*-20**	Age 3 - Grade 5	744
Woodlake Elementary	1979*-19**	Age 3 - Grade 5	639
William J. Paschall Elementary	2001-02	Age 3 - Grade 5	746
Mary Lou Hartman	2003-04	Age 3 - Grade 5	788
Ricardo Salinas Elementary	2006-07	Age 3 - Grade 5	794
Rolling Meadows Elementary	2009-10	Age 3 - Grade 5	890
Escondido Elementary	2018-19	Age 3 - Grade 5	780
Worham Oaks Elementary	2018-19	Age 3 - Grade 5	808
<u>Middle Schools:</u>			
Kirby Middle School	1961*-19**	Grades 6-8	674
Kitty Hawk Middle School	1975*-20**	Grades 6-8	1,238
Woodlake Hills Middle School	1996-97	Grades 6-8	795
Metzger Middle School	2004-05	Grades 6-8	944
Judson Middle School (includes STEM)	2010-11	Grades 6-8	1,266
<u>High Schools:</u>			
Judson High School	1959*-10***	Grades 9-12	2,664
Judson Early College	2009-10	Grades 9-12	411
Veterans Memorial High School	2016*-20**	Grades 9-12	1,761
Karen Wagner High School	2005-06	Grades 9-12	2,391
<u>Other Facilities:</u>			
Judson Learning Academy			121
JCARE (Boot Camp)			<u>22</u>
Total			25,895

* Year originally occupied.
 ** Year of most recent additions.
 *** Campus remodeled.

Curriculum

The District strives to offer its patrons a diverse, comprehensive curriculum that both recognizes and builds on its multi-cultural clientele. The District offers programs for learners from age three in the pre-kinder program up to the adults who participate in the Adult and Community Education program.

In grades pre-kindergarten through fifth, the program consists of the basic subjects, i.e., English, language arts, mathematics, science, health, physical education, music, art, social studies, special education, and gifted and talented education. Each of the 20 elementary campuses has at least one computer learning lab which is utilized to support and supplement the regular educational program. Tutorial classes are offered during the day for those students who require additional time and instruction in a core curriculum area. Additionally, the District offers accelerated after-school and summer programs to students who need extra help in the core areas.

The sixth, seventh and eighth grade students are offered a basic program in the core curriculum areas as well as a wide variety of elective areas that include foreign language, computers, band, chorus, art, career and technology education, and reading. All middle schools have technology labs, which include lab units that utilize lasers and robotics. Pre Advanced Placement courses are offered for those students who are capable of achieving in a more challenging and complex environment in English, science, social studies, mathematics, and foreign language. Many students enter high school with credits earned in Algebra I, Spanish I and Integrated Physics/Chemistry (IPC). These honors classes, as well as the Gifted and Talented Humanities, mathematics and science classes, ensure quality education for most able students. The Gifted and Talented elective also serves the Gifted and Talented population at this level. Science

Technology Electronics and Mathematics' Academy (STEM) is a magnet school located at Judson Middle School with a current enrollment of 395 students.

In the high school, in addition to the state mandated subjects, students are offered a wide variety of courses to meet their career/life goals. Course offerings range from Advanced Placement courses in the academic areas for the college bound students to technical and career studies for those students who may seek employment immediately after graduation. Integral to the TechPrep program are 2 + 2 and 2 + 4 programs that pair the high school with a post-secondary institution to allow students to transition easily into college level classes in various fields of technology. The advanced curriculum is further enhanced by the International Baccalaureate program that is offered at Judson High School. Students may also take dual credit classes with the Alamo Community College District. Judson Early College Academy offers a high school diploma, liberal arts and associates degree during the 4-year program. The campus was built on Northeast Lakeview Campus being part of the Alamo Community College District.

During the 1995-1996 school year, the District implemented a competency based high school program that is located in the area mall. This community program serves students who have dropped out of school or are in danger of dropping out. Since the program began, 2,013 students have earned their high school diploma in an individualized, self-paced program that has flexible hours.

Student Performance

School districts are rated largely on the results of the state assessment. The District is extremely proud of the performance of its students on the various assessments used by the State of Texas to measure student performance, however, the last state assessment was provided during 2019 and no STAAR data was provided in the Spring of 2020 due to COVID-19. The scores on the State of Texas Assessments of Academic Readiness (STAAR®), graduation rates, and college, career & military Readiness factors from 2019 earned the District a B, which was an increase from the prior year. This shows how well the district prepared students for success, both in school and after high school in college, a career, or the military. Statistics on the ACT and SAT scores also indicate achievement comparable to the state average and national average. The performance of the students on standardized testing indicates both the quality of the District's programs and the excellent staff that has been recruited and retained. Judson ISD campuses earned 34 academic distinctions from the State of Texas for 2018-2019, up from 2 academic distinctions in 2017-2018.

Food Service

The District operates 28 full-service cafeteria facilities. The Food Service Department is self-sustaining, receiving no supplemental funding from the District.

Junior ROTC

A very active Air Force Junior ROTC has been in operation since 1975 and has won many awards. Numerous students have received appointments to military academies. In 2006, the District added Army Junior ROTC to its student offerings.

APPENDIX C

Audited Financial Statements

The information contained in this appendix consists of the Judson Independent School District Audited Financial Statements (the "Report") for the fiscal year ended June 30, 2022.

The information presented represents only a part of the Report and does not purport to be a complete statement of the District's financial condition. Reference is made to the complete Annual Audit Report for additional information.

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ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2022

INTRODUCTORY SECTION

JUDSON INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

June 30, 2022

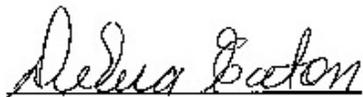
CERTIFICATE OF BOARD

Judson Independent School District
Name of School District

Bexar
County

015-916
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial report of the above named School District was reviewed and approved for the year ended June 30, 2022, at a meeting of the Board of Trustees of such School District on the 17th day of November, 2022.


Signature of Board Secretary


Signature of Board President

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Judson Independent School District
Live Oak, Texas

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the 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 Judson Independent School District as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Change in Accounting Principle

As discussed in note 20 to the financial statements, in 2022 the District adopted new accounting guidance, GASB No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management 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.

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

Auditor's Responsibility for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2022, on our consideration of Judson 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Judson Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Judson Independent School District's internal control over financial reporting and compliance.

ABIP, PC

San Antonio, Texas
November 17, 2022

JUDSON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS

Year ended June 30, 2022

This section of the annual financial report presents our discussion and analysis of the District’s financial performance during the year ended June 30, 2022. Please read it in conjunction with the District’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

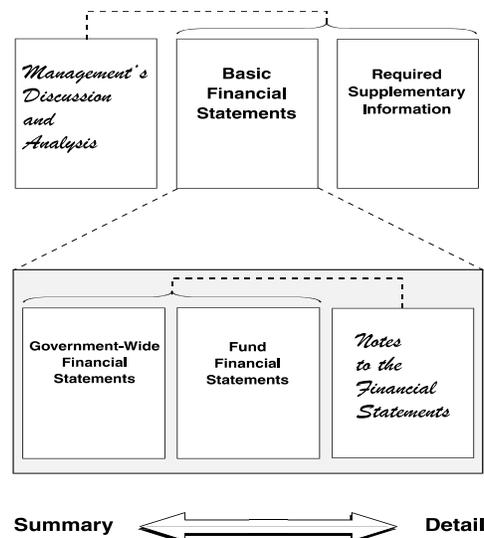
- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources by \$17,711,115 at the close of the fiscal year ending June 30, 2022, after the restatement. Of this amount, \$(28,046,662) is a deficit unrestricted net position. The deficit net position is a result of GASB 68, *Accounting and Financial Reporting for Pensions* and GASB 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*, which recognized additional liabilities, deferred inflows and outflows for pensions and postemployment benefits other than pensions of \$152,971,652 as of June 30, 2022.
- As of the close of the current fiscal year, the District’s governmental funds reported combined ending fund balances of \$218,685,272. Approximately 56 percent of this total amount or \$122,924,346 is available for spending at the District’s discretion (unassigned fund balance). Fund balance of \$53,695,056, about 25 percent, is restricted for current and future capital projects. The administration has also assigned a fund balance in the amount of \$2,411,262 for outstanding encumbrances, or about 1 percent.
- The general fund reported a total fund balance this year of \$127,604,289 at June 30, 2022. Of this fund balance, \$122,924,346 is unassigned and available for spending at the District’s discretion.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management’s discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District’s overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District’s operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains for future spending.
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

Figure A-1, Required Components of the District’s Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another.

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and deferred outflows of resources and liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position—the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources—is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base.

The government-wide financial statements of the District include the *Governmental Activities*. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services and general administration. Property taxes and grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds*—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

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

The District has the following kinds of funds:

- *Governmental funds*—Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Proprietary funds*—Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.

- *Fiduciary funds*—The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District’s fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District’s government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Both current period and prior year data are represented with discussion of significant changes in the accounts. Our analysis focuses on the net position (Table A-1) and changes in net position (Table A-2) of the District’s government-wide activities. This year-over-year comparison provides an indication of the District’s financial well-being. Increases and decreases in net position may serve over time as a useful indicator of a government’s financial position. As of June 30, 2022, the District’s assets and deferred outflows of resources exceeded combined liabilities and deferred inflows of resources by \$17,711,115, which is an increase of \$35,505,894 compared to the prior year net position, after the restatement.

Table A-1
Judson Independent School District's Net Position
(in millions)

	GOVERNMENTAL ACTIVITIES		TOTAL PERCENTAGE CHANGE
	2022	2021	2022 - 2021
Current Assets:			
Cash and cash equivalents	\$ 219.4	\$ 207.2	5.9%
Property taxes receivable (net)	4.5	5.1	(11.8%)
Due from other governments	36.6	38.6	(5.2%)
Inventories – supplies and materials	0.6	0.8	(25.0%)
Deferred expenditures	0.5	0.4	25.0%
Total current assets	<u>261.6</u>	<u>252.1</u>	3.8%
Noncurrent Assets:			
Capital assets	909.5	898.8	1.2%
Less accumulated depreciation	<u>(341.9)</u>	<u>(319.3)</u>	7.1%
Total noncurrent assets	<u>567.6</u>	<u>579.5</u>	(2.1%)
Total assets	<u>829.2</u>	<u>831.6</u>	(0.3%)
Deferred Outflows of Resources:			
Unamortized loss on refunded bonds	7.2	7.8	(7.7%)
Deferred outflows related to TRS and OPEB	41.6	36.6	13.7%
Total deferred outflows of resources	<u>48.8</u>	<u>44.4</u>	9.9%
Current Liabilities:			
Accounts payable and interest payable	12.1	17.5	(30.9%)
Payroll deductions/withholdings	8.1	11.9	(31.9%)
Accrued wages	23.3	18.7	24.6%
Deferred revenue	0.2	0.4	(50.0%)
Bond premium - deferred	50.8	53.9	(5.8%)
Total current liabilities	<u>94.5</u>	<u>102.4</u>	(7.7%)
Long-Term Liabilities:			
Bonds, leases, and tax notes payable	570.9	594.7	(4.0%)
Net pension and net OPEB liability (District's share)	101.3	129.5	(21.8%)
Total long-term liabilities	<u>672.2</u>	<u>724.2</u>	(7.2%)
Total liabilities	<u>766.7</u>	<u>826.6</u>	(7.2%)
Deferred Inflows of Resources:			
Deferred inflows related to TRS and OPEB	93.5	67.2	39.1%
Total deferred inflows of resources	<u>93.5</u>	<u>67.2</u>	39.1%
Net Position:			
Net investment in capital assets	7.2	7.0	2.9%
Restricted for:			
State and federal	7.6	2.1	261.9%
Debt	29.7	29.4	1.0%
Capital projects	1.3	0.8	100.0%
Unrestricted	<u>(28.0)</u>	<u>(57.1)</u>	(51.0%)
Total net position	<u>\$ 17.8</u>	<u>\$ (17.8)</u>	(200.0%)

Table A-2
Judson Independent School District's Net Position
(in millions)

	GOVERNMENTAL ACTIVITIES		TOTAL PERCENTAGE CHANGE
	2022	2021	2022 - 2021
Program Revenues:			
Charges for services	\$ 5.5	\$ 2.2	150.0%
Operating grants and contributions	76.1	26.5	187.2%
General Revenues:			
Property taxes	151.5	143.3	5.7%
State aid / other contributions not restricted	106.9	131.2	(18.5%)
Investment earnings	0.4	0.2	100.0%
Special item (legal settlement)	0.5	0.8	0.0%
Other	1.2	0.6	100.0%
Total revenues	<u>342.1</u>	<u>304.8</u>	12.2%
Expenses:			
Instruction	164.1	163.5	0.4%
Instructional resources and media services	1.7	1.9	(10.5%)
Curriculum dev. and instructional staff dev.	6.8	5.8	17.2%
Instructional leadership	3.1	3.8	(18.4%)
School leadership	12.7	13.0	(2.3%)
Guidance, counseling, and evaluation services	9.3	9.8	(5.1%)
Social work services	1.6	1.4	14.3%
Health services	2.4	2.5	(4.0%)
Student (pupil) transportation	6.8	5.7	19.3%
Food services	17.6	12.6	39.7%
Curricular/extracurricular activities	7.5	5.6	33.9%
General administration	7.9	5.9	33.9%
Plant maintenance and operations	30.8	25.3	21.7%
Security and monitoring services	2.3	2.0	15.0%
Data processing services	9.2	4.9	87.8%
Community services	0.3	0.6	(50.0%)
Interest on long-term debt	19.9	20.7	(3.9%)
Bond issuance costs and fees	-	0.8	100.0%
Facilities acquisition and construction	5.8	0.7	728.6%
Payments related to shared services arrangements	0.1	0.1	0.0%
Other intergovernmental charges	0.7	0.6	16.7%
Total expenses	<u>310.6</u>	<u>287.2</u>	8.1%
Increase (decrease) in net position	<u>\$ 31.5</u>	<u>\$ 17.6</u>	79.0%

Net investment in capital assets (e.g., land, construction in progress, buildings, furniture, equipment, and vehicles) less any related debt used to acquire those assets that is still outstanding is \$7,156,701. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, generally property taxes, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District’s net position of \$7,578,322 represents resources provided by state, federal or local agencies or organizations. These funds are subject to restrictions on how they may be used which are established by the granting agency or organization. Another portion of the District’s restricted net position of \$29,688,580 represents revenue from local taxes. These revenues are restricted for expenditures related to debt service payments. Another portion \$1,334,174, which is restricted for capital projects. The remaining deficit unrestricted net position of \$28,046,662 is a result of recent adoptions of GASB 68 and 75 which combined accounts for \$152,971,652 in liabilities and net deferred outflows/inflows as of June 30, 2022.

Changes in net position: The District’s total revenues were \$342.1 million. A significant portion, 43 percent of the District’s revenue comes from taxes. (See Figure A-2), 31 percent comes from state aid and other non-restricted contributions, 22 percent comes from restricted operating grants and contributions, 3 percent relates to charges for services, and the remaining 1 percent was from other revenues and investment earnings. The total cost of all programs and services was \$310.6 million; 74 percent of these costs are for instructional, instructional leadership and student services. (See Figure A-3).

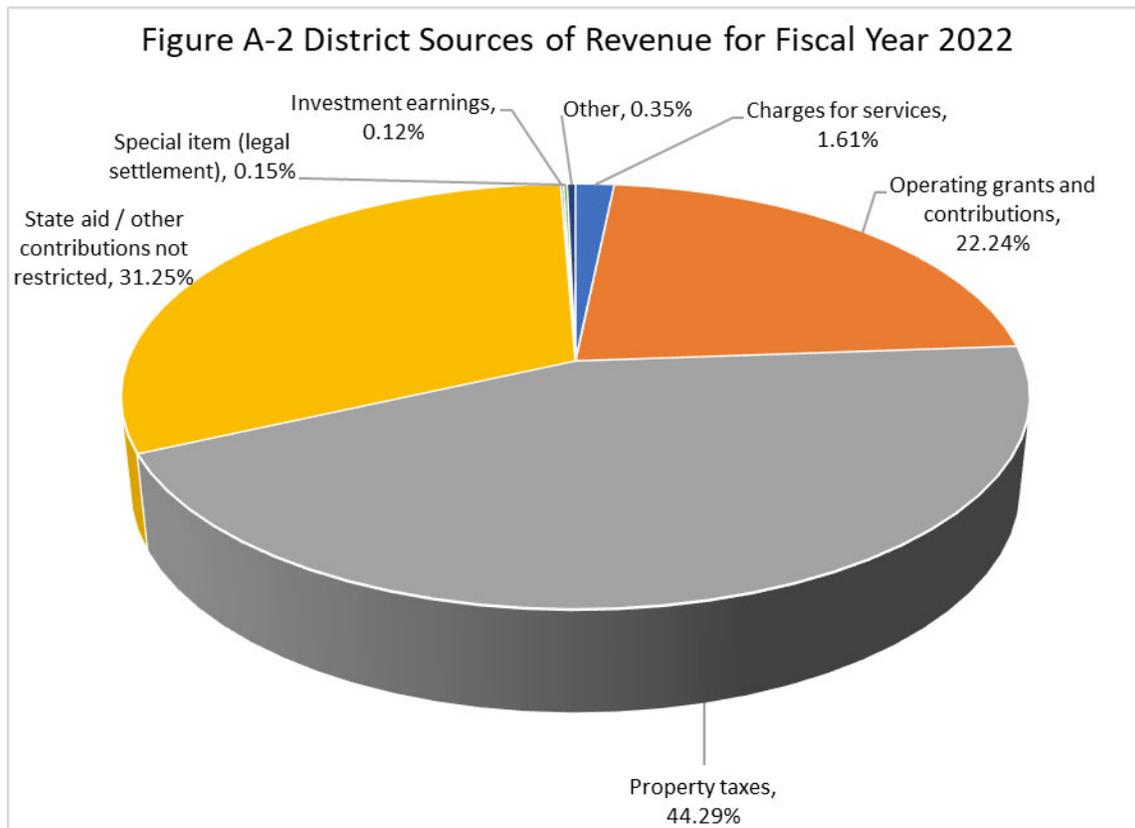
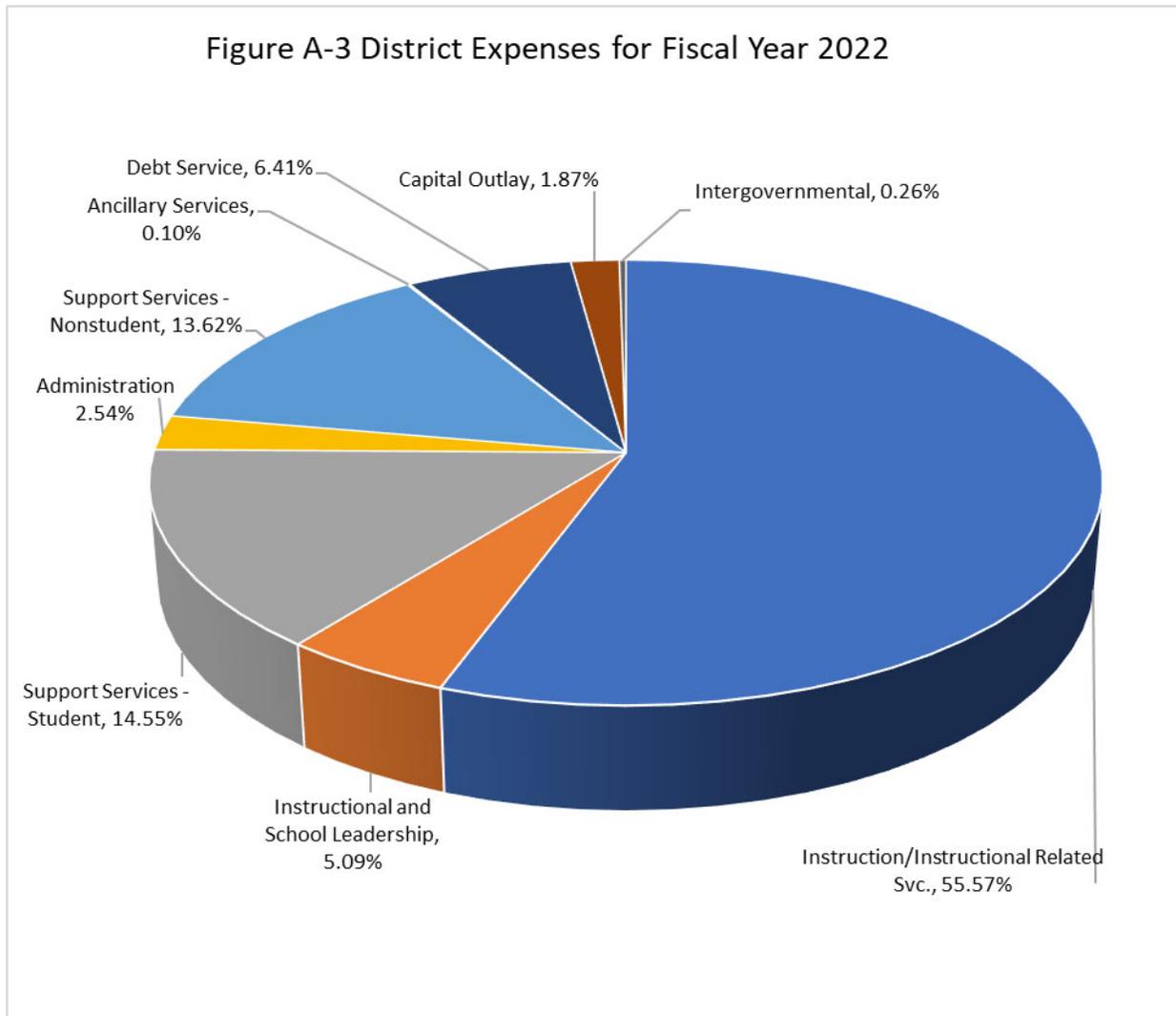


Figure A-3 District Expenses for Fiscal Year 2022



Governmental Activities

- Changes in governmental activities net position are presented in Table A-2. The District's Governmental Activities revenues were \$342.1 million. The District's two main sources of revenue are from local property taxes and State funding.
- Property tax rates decreased from the previous year. The tax rate was \$1.2700 per \$100 of taxable assessed valuation in the current fiscal year and \$1.2749 per \$100 of taxable assessed valuation in the prior fiscal year. The taxable assessed values were \$12.4 billion during the current fiscal year and \$12.0 billion in the previous fiscal year. The change in taxable assessed values resulted in the combined tax levy increasing to \$152.4 million from \$143.3 million in the previous fiscal year.
- On May 7, 2016, the voters of the District approved an election to sell bonds in the amount of \$214.18 million. The bonds were approved as three separate propositions. The first proposition was for \$135.9 million with the proceeds being used to renovate numerous existing school facilities. The second proposition was for \$73.08 million with the proceeds being used for the construction of two new elementary schools. The third proposition was for \$5.2 million with the proceeds being used to refund the bonds that were issued by the Judson Independent School District Public Facility Corporation.

- During FY18 design work had begun on several of the renovation projects authorized in the first proposition. The estimated completion date for all renovation projects is June 2022. The first elementary school has been completed and opened in time for the FY19 school year. The second elementary school has been completed and opened in January 2019. The bonds to refund the Judson Independent School District Public Facility Corporation bonds were sold and the Board of Directors has authorized the voluntary termination of the PFC.
- On May 6, 2017, the voters of the District approved an election to sell bonds in the amount of \$60 million. The bonds were approved as a single proposition, with the proceeds being used for the purpose of completing the final phase of Veterans Memorial High school. During the first construction phase of Veterans Memorial High School, the Board authorized transferring \$4.4 million from the General Operating Fund to the Capital Projects fund to complete specific items that were not initially included in that phase of construction. At that time, the Board also approved a reimbursing resolution which would authorize the reimbursement of these funds from a future bonds election to the General Operating Fund. Once these bonds are sold, the \$4.4 million has been transferred from the Capital Projects Fund to the General Operating Fund. These bonds were sold during FY18 and construction has been completed on the athletic fields that were included in the second phase. The design work has been completed for the classroom addition of the second phase and construction was completed during FY20.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

The financial performance of the District as a whole is reflected in its governmental funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of a fiscal year. As the District completed this year, its governmental funds reported a combined ending balance of \$218,685,272 of which \$122,924,346, or 56% is considered unassigned and is available for spending at the District's discretion. The remainder of the fund balance is nonspendable, restricted, committed or assigned to indicate that it is not available for new spending because it has already been designated for other obligations of the District.

The General Fund is the primary operating fund of the District. The General Fund unassigned fund balance is \$127,604,289 million for the year ended June 30, 2022.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget to provide for changes in operations.

- Actual revenues for the general fund exceeded the final budget by approximately \$6.7 million. Of this positive variance approximately \$9.9 million was primarily the result of an increase in state funding due to increased student enrollment and hold harmless provisions due to COVID.
- Actual expenditures for the general fund were \$39.3 million below final budget amounts. The most significant difference, \$21.5 million, occurred in instruction and instructional related services. Another significant difference, \$6.8 million occurred in support services – student.
- Total fund balance for the general fund increased by \$16.7 million from the preceding fiscal year, after the restatement. Total fund balance for the general fund was \$127.6 million at June 30, 2022 and it was \$110.8 million at June 30, 2021.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2022, the District had invested \$908.3 million in a broad range of capital assets, including land, equipment, buildings, vehicles, and right to use assets. (See Table A-3). This amount represents a net increase (including additions and deductions) of \$10.6 million or a decrease of 2.1%, in net additions and deductions, as compared to the previous year.

Table A-4
District's Capital Assets
(in Millions)

	GOVERNMENTAL ACTIVITIES		TOTAL PERCENTAGE CHANGE
	2022	2021	2022 - 2021
Land	\$ 24.5	\$ 24.1	1.7%
Construction in progress	34.7	120.3	(71.2%)
Building and improvements	792.2	699.3	13.3%
Furniture/equipment/vehicles	54.2	52.4	3.4%
Capital lease - equipment	2.7	2.7	0.0%
Right to use assets	1.1	0	100.0%
Totals	909.4	898.8	1.2%
Total accumulated depreciation	342.2	319.3	7.2%
Net capital assets	\$ 567.2	\$ 579.5	(2.1%)

The District's fiscal year 2022 capital budget projects spending includes approximately another \$8.8 million for capital assets. These expenditures will be principally the design work and construction on several projects that were planned as part of a bond election that was approved by the voters on May 7, 2016. The total amount authorized by the voters is \$208,980,000. This includes funding the construction of two new elementary schools and numerous renovation projects. On May 6, 2017, the voters approved a bond election for \$60 million. These proceeds are to be used for the construction of the final phase of Veterans Memorial High School. The design phase was completed in FY18 and the athletic fields that are included in the second phase have been completed.

Bond Ratings

The District's bonds presently carry "AAA" ratings with underlying ratings as follows: Moody's Investor Services "Aa2" and Fitch "AA-".

Long Term Liabilities

At year-end, the District had \$570.0 million in bonds, tax notes, and accrued compensated absences outstanding as shown in Table A-4. This represents a decrease of \$24.7 million from the \$594.7 million outstanding in the prior year. During the fiscal year, the District defeased about \$500,000 in principal and plans to defease an additional \$8.8 million this year. More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.

Table A-5
District's Long-Term Liabilities
(in millions)

	GOVERNMENTAL		TOTAL
	ACTIVITIES		PERCENTAGE
	2022	2021	CHANGE 2022-2021
Tax notes	\$ 2.6	\$ 3.0	(13.3%)
Accrued compensated absences	2.0	2.0	0.0%
Right to use assets lease liability	0.9	-	100.0%
Bonds payable	565.4	589.7	(4.1%)
Totals	\$ 570.9	\$ 594.7	(4.0%)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised taxable value used for the FY23 budget preparation increased to \$14.1 billion from \$12.0 billion in the previous fiscal year. This represents an increase of \$2.1 billion or 17%. The tax rate decreased to \$1.2200 from \$1.2700 per \$100 dollar of taxable property value in the previous fiscal year. The maintenance and operations rate was reduced by \$0.0236 and debt service was increased by \$0.0146. The decrease in the maintenance and operations rate was due to tax compression related to the changes in the state funding formula and the increase in the debt tax rate was the net result of a defeasance of around \$8 million of debt.
- As compared to the original expenditure budget adopted for FY22, the budget for FY23 increased by \$35.7 million from \$268.8 million to \$313.9 million. This increase is primarily the result of an increase in the general fund for raises, equity adjustments and increase in cost of goods and services, an increase in Child Nutrition of 1.7 million.
- The District's FY23 projected refined average daily attendance for budget purposes was 23,800, FY22 actual average daily attendance was held harmless by the State due to COVID.

These indicators were taken into account when adopting the budget for FY23. Total projected revenue available for appropriation in the budget was \$297.0 million, which was an increase of 6.1% from the original FY22 budget of \$278.8 million. Total revenue from property taxes increased by 0.1 percent from \$143.8 million in FY22 to \$143.8 million in FY22. State revenue estimates indicate an increase of \$2.1 million in the general operating fund, which is the result of changes in average daily attendance.

If these estimates are realized, the District's budgetary unassigned general fund balance is expected to decrease by \$24.9 million. This will result in an estimated unassigned fund balance of \$80.0 million, based on the ending fund balance at June 30, 2022. The District believes that this remains a safe level of fund balance for the general operating fund.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, address requests to the Office of the Chief Financial Officer, Judson Independent School District, 8012 Shin Oak, Live Oak, Texas 78233.

BASIC FINANCIAL STATEMENTS

JUDSON INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2022

EXHIBIT A-1

DATA CONTROL CODES		GOVERNMENTAL ACTIVITIES
	ASSETS	
1110	Cash and cash equivalents	\$ 21,971,055
1120	Current investments	197,499,403
1225	Property taxes receivable (net)	4,518,115
1240	Due from other governments	36,644,043
1300	Inventories	579,950
1410	Prepaid items	473,582
	Capital assets:	
1510	Land	24,453,859
1520	Buildings and improvements (net)	500,549,224
1530	Furniture and equipment (net)	6,662,851
1559	Right to use asset	857,127
1580	Construction in progress	<u>34,745,444</u>
	Total capital assets (net)	<u>567,268,505</u>
1000	Total assets	<u>828,954,653</u>
	DEFERRED OUTFLOWS OF RESOURCES	
1701	Unamortized loss on refunded bonds	7,195,632
1705	Deferred outflow related to TRS	26,410,616
1706	Deferred outflow related to TRS OPEB	<u>15,218,397</u>
1700	Total deferred outflows of resources	<u>48,824,645</u>
	LIABILITIES	
2110	Accounts payable	3,806,612
2140	Interest payable	8,280,347
2165	Accrued liabilities	31,434,512
2190	Due to student groups	8,298
2300	Unearned revenue	248,953
2400	Unamortized premium on issuance of bonds	50,769,559
	Noncurrent liabilities:	
2501	Due within one year	16,761,998
2502	Due in more than one year	553,280,612
2530	Right to use asset - lease liability	876,627
2540	Net pension liability (District's share)	35,632,743
2545	Net OPEB liability (District's share)	<u>65,497,688</u>
	Total noncurrent liabilities	<u>672,049,668</u>
2000	Total liabilities	<u>766,597,949</u>
	DEFERRED INFLOWS OF RESOURCES	
2605	Deferred inflow related to TRS	43,152,428
2606	Deferred inflow related to TRS OPEB	<u>50,317,806</u>
2600	Total deferred inflows of resources	<u>93,470,234</u>
	NET POSITION	
3200	Net investment in capital assets	7,156,701
3820	Restricted for state and federal programs	7,578,322
3850	Restricted for debt service	29,688,580
3860	Restricted for capital projects	1,334,174
3900	Unrestricted	<u>(28,046,662)</u>
3000	Total net position	<u>\$ 17,711,115</u>

The accompanying notes are an integral part of these financial statements.

JUDSON INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year ended June 30, 2022

EXHIBIT B-1

DATA CONTROL CODES	FUNCTIONS/PROGRAMS	1 EXPENSES	PROGRAM REVENUES		4 OPERATING GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
			3 CHARGES FOR SERVICES	GOVERNMENTAL ACTIVITIES		
	Governmental Activities					
11	Instruction	\$ 164,061,304	\$ 2,775,984	\$ 37,581,190	\$ (123,704,130)	
12	Instructional resources and media services	1,739,696	-	426,747	(1,312,949)	
13	Curriculum and staff development	6,896,269	-	4,315,333	(2,580,936)	
21	Instructional leadership	3,076,576	-	486,609	(2,589,967)	
23	School leadership	12,679,811	-	951,853	(11,727,958)	
31	Guidance, counseling, and evaluation services	9,316,336	-	689,683	(8,626,653)	
32	Social work services	1,606,753	-	80,330	(1,526,423)	
33	Health services	2,435,783	-	313,225	(2,122,558)	
34	Student transportation	6,767,433	-	1,375,361	(5,392,072)	
35	Food service	17,593,267	-	22,681,621	5,088,354	
36	Extracurricular activities	7,467,404	2,629,359	506,724	(4,331,321)	
41	General administration	7,946,213	98,759	661,082	(7,186,372)	
51	Plant maintenance and operations	30,843,353	40,498	2,053,554	(28,749,301)	
52	Security and monitoring services	2,309,771	-	297,127	(2,012,644)	
53	Data processing services	9,217,524	-	1,121,414	(8,096,110)	
61	Community services	340,043	-	94,506	(245,537)	
72	Interest on long-term debt	19,877,389	-	745,684	(19,131,705)	
73	Bond issuance costs and fees	13,906	-	1,739	(12,167)	
81	Facilities acquisitions and construction	5,817,641	-	1,618,201	(4,199,440)	
93	Payments related to shared service arrangements	128,000	-	128,000	-	
99	Other intergovernmental charges	662,277	-	18,818	(643,459)	
TG	Total governmental activities	<u>310,796,749</u>	<u>5,544,600</u>	<u>76,148,801</u>	<u>(229,103,348)</u>	
TP	Total primary government	<u>\$ 310,796,749</u>	<u>\$ 5,544,600</u>	<u>\$ 76,148,801</u>	<u>(229,103,348)</u>	
	General Revenues					
MT	Property taxes, levied for general purposes				104,974,435	
DT	Property taxes, levied for debt service				46,560,318	
IE	Investment earnings				412,343	
GC	Grants and contributions not restricted to specific programs				106,876,215	
MI	Miscellaneous				1,249,342	
S1	Special item				544,837	
TR	Total general revenues				<u>260,617,490</u>	
CN	Change in net position				31,514,142	
NB	NET POSITION - BEGINNING				<u>(17,794,779)</u>	
PA	PRIOR PERIOD ADJUSTMENT				<u>3,991,752</u>	
NE	NET POSITION - ENDING				<u>\$ 17,711,115</u>	

The accompanying notes are an integral part of these financial statements.

JUDSON INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2022

EXHIBIT C-1

DATA CONTROL CODES		10	50	60	240	OTHER	98
		GENERAL	DEBT SERVICE	CAPITAL PROJECTS	NATIONAL SCHOOL BREAKFAST/LUNCH	GOVERNMENTAL	TOTAL
		FUND	FUND	FUND	PROGRAM	FUNDS	GOVERNMENTAL FUNDS
ASSETS							
1110	Cash and cash equivalents	\$ 15,462,114	\$ -	\$ -	\$ -	\$ 1,895,419	\$ 17,357,533
1120	Current investments	86,179,773	28,541,093	60,885,421	21,893,116	-	197,499,403
1225	Taxes receivable, net	3,202,612	1,315,503	-	-	-	4,518,115
1240	Due from other governments	29,875,636	44,624	-	371,295	6,352,488	36,644,043
1260	Due from other funds	25,303,369	749,781	-	-	-	26,053,150
1300	Inventories	460,925	-	-	119,025	-	579,950
1410	Prepaid items	<u>473,582</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>473,582</u>
1000	Total assets	<u>\$ 160,958,011</u>	<u>\$ 30,651,001</u>	<u>\$ 60,885,421</u>	<u>\$ 22,383,436</u>	<u>\$ 8,247,907</u>	<u>\$ 283,125,776</u>
LIABILITIES							
2110	Accounts payable	\$ 2,218,312	\$ -	\$ 644,779	\$ 38,003	\$ 426,854	\$ 3,327,948
2150	Payroll deductions and withholdings	7,891,108	-	1,505	164,074	57,654	8,114,341
2160	Accrued wages payable	20,081,001	-	24,046	107,367	3,107,757	23,320,171
2170	Due to other funds	749,781	-	7,854,209	14,519,638	2,929,522	26,053,150
2180	Due to other governments	-	-	-	-	-	-
2190	Due to student groups	8,298	-	-	-	-	8,298
2300	Unearned revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>152,367</u>	<u>96,586</u>	<u>248,953</u>
2000	Total liabilities	<u>30,948,500</u>	<u>-</u>	<u>8,524,539</u>	<u>14,981,449</u>	<u>6,618,373</u>	<u>61,072,861</u>
Deferred inflows of resources							
2600	Unearned revenue - property taxes	<u>2,405,222</u>	<u>962,421</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,367,643</u>
FUND BALANCES							
3410	Non-spendable - inventories	460,925	-	-	119,025	-	579,950
3430	Non-spendable - prepaid items	473,582	-	-	-	-	473,582
3450	Restricted - grant funds	-	-	-	7,282,962	47,581	7,330,543
3470	Restricted - capital acquisitions and contractual obligations	1,334,174	-	52,360,882	-	-	53,695,056
3480	Restricted - debt service	-	29,688,580	-	-	-	29,688,580
3490	Restricted - other	-	-	-	-	1,581,953	1,581,953
3590	Assigned - encumbrances	2,411,262	-	-	-	-	2,411,262
3600	Unassigned	<u>122,924,346</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>122,924,346</u>
3000	Total fund balances	<u>127,604,289</u>	<u>29,688,580</u>	<u>52,360,882</u>	<u>7,401,987</u>	<u>1,629,534</u>	<u>218,685,272</u>
4000	Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 160,958,011</u>	<u>\$ 30,651,001</u>	<u>\$ 60,885,421</u>	<u>\$ 22,383,436</u>	<u>\$ 8,247,907</u>	<u>\$ 283,125,776</u>

The accompanying notes are an integral part of these financial statements.

JUDSON INDEPENDENT SCHOOL DISTRICT

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

June 30, 2022

EXHIBIT C-2

Total Fund Balances - Governmental Funds Balance Sheet		\$ 218,685,272
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets expensed in the governmental activities are not reported in the funds.		909,468,359
Accumulated depreciation used in governmental activities is not reported in the funds.		(342,199,854)
Property tax receivable unavailable to pay for current period expenditures is deferred in the funds.		3,367,643
Payables for bond principal which are not due in the current period are not reported in the funds.		(551,919,086)
Payables for loan proceeds which are not due in the current period are not reported in the funds.		(2,600,000)
Payables for accrued bond interest which are not due in the current period are not reported in the funds.		(8,280,347)
Bond premiums used in governmental activities are not reported in the funds.		(50,769,559)
Payables for right to use assets which are not due in the current period are not reported in the funds.		(876,627)
Recognition of the District's proportionate share of net pension liability required by GASB 68 and the changes in deferred outflows and inflows of resources related to the TRS pension liability:		
Net pension liability	\$ (35,632,743)	
Deferred inflow of resources - TRS	(43,152,428)	
Deferred outflows of resources - TRS	<u>26,410,616</u>	(52,374,555)
Recognition of the District's proportionate share of net OPEB liability required by GASB 75 and the changes in deferred outflows and inflows of resources related to the TRS pension liability:		
Net OPEB liability	(65,497,688)	
Deferred inflows of resources - TRS	(50,317,806)	
Deferred outflows of resources - TRS	<u>15,218,397</u>	(100,597,097)
Capital appreciation bond accreted interest not due in the current year is not reported in the funds.		(13,522,546)
Bond refunding losses are amortized over the life of the bonds and are not reported in the funds.		7,195,632
The asset and liabilities of the Internal Service Fund are included in governmental activities on the statement of net position.		4,134,858
Payables for compensated absences which are not due in the current period are not reported in the funds.		<u>(2,000,978)</u>
Net position of governmental activities - statement of net position		<u><u>\$ 17,711,115</u></u>

The accompanying notes are an integral part of these financial statements.

JUDSON INDEPENDENT SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS**

Year ended June 30, 2022

EXHIBIT C-3

DATA CONTROL CODES		10	50	60	240		98
		GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	NATIONAL SCHOOL BREAKFAST/LUNCH PROGRAM	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES							
5700	Local and intermediate sources	\$ 111,543,170	\$ 46,632,744	\$ 121,535	\$ 495,972	\$ 1,832,724	\$ 160,626,145
5800	State program revenues	107,297,134	734,319	-	36,621	687,756	108,755,830
5900	Federal program revenues	<u>5,381,256</u>	-	-	<u>22,420,229</u>	<u>41,879,059</u>	<u>69,680,544</u>
5020	Total revenues	<u>224,221,560</u>	<u>47,367,063</u>	<u>121,535</u>	<u>22,952,822</u>	<u>44,399,539</u>	<u>339,062,519</u>
EXPENDITURES							
Current							
0011	Instruction	121,419,247	-	-	-	32,007,310	153,426,557
0012	Instructional resources and media service	1,262,319	-	-	-	365,508	1,627,827
0013	Curriculum and staff development	2,377,767	-	-	-	4,099,342	6,477,109
0021	Instructional leadership	2,464,771	-	-	-	389,982	2,854,753
0023	School leadership	11,285,741	-	-	-	503,533	11,789,274
0031	Guidance, counseling, and evaluation services	8,308,642	-	-	-	357,034	8,665,676
0032	Social work services	1,466,143	-	-	-	24,773	1,490,916
0033	Health services	2,036,532	-	-	-	229,689	2,266,221
0034	Student transportation	6,098,958	-	-	-	1,165,624	7,264,582
0035	Food service	26	-	-	15,987,494	207,880	16,195,400
0036	Cocurricular/extracurricular activities	4,933,214	-	37,752	-	1,940,352	6,911,318
0041	General administration	6,959,946	-	67,830	-	398,574	7,426,350
0051	Plant maintenance and operations	26,795,620	-	1,774,424	299,051	1,148,009	30,017,104
0052	Security and monitoring services	1,821,621	-	92,438	-	227,034	2,141,093
0053	Data processing services	7,908,811	-	670,398	-	875,056	9,454,265
0061	Community services	225,977	-	-	-	87,050	313,027
0071	Principal on long-term debt	649,762	25,920,000	-	-	-	26,569,762
0072	Interest on long-term debt	97,016	21,115,262	-	-	-	21,212,278
0073	Bond issuance costs and fees	-	13,906	-	-	-	13,906
0081	Capital outlay	1,239,525	-	11,425,439	-	-	12,664,964
0093	Payments related to shared service arrangements	-	-	-	-	128,000	128,000
0099	Other intergovernmental charges	<u>662,277</u>	-	-	-	-	<u>662,277</u>
6030	Total expenditures	<u>208,013,915</u>	<u>47,049,168</u>	<u>14,068,281</u>	<u>16,286,545</u>	<u>44,154,750</u>	<u>329,572,659</u>
1100	Excess (deficiency) of revenues over (under) expenditures	<u>16,207,645</u>	<u>317,895</u>	<u>(13,946,746)</u>	<u>6,666,277</u>	<u>244,789</u>	<u>9,489,860</u>
Other financing sources and (uses)							
7901	Refunding bonds issued	-	-	-	-	-	-
	Other	-	-	-	-	-	-
7912	Sale of real or personal property	-	-	-	-	-	-
7915	Transfers in	(4,000,000)	-	-	-	-	(4,000,000)
7916	Premium or discount on issuance of bonds	-	-	-	-	-	-
8911	Transfers out	-	-	-	-	-	-
8940	Payment to bond refunding escrow agent	-	-	-	-	-	-
7080	Total other financing sources and (uses)	<u>(4,000,000)</u>	-	-	-	-	<u>(4,000,000)</u>
Special items							
7919	Extraordinary item	<u>544,837</u>	-	-	-	-	<u>544,837</u>
1200	Net change in fund balances	12,752,482	317,895	(13,946,746)	6,666,277	244,789	6,034,697
0100	FUND BALANCES - BEGINNING	<u>110,851,807</u>	<u>29,370,685</u>	<u>66,307,628</u>	<u>735,710</u>	<u>1,384,745</u>	<u>208,650,575</u>
1300	PRIOR PERIOD ADJUSTMENT	<u>4,000,000</u>	-	-	-	-	<u>4,000,000</u>
3000	FUND BALANCES - ENDING	<u>\$ 127,604,289</u>	<u>\$ 29,688,580</u>	<u>\$ 52,360,882</u>	<u>\$ 7,401,987</u>	<u>\$ 1,629,534</u>	<u>\$ 218,685,272</u>

The accompanying notes are an integral part of these financial statements.

JUDSON INDEPENDENT SCHOOL DISTRICT

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

Year ended June 30, 2022

EXHIBIT C-4

Net Change in Fund Balances - Total Governmental Funds	\$	6,034,697
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are not reported as expenses in the statement of activities.		10,777,949
The depreciation of capital assets used in governmental activities is not reported in the funds.		(24,168,186)
Loss on disposed capital assets are recognized in the statement of activities.		(2,903)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.		(183,855)
Repayment of bond principal is an expenditure in the funds but is not an expense in the statement of activities.		25,920,000
Repayment of tax notes is an expenditure in the funds but is not an expense in the statement of activities.		400,000
Repayment of right to use asset lease liability is an expenditure in the funds but is not an expense in the statement of activities.		249,762
The change in net position of the Internal Service Fund are included in governmental activities on the statement of net position.		4,134,858
Net change in principal of capital appreciation bonds is an expense in the statement of activities but not in the funds.		(1,688,896)
Unamortized loss on refunding bonds are amortized over the life of the bonds in the statement of activities and not in the funds.		(567,246)
The change in net pension liability, OPEB liability, deferred inflows and outflows related to the District's proportionate share of the TRS net pension and OPEB liability.		7,022,492
Amortization of bond premium is an expense in the statement of activities and not in the funds.		3,149,601
Compensated absences are reported as amounts expensed in the statement of activities but not in the funds.		(5,561)
Change in accrued interest payable for bonds.		<u>441,430</u>
Change in net position of governmental activities - statement of activities	\$	<u>31,514,142</u>

The accompanying notes are an integral part of these financial statements.

JUDSON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION – PROPRIETARY FUNDS

Year ended June 30, 2022

EXHIBIT D-1

	GOVERNMENTAL ACTIVITIES
	INTERNAL SERVICE FUND
ASSETS	
Cash and cash equivalents	\$ 4,613,522
Total assets	4,613,522
 LIABILITIES	
Accounts payable	478,664
Total liabilities	478,664
 NET POSITION	
Unrestricted	4,134,858
Total net position	
Total liabilities and net position	\$ 4,613,522

The accompanying notes are an integral part of these financial statements.

JUDSON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES – PROPRIETARY FUNDS
Year ended June 30, 2022

EXHIBIT D-2

	<u>GOVERNMENTAL ACTIVITIES</u>
	<u>INTERNAL SERVICE FUND</u>
OPERATING REVENUES	
Charges for services	\$ 7,730,944
Total operating revenues	<u>7,730,944</u>
OPERATING EXPENSES	
Contracted services	985,290
Insurance claims and expenses	<u>6,610,796</u>
Total operating expenses	7,596,086
Operating income	<u>134,858</u>
TRANSFERS IN	<u>4,000,000</u>
Change in net position	<u>4,134,858</u>
Total net position, beginning	<u>-</u>
Total net position, ending	<u><u>\$ 4,134,858</u></u>

The accompanying notes are an integral part of these financial statements.

JUDSON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
Year ended June 30, 2022

EXHIBIT D-3

	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>
	INTERNAL SERVICE <u>FUND</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 7,730,944
Payments to suppliers	(506,626)
Claims paid	<u>(6,610,796)</u>
Net cash provided by operating activities	<u>613,522</u>
CASH FLOWS FROM NONCAPITAL	
FINANCING ACTIVITIES	
Transfers from other funds	<u>4,000,000</u>
Net cash provided by noncapital financing activities	<u>4,000,000</u>
Net increase in cash and cash equivalents	4,613,522
Cash and cash equivalents balance at beginning of year	<u>-</u>
Cash and cash equivalents balance at end of year	<u>\$ 4,613,522</u>
RECONCILIATION OF OPERATING INCOME TO	
NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 134,858
Changes in assets and liabilities:	
Increase in accounts payable	<u>478,664</u>
Net cash provided by operating activities	<u>\$ 613,522</u>

The accompanying notes are an integral part of these financial statements.

JUDSON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUND

June 30, 2022

EXHIBIT E-1

DATA CONTROL CODES		CUSTODIAL FUND
	ASSETS	
1110	Cash and cash equivalents	\$ 380,059
1260	Due from general fund	<u>8,298</u>
1000	Total assets	<u>\$ 388,357</u>
	NET POSITION	
3900	Unrestricted	<u>\$ 388,357</u>

The accompanying notes are an integral part of these financial statements.

JUDSON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUND

For the year ended June 30, 2022

EXHIBIT E-2

DATA CONTROL CODES		CUSTODIAL FUND
	ADDITIONS	
5700	Fundraising activity	\$ 305,989
	DEDUCTIONS	
6000	Student activities	<u>255,808</u>
	Changes in net position	<u>50,181</u>
	Total net position, beginning	<u>338,176</u>
	Total net position, ending	<u><u>\$ 388,357</u></u>

The accompanying notes are an integral part of these financial statements.

JUDSON INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2022

(1) Summary of significant accounting policies

The basic financial statements of Judson Independent School District (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting entity

The Board of School Trustees, a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (TEA) or to the State Board of Education are reserved for the Board of Trustees, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental reporting entity.

Basis of presentation, basis of accounting

Basis of presentation

Government-wide statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund financial statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as other governmental funds.

The District reports the following major governmental funds:

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

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

JUDSON INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2022

(1) Summary of significant accounting policies (continued)

Basis of presentation, basis of accounting (continued)

The *capital projects funds* accounts for bond proceeds and expenditures for the construction of school facilities as approved by the District's voters.

The *national school breakfast/lunch program* accounts for the District's cafeteria operations. Revenue sources are principally from the sale of meals to students, teachers and others, along with the federal meal claims from the national school breakfast and lunch program and child and adult care food programs.

In addition, the District reports the following non-major governmental funds:

The *special revenue funds* account for the District's federal, state and locally funded grants or contributions. These grants are awarded to the District with the purpose of accomplishing specific educational tasks as defined in the grant awards.

Proprietary Funds:

The *internal service fund* is used to account for revenues and expenses related to services provided to parties inside the District. The fund facilitates distribution of support costs to the users of support services on a cost reimbursement basis. Because the principal users of the internal services are the District's governmental activities, this fund type is included in the governmental activities column of the government-wide financial statements.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

The *custodial funds* (a fiduciary fund type) are used to report student activity funds held in a purely custodial capacity.

Measurement focus, basis of accounting

Government-wide and fiduciary fund financial statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

JUDSON INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2022

(1) Summary of significant accounting policies (continued)

Measurement focus, basis of accounting (continued)

Governmental fund financial statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty (60) days after year end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the state are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Budgetary information

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

The Board adopts an appropriated budget on a basis consistent with GAAP for the general fund, debt service fund, and food service fund (which is special revenue fund included in the nonmajor funds).

At a minimum, the District is required to present the original and the final amended budgets for revenues and expenditures compared to actual revenues and expenditures for these three (3) funds.

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

Prior to June 19, the District prepares a budget based on the modified zero-based budgeting concept for departmental budgets, and the programmatic budgeting concept for campuses, for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.

After one (1) or more budget workshops with the Board, a meeting is called for the purpose of adopting the proposed budget. At least ten (10) days but not more than thirty (30) days public notice of the meeting is required.

Prior to June 30, the Board of Trustees legally adopts the budget for the general fund, debt service fund, and food service fund.

After the budget for the above listed funds is approved, any amendment that causes an increase or decrease in a fund or functional spending category or total revenue or other resources object category requires Board approval prior to the fact. These amendments are presented to the Board at its regular monthly meeting and are reflected in the official minutes. Because the District has a policy of careful budgetary control, several budgetary amendments were necessary throughout the year.

JUDSON INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2022

(1) Summary of significant accounting policies (continued)

Budgetary information (continued)

Expenditure budgets are controlled at the functional and object level by the appropriate budget manager (principal or department director). Budget managers may authorize transfers within functional and organizational categories that do not affect the total functional and organizational appropriation. All budget appropriations lapse at year end.

	ORIGINAL BUDGET	NET CHANGE DURING YEAR	AMENDED BUDGET
General fund	\$ 225,239,379	\$ 22,095,967	\$ 247,335,346
Special revenue fund - food service	16,630,000	959,000	17,589,000
Debt service	44,971,000	2,104,000	47,075,000

Financial statement amounts

Cash and cash equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and public funds investment pools with original maturities of less than three (3) months from the date of acquisition.

Investments

Investments for the District are stated at fair value. The fair value framework uses a hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the District has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

JUDSON INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2022

(1) Summary of significant accounting policies (continued)

Financial statement amounts (continued)

Investments (continued)

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of net realizable values or reflective of future fair values. Furthermore, while the District believes its valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Deposit accounting policy

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

Investment accounting policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at net asset value (NAV) or amortized cost.

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 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 1 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 sixty day period after the close of the fiscal year.

Allowances for uncollectible tax receivables within the general fund are \$278,488 and \$114,392 for the debt service fund and are based upon 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.

JUDSON INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2022

(1) Summary of significant accounting policies (continued)

Financial statement amounts (continued)

Inventories and prepaid items

Inventories of supplies on the balance sheet are stated at weighted average cost, while inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Inventory items are recorded as expenditures when they are consumed. Supplies are used for almost all functions of activity, while food commodities are used only in the food service program. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as revenue when received. Inventories also include plant maintenance and operation supplies as well as instructional supplies.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Encumbrance accounting

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at June 30, 2022, and encumbrances outstanding at that time are to be canceled and appropriately provided for in the subsequent year's budget.

Capital assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated assets are recorded at their acquisition value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used and land and construction in progress is not depreciated.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>ASSET CLASS</u>	<u>ESTIMATED USEFUL LIVES (YEARS)</u>
Buildings and improvements	35
Portable buildings	25
Buses and heavy equipment	7
Office and computer equipment	5
Vehicles and other	5-10

JUDSON INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2022

(1) Summary of significant accounting policies (continued)

Financial statement amounts (continued)

Receivable and payable balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

Compensated absences

On retirement, termination of employment, or death of employees, the District pays any accrued sick leave in a lump-sum payment to such employee or his/her beneficiary or estate – see note 9: accumulated unpaid sick leave benefit.

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 postemployment benefits

The fiduciary net position of the TRS Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net other postemployment benefit (OPEB) liability, deferred outflows of resources, and deferred inflows of resources related to other postemployment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from the 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.

Deferred inflows/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(s) and so will not be recognized as an outflow of resources (expenditure) until then. The District has several items that qualify for reporting in this category. One is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other items are related to pensions and other postemployment benefit liabilities.

JUDSON INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2022

(1) Summary of significant accounting policies (continued)

Financial statement amounts (continued)

Deferred inflows/outflows of resources (continued)

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 several items that qualify for reporting in this category. Unavailable revenue from property taxes arises under the modified accrual basis of accounting and is reported only in the governmental funds balance sheet. The amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The other deferred inflow of resources relate to pension and other postemployment benefits liabilities and are reported on the government-wide statement of net position.

Interfund activity

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

Use of estimates

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

Data control codes

Data control codes appear in the rows and above the columns of certain financial statements. The TEA requires the display of these codes in the financial statements filed with TEA in order to insure accuracy in building a statewide database for policy development and funding plans.

Fund balance

The District has implemented GASB Statement 54 "*Fund Balance Reporting and Governmental Fund Type Definitions*" which provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;

JUDSON INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2022

(1) Summary of significant accounting policies (continued)

Financial statement amounts (continued)

Fund balance (continued)

- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority, to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance – amounts that are available for any purpose, positive amounts are reported only in the general fund.

The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. Assigned fund balance is delegated by the Board of Trustees to the Superintendent or Chief Financial Officer of the District.

In the general fund, the District strives to maintain an unassigned fund balance to be used for local and regional emergencies without borrowing.

(2) Compliance and accountability

Finance-related legal and contractual provisions

In accordance with GASB Statement No. 38, “*Certain Financial Statement Note Disclosures*,” violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

VIOLATION

None reported

ACTION TAKEN

Not applicable

JUDSON INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2022

(3) Deposits and investments

Cash deposits

At June 30, 2022, the carrying amount of the District's deposits was \$22,339,619 (\$21,959,560 in governmental activities and \$380,059 in custodial funds) and the bank balance was \$25,862,977 (\$25,482,918 in governmental activities and \$380,059 in custodial funds). The District also had \$11,495 of cash on hand. Of the bank balance, \$250,000 was covered by federal depository insurance, and the remainder was covered by collateral held in the pledging bank's trust department in the District's name. The District's cash deposits are held in JP Morgan Chase Bank, which is qualified as a public depository under Texas law, and is deemed to be insured and not subject to classification by credit risk. At June 30, 2022, the market value of pledged collateral was \$34,308,218.

Investments

The District is required by Government Code Chapter 2256, the Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

Public funds investment pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and are subject to the provisions of the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. In addition to other provisions of the Public Funds Investment Act designed to promote liquidity and safety of principal, it requires Pools to: (1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool, (2) maintain a continuous rating of no lower than AAA or AAAM or an equivalent rating by at least one nationally recognized rating service, and (3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

TexPool is an investment pool in which the Comptroller of Public Accounts is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company (the Trust Company), which is authorized to operate the pool. Federated Investors, Inc. manages the assets under an agreement with the Comptroller, acting on behalf of the Trust Company. TexPool is reported at amortized cost and does not have any limitations or restrictions on participants' withdrawals.

JUDSON INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2022

(3) Deposits and investments (continued)

Public funds investment pools (continued)

Lone Star Liquidity Corporate Overnight is sponsored by the Texas Association of School Boards and is governed by an 11-member Board of Trustees consisting of individuals representing school districts. First Public, LLC under an agreement with the Board is the administrator and American Beacon Advisors and Mellon Investments Corporation provide investment management services to the pool. Lone Star Liquidity uses net asset value to value the portfolio assets.

Interest rate risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways the District manages its exposure to interest rate risk is by investing in investment pools which have no stated maturity date; therefore, the funds are always available to meet operational needs.

Information about the sensitivity of the fair values of the District’s investments to market interest rate fluctuations is provided by the following table that shows the specific investments and their maturity:

	CARRYING VALUE	WEIGHTED AVERAGE MATURITY (YEARS)	PERCENTAGE INVESTED
Local Government Investment Pools			
TexPool Investment Fund	\$ 176,141,174	0.07	89%
Lone Star Pool Investment Fund			
Government Overnight	8,465	0.03	0%
Corporate Overnight	21,349,764	0.04	11%
Total investments	\$ 197,499,403		100%
Weighted average of total investments		0.07	

Credit risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required (where applicable) by the District’s investment policy and PFIA and the actual rating as of year-end for each investment as noted by Standard & Poors:

DESCRIPTION	MINIMUM LEGAL RATING	INVESTMENT RATING	RATING ORGANIZATION
TexPool Investment Fund	AAA	AAAm	Standard & Poors
Lone Star Pool Investment Fund	AAA	AAA	Standard & Poors

JUDSON INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2022

(3) Deposits and investments (continued)

Concentration of credit risk

The District is required to disclose investments in any one issuer that represents 5% or more of total investments. However, investments issued or explicitly guaranteed by the United States government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement.

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by PFIA. The District's exposure to concentration of credit risk at June 30, 2022 is as follows:

TexPool and Lone Star Investment Funds are rated at AAAM and AAA, respectively by Standard and Poor's. Investments in this rating category meet the highest standards for credit quality, conservative investment policies, and safety of principal. TexPool and Lone Star Investment Funds invests in a high quality portfolio of debt securities investments that are legally permissible for local governments in the state. The District is not exposed to a concentration of credit risk.

(4) Capital assets

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

	BEGINNING BALANCE JUNE 30, 2021	ADDITIONS	DELETIONS	ENDING BALANCE JUNE 30, 2022
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 24,123,325	\$ 330,534	\$ -	\$ 24,453,859
Construction in progress	<u>120,270,494</u>	<u>4,639,916</u>	<u>90,164,966</u>	<u>34,745,444</u>
Total capital assets not being depreciated	<u>144,393,819</u>	<u>4,970,450</u>	<u>90,164,966</u>	<u>59,199,303</u>
Capital assets being depreciated:				
Buildings and improvements	699,321,932	92,893,083	-	792,215,015
Furniture, equipment, and vehicles	52,404,223	3,079,382	(1,256,773)	54,226,832
Capital lease	2,709,068	-	-	2,709,068
Right to use assets	<u>1,118,141</u>	<u>-</u>	<u>-</u>	<u>1,118,141</u>
Total capital assets, being depreciated	<u>755,553,364</u>	<u>95,972,465</u>	<u>(1,256,773)</u>	<u>850,269,056</u>
Less accumulated depreciation for				
Buildings and improvements	(270,200,986)	(21,464,805)	-	(291,665,791)
Furniture, equipment, and vehicles	(46,375,484)	(2,442,367)	1,253,870	(47,563,981)
Capital lease	(2,709,068)	-	-	(2,709,068)
Right to use assets	<u>-</u>	<u>(261,014)</u>	<u>-</u>	<u>(261,014)</u>
Total accumulated depreciation	<u>(319,285,538)</u>	<u>(24,168,186)</u>	<u>1,253,870</u>	<u>(342,199,854)</u>
Total capital assets being depreciated, net	<u>436,267,826</u>	<u>71,804,279</u>	<u>(2,903)</u>	<u>508,069,202</u>
Governmental activities - capital assets, net	<u>\$ 580,661,645</u>	<u>\$ 76,774,729</u>	<u>\$ 90,162,063</u>	<u>\$ 567,268,505</u>

JUDSON INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2022

(4) Capital assets (continued)

Depreciation was charged to functions as follows:

	<u>AMOUNT</u>
Instruction	\$ 13,968,648
Instruction resources and media services	148,205
Curriculum and staff development	589,705
Instructional leadership	259,910
School leadership	1,073,349
Guidance, counseling, and evaluation services	788,962
Social work services	135,740
Health services	206,327
Student transportation	661,400
Food services	1,474,502
Extracurricular activities	629,238
General administration	676,128
Plant maintenance and operations	2,471,879
Security and monitoring services	194,935
Data processing services	860,759
Community services	<u>28,499</u>
 Total depreciation expense	 <u>\$ 24,168,186</u>

(5) Long-term liabilities

The District has entered into a continuing disclosure undertaking to provide annual reports and material event notices to the Municipal Securities Rule Making Board through the electronic municipal market access website. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

Long-term liabilities – bonds

Bonded indebtedness of the District is reflected as governmental activities in the statement of net position. Effective interest rates range from .0196% to 5.63%.

JUDSON INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2022

(5) Long-term liabilities (continued)

Long-term liabilities – bonds (continued)

A summary of changes in long-term liabilities - bonds for the year ended June 30, 2022 is as follows:

DESCRIPTION	INTEREST RATE PAYABLE	AMOUNT ORIGINAL ISSUE	AMOUNT OUTSTANDING JULY 1, 2021	ISSUED	RETIRED	AMOUNT OUTSTANDING JUNE 30, 2022
School Building Bonds:						
School Building Bonds Series 2007 (1)	4.00% to 5.63%	\$ 5,689,223	\$ 5,689,223	\$ -	\$ -	\$ 5,689,223
Refunding Bonds Series 2013 (2)	2.00% to 4.00%	17,700,000	990,000	-	990,000	-
Refunding Bonds Series 2013 A (3)	4.00% to 5.00%	11,760,000	7,165,000	-	7,165,000	-
School Building Bonds Series 2013 (4)	2.00% to 5.00%	78,245,000	1,025,000	-	1,025,000	-
Refunding Bonds Series 2014 (5)	2.00% to 3.00%	5,595,000	2,375,000	-	2,375,000	-
Refunding Bonds Series 2015 (6)	2.00% to 5.00%	61,270,000	56,365,000	-	1,305,000	55,060,000
School Building and Refunding Bonds Series 2016 (7)	3.00% to 5.00%	310,915,000	295,120,000	-	4,220,000	290,900,000
Refunding Bonds Series 2016 A (8)	1.00% to 5.00%	63,985,000	54,305,000	-	2,220,000	52,085,000
School Building Bonds Series 2016 B (9)	3.25% to 5.00%	4,945,000	4,595,000	-	100,000	4,495,000
School Building Bonds Series 2017 (10)	2.00% to 5.00%	55,730,000	55,130,000	-	200,000	54,930,000
Refunding Bonds Series 2020 (11)	2.00% to 5.00%	11,710,000	9,085,000	-	3,270,000	5,815,000
Refunding Bonds Series 2020 (12)	.0196% to 2.16%	87,129,863	<u>85,994,863</u>	<u>-</u>	<u>3,050,000</u>	<u>82,944,863</u>
Total Bonds			<u>577,839,086</u>	<u>-</u>	<u>25,920,000</u>	<u>551,919,086</u>

(continued)

JUDSON INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2022

(5) Long-term liabilities (continued)

Long-term liabilities – bonds (continued)

DESCRIPTION	AMOUNT ORIGINAL ISSUE	AMOUNT OUTSTANDING JULY 1, 2021	ISSUED	RETIRED	AMOUNT OUTSTANDING JUNE 30, 2022
C.A.B.'s - Accreted Interest					
Series 2007 (1), (2)	\$ 5,689,223	\$ 11,691,138	\$ 1,416,820	\$ -	\$ 13,107,958
C.A.B.'s - Accreted Interest					
Series 2020 (1), (3)	7,364,863	<u>142,512</u>	<u>272,076</u>	-	<u>414,588</u>
Total C.A.B.'s		<u>11,833,650</u>	<u>1,688,896</u>	-	<u>13,522,546</u>
Total all bonds		<u>\$ 589,672,736</u>	<u>\$ 1,688,896</u>	<u>\$ 25,920,000</u>	<u>\$ 565,441,632</u>

- (1) Additions are made up of interest accreted on capital appreciation bonds for the year ended June 30, 2022. The capital appreciation bonds were originally recorded at their face value and have only been reduced as principal payments were made. Since these bonds mature at different dates the bonds are now included in bonds payable at their accreted value, for principal amounts due as of June 30, 2022.
- (2) During the fiscal year ended June 30, 2013, the District issued Judson Independent School District Unlimited Tax Refunding Bonds, Series 2013 for \$17,700,000 to refund the Unlimited Tax School Building Bonds, Series 2004 in the amount of \$18,875,000 .
- (3) During the fiscal year ended June 30, 2014, the District issued Judson Independent School District Unlimited Tax Refunding Bonds, Series 2013A for \$11,760,000 to refund the Unlimited Tax School Building Series 2005B in the amount of \$12,925,000.
- (4) During the fiscal year ended June 30, 2014, the District issued Judson Independent School District Unlimited Tax Building Bonds, Series 2013 for the construction and equipping of District Schools, purchasing the necessary sites and to pay the costs associated with the issuance of the bonds.
- (5) During the fiscal year ended June 30, 2014, the District issued Judson Independent School District Unlimited Tax Refunding Bonds, Series 2014 for \$5,595,000 to refund the Unlimited Tax School Building Series 2005B in the amount of \$5,770,000.
- (6) During the fiscal year ended June 30, 2016, the District issued Judson Independent School District Unlimited Tax Refunding Bonds, Series 2015 for \$61,270,000 to refund a portion of the Unlimited Tax School Building Bonds, Series 2008 in the amount of \$63,095,000.
- (7) During the fiscal year ended June 30, 2017, the District issued the Judson Independent School District Unlimited Tax Building and Refunding Bonds, Series 2016 for \$310,915,000 with bond premiums of \$38,227,844 for the construction and equipping of District Schools, purchasing the necessary sites, and to partially refund \$135,035,000 of the current interest bonds Unlimited Tax School Building Bonds, Series 2007.

JUDSON INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2022

(5) Long-term liabilities (continued)

Long-term liabilities – bonds (continued)

- (8) During the fiscal year ended June 30, 2017, the District issued the Judson Independent School District Unlimited Tax Building and Refunding Bonds, Series 2016A for \$63,985,000 with bond premiums of \$4,566,210 to partially refunded \$66,405,000 of the Unlimited Tax School Building Bonds, Series 2007.
- (9) During the fiscal year ended June 30, 2017, the District issued Judson Independent School District Unlimited Tax Building Bonds, Series 2016B for \$4,945,000 to payoff of the Judson Independent School District Public Facility Corporation School Facility Lease Revenue Bonds, Series 2013 in the amount of \$4,954,000.
- (10) During the fiscal year ended June 30, 2018, the District issued Judson Independent School District Unlimited Tax Building Bonds, Series 2017 and \$4,841,631 in bond premiums. The bonds are for the construction, renovation, and equipping of District Schools, purchasing the necessary sites and to pay the costs associated with the issuance of the bonds.
- (11) During the fiscal year ended June 30, 2020, the District issued Judson Independent School District Tax Refunding Bonds, Series 2020 for \$11,710,000 to refund the Unlimited Tax Building Bonds, Series 2010 and 2012 in the amount of \$10,775,000 and \$3,270,000 respectively.
- (12) During the year, the District issued Judson Independent School District Unlimited Tax Refunding Bonds, Series 2020 for \$87,129,863 to partially refund the Judson Independent School District Unlimited Tax Refunding Bonds, Series 2013 in the amount \$14,535,000, and to partially refund the Judson Independent School District Unlimited Tax School Building Bonds, Series 2013 in the amount of \$72,595,000.

Summary information on the capital appreciation bonds is as follows:

SERIES	MATURITY DATE 2/1	ORIGINAL AMOUNT	ACCRETED VALUE JUNE 30, 2022	VALUE AT MATURITY
2007	2026-2027	\$ 5,689,223	\$ 13,107,958	\$ 26,400,000
2020	2038-2039	7,364,863	414,588	21,170,000

JUDSON INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2022

(5) Long-term liabilities (continued)

Long-term liabilities – bonds (continued)

Long-term liabilities include debt and other long-term liabilities. Changes in long-term liabilities for the year ended June 30, 2022 are as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE	AMOUNTS DUE WITHIN ONE YEAR
Long-term debt:					
Governmental activities					
General obligation bonds	\$ 577,839,086	\$ -	\$ 25,920,000	\$ 551,919,086	\$ 15,700,000
C.A.B.'s - accreted interest	11,833,650	1,688,896	-	13,522,546	-
Tax notes - direct borrowing	3,000,000	-	400,000	2,600,000	410,000
Other long-term liabilities:					
Compensated absences	1,995,417	404,644	399,083	2,000,978	400,196
Right to use assets lease liability	1,126,389	-	249,762	876,627	251,802
Total governmental activities	<u>\$ 595,794,542</u>	<u>\$ 2,093,540</u>	<u>\$ 26,968,845</u>	<u>\$ 570,919,237</u>	<u>\$ 16,761,998</u>

The general fund, the primary governmental activity fund type, is typically used to liquidate compensated absences.

Debt service requirements

Debt service requirements on long-term debt at June 30, 2022, are as follows:

YEAR ENDING JUNE 30,	BONDS PAYABLE		
	PRINCIPAL	INTEREST	TOTAL
2023	\$ 15,700,000	\$ 20,041,143	\$ 35,741,143
2024	14,905,000	19,501,503	34,406,503
2025	18,655,000	18,985,162	37,640,162
2026	9,830,048	28,466,145	38,296,193
2027	10,064,175	28,461,868	38,526,043
2028-2032	113,785,000	83,024,621	196,809,621
2033-2037	134,050,000	62,332,631	196,382,631
2038-2042	135,814,863	50,691,937	186,506,800
2043-2046	<u>99,115,000</u>	<u>8,500,800</u>	<u>107,615,800</u>
Totals	<u>\$ 551,919,086</u>	<u>\$ 320,005,810</u>	<u>\$ 871,924,896</u>

JUDSON INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2022

(5) Long-term liabilities (continued)

Long-term liabilities – bonds (continued)

Tax notes – direct borrowing loan

The District has entered into limited maintenance tax notes to finance the acquisition of school buses.

The assets acquired with the tax notes are:

School buses \$9,177,541

Debt service requirements on tax notes (direct borrowings) at June 30, 2022, are as follows:

YEAR ENDING JUNE 30,	TAX NOTES PAYABLE		
	PRINCIPAL	INTEREST	TOTAL
2023	\$ 410,000	\$ 53,040	\$ 463,040
2024	420,000	44,676	464,676
2025	430,000	36,108	466,108
2026	440,000	27,336	467,336
2027	445,000	18,360	463,360
2028	<u>455,000</u>	<u>9,282</u>	<u>464,282</u>
Totals	<u>\$ 2,600,000</u>	<u>\$ 188,802</u>	<u>\$ 2,788,802</u>

The effective interest rate on the outstanding tax notes is 2.040%

(6) Right to use asset lease liability

At June 30, 2022, the District was obligated under right to use lease for buses (\$77,211) and copiers (\$799,416). The copiers were leased for various District offices and campuses for a term of 5 years at a fixed interest rate of 3.6%. The monthly payments are \$39,840. The buses were leased for a term of 5 years at a fixed rate of 6.0%. The monthly payments are \$2,000. These leases are not renewable and the District will not acquire the assets at the end of the lease term. Future minimum lease payments on these operating leases are as follows:

YEAR ENDING JUNE 30,	TAX NOTES PAYABLE		
	PRINCIPAL	INTEREST	TOTAL
2023	\$ 251,802	\$ 29,069	\$ 280,871
2024	205,870	20,101	225,971
2025	202,604	12,386	214,990
2026	200,482	4,509	204,991
2027	<u>15,869</u>	<u>48</u>	<u>15,917</u>
Totals	<u>\$ 876,627</u>	<u>\$ 66,113</u>	<u>\$ 942,740</u>

JUDSON INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2022

(7) Risk management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters for which the District carries commercial insurance. During fiscal year 2022, the District purchased replacement value commercial property insurance with a \$100,000 deductible. There were no significant reductions in coverage in the past fiscal year.

(8) Worker's compensation self-insurance

Judson Independent School District established a limited risk management program for worker's compensation effective September 1, 1991. During the year ended June 30, 2022, a total of \$538,009 was paid in benefits.

An excess coverage insurance policy covers individual claims in excess of \$500,000 for any one event up to a maximum limit of \$1,000,000. Accrued liabilities of \$380,487 represents the administrator's estimate of the aggregate liability for claims made.

	BEGINNING OF FISCAL YEAR LIABILITY	CURRENT YEAR CLAIMS AND CHANGES IN ESTIMATES	CLAIM PAYMENTS	BALANCE AT FISCAL YEAR-END
2020-2021	\$ 561,881	\$ 465,788	\$ (353,166)	\$ 674,503
2021-2022	674,503	\$243,993	(538,009)	380,487

(9) Accumulated unpaid sick leave benefit

Upon resignation from the District, employees with at least ten consecutive years of service are entitled to reimbursement for any unused local sick leave earned at the District. Employees retiring from the District are entitled to reimbursement for unused state, personal, and sick leave.

At June 30, 2022, the District's liability for accrued sick leave is as follows:

	SICK LEAVE
Balance, July 1, 2021	\$ 1,995,417
Additions	404,644
Deletions	(399,083)
Balance at June 30, 2022	\$ 2,000,978

JUDSON INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2022

(10) Health care coverage

During the year ended June 30, 2022, employees of the District were covered by a health insurance plan. The District paid premiums of \$355 per month per employee to the plan during 2022. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer through December 31, 2021. The plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by a contractual agreement. Effective January 1, 2022 the District offered 5 plan options, which are self-funded through an Internal Service Fund. Accrued expense in the Health Insurance Fund are based on actuarial estimates of the amounts necessary to pay prior and current period claims and to establish a reserve for catastrophic losses. A liability claim is established if information indicates it is probably that a liability has incurred as the date of the financial statements and the amount of the loss is reasonably estimable.

A reconciliation of changes in the aggregate liabilities for major medical claims for the prior and current fiscal period is presented below:

	BEGINNING OF FISCAL YEAR LIABILITY	CURRENT YEAR CLAIMS AND CHANGES IN ESTIMATES	CLAIM PAYMENTS	BALANCE AT FISCAL YEAR-END
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
2021-2022	-	\$5,803,534	(5,324,870)	478,664

Federal Legislation enacted in January 2006 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One provision of the law allows TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible participants. These payments totaled \$713,711, \$687,563, and \$651,845, for fiscal years 2022, 2021, and 2020, respectively. Revenue and expenditures equal to the amount paid by the federal government were recognized during the 2022 fiscal year.

(11) Defined benefit pension plan

Plan description

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

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

JUDSON INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2022

(11) Defined benefit pension plan (continued)

Pension plan fiduciary net position

Detailed information about TRS's fiduciary net position is available in a separately-issued Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the internet at https://www.trs.texas.gov/pages/about_publications.aspx; by writing to TRS at 1000 Red River Street, Austin, Texas 78701-2698, or by calling (512) 542-6592.

Benefits provided

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

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

State law requires the plan to be actuarially sound in order for the legislature to consider a benefit enhancement, such as a supplemental payment to the retirees. The pension became actuarially sound in May 2019 when the 86th Texas legislature approved the TRS Pension Reform Bill (SB12) that provided gradual contribution increases from the state, participating employers and active employees for the fiscal years 2019 through 2024.

Contributions

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

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

JUDSON INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2022

(11) Defined benefit pension plan (continued)

Contributions (continued)

	<u>2022</u>	<u>2021</u>
Contribution rates:		
Member	7.7% - 8.0%	7.7%
Non-employer contributing entity (state)	7.5%	7.5%
Employers	7.5%	7.5%
District contributions	\$ 6,644,216	\$ 5,723,938
Member contributions	\$ 13,409,090	\$ 11,754,866
NECE on-behalf contributions	\$ 7,454,711	\$ 9,951,526

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

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

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

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

- When employing a retiree of TRS the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- All public schools, charter schools, and regional educational service centers must contribute 1.5% of the member’s salary beginning in fiscal year 2021, gradually increasing to 2% in fiscal year 2025.

JUDSON INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2022

(11) Defined benefit pension plans (continued)

Actuarial assumptions

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

Valuation date	August 31, 2020, rolled forward to August 31, 2021
Actuarial cost method	Individual entry age normal
Asset valuation method	Fair value
Single discount rate	7.25%
Long-term expected investment rate of return	7.25%
Municipal bond rate of return	1.95% - 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)	2020
Inflation	2.30%
Salary increases including inflation	3.05% to 9.05%
Ad hoc postemployment 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, 2020. For a full description of these assumptions please see the actuarial valuation report dated November 9, 2020.

Discount rate

A single discount rate of 7.25% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.25%. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50% of payroll in fiscal year 2020 gradually increasing to 9.55% 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 future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

JUDSON INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2022

(11) Defined benefit pension plans (continued)

Discount rate (continued)

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

Asset Class *	Target Allocation **	Long-Term Expected Arithmetic Real Rate of Return ***	Expected Contributions to Long-Term Portfolio Returns
Global Equity			
USA	18.0%	3.6%	0.94%
Non-U.S. Developed	13.0%	4.4%	0.83%
Emerging Markets	9.0%	4.6%	0.74%
Private Equity	14.0%	6.3%	1.36%
Stable Value			
Government Bonds	16.0%	-0.2%	0.01%
Absolute returns	0.0%	1.1%	0.00%
Stable Value Hedge Funds	5.0%	2.2%	0.12%
Real Return			
Real Estate	15.0%	4.5%	1.00%
Energy, Natural Resources, and Infrastructure	6.0%	4.7%	0.35%
Commodities	0.0%	1.7%	0.00%
Risk Parity			
Risk Parity	8.0%	2.8%	0.28%
Leverage			
Cash	2.0%	-0.7%	-0.01%
Asset Allocation Leverage	-6.0%	-0.5%	0.03%
Inflation Expectation			2.20%
Volatility Drag****			-0.95%
Expected Return	100.0%		6.90%

* Absolute Return includes credit sensitive investments.

** Target allocations are based on the FY2021 policy model.

*** Capital market assumptions come from Aon Hewitt (as of 08/31/2021).

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

JUDSON INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2022

(11) Defined benefit pension plans (continued)

Discount rate sensitivity analysis

The following schedule presents the impact of the net pension liability of the plan using the discount rate of 7.25% and what the net pension liability would be if it were calculated using a discount rate that is 1% point lower (6.25%) or 1% point higher (8.25%) than the current rate.

	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	<u>\$ 77,863,199</u>	<u>\$ 35,632,743</u>	<u>\$ 1,371,025</u>

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

At June 30, 2022, the District reported a liability of \$35,632,743 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 35,632,743
State's proportionate share that is associated with the District	<u>44,486,517</u>
Total	<u>\$ 80,119,260</u>

The net pension liability was measured as of August 31, 2020 and rolled forward to August 31, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2020 thru August 31, 2021.

At August 31, 2021 the employer's proportion of the collective net pension liability was 0.139203%, which was an increase of 0.018563% from its proportion as of August 31, 2020.

Changes since the prior actuarial valuation

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

JUDSON INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2022

(11) Defined benefit pension plans (continued)

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions (continued)

For the year ended June 30, 2022, the District recognized pension expense of \$177,852 and revenue of \$7,454,711 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 59,630	\$ 2,508,573
Changes in actuarial assumptions	12,595,478	5,490,548
Difference between projected and actual investment earnings	-	29,877,592
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	8,083,426	5,275,715
Contributions paid to TRS subsequent to the measurement date	5,672,082	-
Total	\$ 26,410,616	\$ 43,152,428

The net amounts of the District's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Ended June 30	Pension Expense Amount
2023	\$ (3,981,439)
2024	(4,210,398)
2025	(6,710,254)
2026	(8,724,920)
2027	841,430
Thereafter	371,687
Total	\$ (22,413,894)

JUDSON INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2022

(12) Defined other postemployment benefit plan

Plan description

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

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

OPEB plan fiduciary net position

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

Benefits provided

TRS-Care provides health insurance coverage to retirees from public and 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 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 premium rates for the retirees are reflected in the following table:

	TRS-Care Monthly Premium Rates	
	Medicare	Non-Medicare
Retiree*	\$ 135	\$ 200
Retiree and spouse	529	689
Retiree* and children	468	408
Retiree and family	1,020	999

* Or surviving spouse

JUDSON INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2022

(12) Defined other postemployment benefit plan (continued)

Contributions

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

At the inception of the plan, funding was projected to last 10 years through fiscal year 1995. The original funding was sufficient to maintain the solvency of the fund through fiscal year 2000. Since that time, appropriations and contributions have been established to fund the benefits for each successive biennium.

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

Contribution Rates

	<u>2022</u>	<u>2021</u>
Contribution rates:		
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 contributions	\$ 1,624,167	\$ 1,302,520
Member contributions	\$ 1,131,936	\$ 992,252
NECE on-behalf contributions	\$ 1,777,198	\$ 2,487,881

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to. When hiring a TRS retiree, employers are required to pay 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 for both years was in fiscal year 2021.

JUDSON INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2022

(12) Defined other postemployment benefit plan (continued)

Actuarial assumptions

The actuarial valuation was performed as of August 31, 2020. Updated procedures were used to roll forward the total OPEB liability to August 31, 2021.

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

The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2020 TRS pension actuarial valuation that was rolled forward to August 31, 2021:

Rates of mortality	General inflation
Rates of retirement	Wage inflation
Rates of termination	Expected payroll growth
Rates of disability	

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

Additional actuarial methods and assumptions:

Valuation date	August 31, 2020 rolled forward to August 31, 2021
Actuarial cost methods	Individual entry age normal
Inflation	2.30%
Single discount rate	1.95% as of August 31, 2021
Amortization method and year	Level % of payroll - 30 years
Aging factors	Based on plan specific experience
Expenses	Third party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs
Salary increases	3.05% to 9.05%, including inflation
Healthcare trend rates	10.80% decreasing to 4.5% for FY 2028
Election rates	Normal retirement 65% participation prior to age 65 and 40% participation after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65
Ad hoc postemployment benefit changes	None

JUDSON INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2022

(12) Defined other postemployment benefit plan (continued)

Discount rate

A single discount rate of 1.95% was used to measure the total OPEB liability. There was a decrease of 0.38% in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

Discount rate sensitivity analysis

The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (1.95%) in measuring the net OPEB liability.

	1% Decrease in Discount Rate (0.95%)	Current Single Discount Rate (1.95%)	1% Increase in Discount Rate (2.95%)
District’s proportionate share of the other postemployment benefit liability	\$ 79,005,304	\$ 65,496,688	\$ 54,866,755

OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEBs

At June 30, 2022, the District reported a liability of \$65,496,688 for its proportionate share of the TRS’s net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District’s proportionate share of the collective net OPEB liability	\$ 65,496,688
State’s proportionate share that is associated with District	87,752,305
Total	\$ 153,249,993

The net OPEB liability was measured as of August 31, 2020 and rolled forward to August 31, 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The employer’s proportion of the net OPEB liability was based on the employer’s contributions to the OPEB relative to the contributions of all employers to the plan for the period September 1, 2020 thru August 31, 2021.

JUDSON INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2022

(12) Defined other postemployment benefit plan (continued)

OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEBs (continued)

At June 30, 2022 the employer's proportion of the collective net OPEB liability was 0.168% compared to 0.17% as of June 30, 2021.

The following schedule shows the impact of the net OPEB liability if a healthcare trend rate that is 1% less than and 1% greater than the health rates assumed.

	1% Decrease in Discount Rate (0.95%)	Current Single Discount Rate (1.95%)	1% Increase in Discount Rate (2.95%)
District's proportionate share of the other postemployment benefit liability	\$ 79,005,304	\$ 65,496,688	\$ 54,866,755

Changes since the prior actuarial valuation

The discount rate changed from 2.33 percent as of August 31, 2020 to 1.95 percent as of August 31, 2021. This change increased the total OPEB liability (TOL).

Changes of benefit terms since the prior measurement date

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

The amount of OPEB expense recognized by the District in the reporting period was \$(3,238,730) and revenue of \$1,777,198 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 2,819,986	\$ 31,705,463
Changes in actuarial assumptions	7,254,638	13,851,549
Difference between projected and actual investment earnings	71,110	-
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	3,670,371	4,760,794
Contributions paid to TRS subsequent to the measurement date	1,402,292	-
Total	\$ 15,218,397	\$ 50,317,806

JUDSON INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2022

(12) Defined other postemployment benefit plan (continued)

The net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Ended June 30,</u>	<u>OPEB Expense Amount</u>
2023	\$ (6,881,408)
2024	(6,883,012)
2025	(6,882,573)
2026	(5,158,411)
2027	(2,824,218)
Thereafter	<u>(7,872,079)</u>
Total	<u>\$ (36,501,701)</u>

(13) Commitments and contingencies

Contingencies

The District participates in 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 adjustment 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 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

Litigation

The District is a defendant in several lawsuits related to educating a diverse population. While the result of any litigation contains an element of uncertainty, the District's management believes that the amount of any liability and costs which might result would not have a material adverse effect on its operations or financial statements.

JUDSON INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2022

(13) Commitments and contingencies (continued)

Construction commitments

As of June 30, 2022, the District was obligated under the terms of agreements for the construction of the following projects:

PROJECT NAME	CONTRACT AMOUNT	PAID TO DATE	COMMITMENT BALANCE REMAINING	RETAINAGE PAYABLE AMOUNT *
General Construction -				
Kitty Hawk Middle School	\$ 563,000	\$ 480,797	\$ 82,203	\$ -
Kirby Middle School	661,708	169,666	492,042	-
Coronado Village Elementary School	55,400	-	55,400	-
Franz Elementary School	57,900	-	57,900	-
Woodlake Hills Elementary School	456,206	336,952	119,254	-
Crestview Elementary School	5,314,289	4,802,781	511,508	234,278
Park Village Elementary School;	8,673,597	8,614,465	59,132	-
Olympia Elementary School	424,534	395,106	29,428	-
Spring Meadows Elementary School	280,128	183,822	96,306	-
Elolf Elementary School	3,841,458	3,783,274	58,184	-
Paschall Elementary School	3,798,420	3,710,226	88,194	-
Miller's Point Elementary School	397,230	362,318	34,912	-
Veterans Memorial High School	20,210	13,582	6,628	-
Transportation	10,000	-	10,000	-
Wortham Oaks	1,012,000	976,886	35,114	-
Total construction commitments	<u>\$ 25,566,080</u>	<u>\$ 23,829,875</u>	<u>\$ 1,736,205</u>	<u>\$ 234,278</u>

* Amount has been accrued and is included in accounts payable.

(14) Interfund balances and activities

Due to and from other funds

Balances due to and due from other funds at June 30, 2022, consisted of the following:

DUE TO FUND	DUE FROM FUND	AMOUNT	PURPOSE
General fund	Non-major funds	\$ 2,929,522	Short-term loans
General fund	National school breakfast/lunch program	14,519,638	Short-term loans
General fund	Capital projects fund	7,854,209	Short-term loans
Debt service fund	General fund	749,781	Short-term loans
	Total	<u>\$ 26,053,150</u>	

All amounts due are scheduled to be repaid within one year.

JUDSON INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2022

(14) Interfund balances and activities (continued)

<u>TRANSFERS IN FUND</u>	<u>TRANSFERS OUT FUND</u>	<u>AMOUNT</u>	<u>PURPOSE</u>
Internal service fund	General fund	\$ 4,000,000	Medical claims payments
	Total	<u>\$ 4,000,000</u>	

(15) Deferred inflows of resources

Deferred inflows of resources at year end consisted of the following:

<u>REVENUE DESCRIPTION</u>	<u>GENERAL FUND</u>	<u>DEBT SERVICE FUND</u>	<u>TOTAL</u>
Deferred inflows of resources - taxes receivable	<u>\$ 2,405,222</u>	<u>\$ 962,421</u>	<u>\$ 3,367,643</u>

(16) Due from other governments

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

<u>FUND</u>	<u>STATE ENTITLEMENTS/GRANTS</u>	<u>FEDERAL GRANTS</u>	<u>LOCAL GOVERNMENTS</u>	<u>TOTAL</u>
General Fund:				
School Foundation/Available	\$ 29,164,749	\$ -	\$ -	\$ 29,164,749
Bexar County Tax Collections	-	-	710,887	710,887
Total general fund	<u>29,164,749</u>	<u>-</u>	<u>710,887</u>	<u>29,875,636</u>
National School Breakfast/Lunch Program	-	371,295	-	371,295
Debt Service Fund	44,624	-	-	44,624
Other Governmental Funds:				
ESEA Title III, Homeless Education	-	18,789	-	18,789
ESEA Title I, Part A Basic	-	864,913	-	864,913
IDEA, Part B - Formula	-	514,859	-	514,859
IDEA, Part B - Preschool Grant	-	9,500	-	9,500
IDEA, Part B - Discretionary High Risk	-	128,877	-	128,877
Title V - Vocational Education Basic Grant	-	42,469	-	42,469
Title II, Part A - Teacher and Principal Training	-	53,664	-	53,664
English Language Acquisition and Enhancement	-	26,543	-	26,543
ARP Homeless Children and Youth Fund	-	4,229	-	4,229
Enhancing Education Through Tech	-	3,600	-	3,600
ESSER II	-	2,176,728	-	2,176,728
ESSER III	-	2,185,701	-	2,185,701
ARP IDEA Part B	-	263,160	-	263,160
ESEA Title IV, Part A	-	24,068	-	24,068
State Library Match	14,174	-	-	14,174
LEP Student Success Initiative	21,214	-	-	21,214
Total other governmental funds	<u>35,388</u>	<u>6,317,100</u>	<u>-</u>	<u>6,352,488</u>
Totals	<u>\$ 29,244,761</u>	<u>\$ 6,688,395</u>	<u>\$ 710,887</u>	<u>\$ 36,644,043</u>

JUDSON INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2022

(17) Local and intermediate revenues

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

REVENUE DESCRIPTION	GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	SCHOOL BREAKFAST/LUNCH PROGRAM	OTHER GOVERNMENTAL FUNDS	TOTAL REVENUE AMOUNT
Property taxes:						
Current year	\$ 104,420,810	\$ 46,296,026	\$ -	\$ -	\$ -	\$ 150,716,836
Prior years	258,951	122,445	-	-	-	381,396
Penalty and interest	459,981	160,397	-	-	-	620,378
Total property taxes	105,139,742	46,578,868	-	-	-	151,718,610
Investment revenue	202,465	53,876	121,535	34,465	-	412,341
Food service revenue		-	-	377,301	-	377,301
Athletic revenue	417,211	-	-	-	-	417,211
Tuition revenue	2,176,144	-	-	-	-	2,176,144
Rental income	40,498	-	-	-	-	40,498
Insurance recovery	1,582,981	-	-	-	-	1,582,981
Gifts and bequests	529,633	-	-	30,000	10,000	569,633
Other revenue	1,454,496	-	-	54,206	1,822,724	3,331,426
Totals	\$ 111,543,170	\$ 46,632,744	\$ 121,535	\$ 495,972	\$ 1,832,724	\$ 160,626,145

(18) General fund federal revenue sources

During the year, federal revenue recorded in the general fund consisted of the following:

PROGRAM OR SOURCE	REVENUE AMOUNT
Impact Aid (PL 81-874)	\$ 50,156
Air Force Junior Reserve Officer Training Corp (AFJROTC)	261,901
School Health and Related Services (SHARS)	3,675,884
Coronavirus Relief Funds	
Indirect Cost from Federal Programs	
ESEA Title X, Part C, Education for Homeless Children & Youth	1,764
ESEA Title I, Part A, Improving Basic Programs	216,078
IDEA-B, Formula	145,214
IDEA-B, Preschool	3,949
Title II, Part A - Training and Recruiting	23,291
Title III, Part A - Limited English Proficiency	11,427
ARP Homeless Children and Youth	150
ESSER II	354,514
ESSER III	625,962
Title IV, Part A	10,966
Total federal revenue in general fund	\$ 5,381,256

JUDSON INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2022

(19) Shared services arrangements

The District participates in a shared services arrangement (SSA) for a federal program with the following school districts:

Fort Sam Houston Independent School District
East Central Independent School District
Randolph Field Independent School District
North East Independent School District
San Antonio Independent School District

The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District does not have joint ownership interest in capital assets purchased by the fiscal agent, Judson Independent School District, nor does the District have a net equity interest in the fiscal agent. The fiscal agent does not accumulate significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

(20) New accounting policy and restatement of net position

As of July 1, 2021, the District implemented GASB Statement No. 87, *Leases*. The Statement requires recognition of certain lease assets and liabilities that previously were classified as operating leases and recognized inflows and outflows of resources based on the payment provisions of the lease contract. The beginning net position has been restated by \$8,248 to reflect this adoption.

(21) Restatement of net position and fund balance

During the fiscal year ended June 30, 2022, the District over expended its worker's compensation reserve liability by \$4,000,000 in the general fund. The general fund balance has been restated as of June 30, 2021.

(22) Restatement of deficit net position and fund balance

At June 30, 2022, the District has a deficit unrestricted net position in the government-wide statement of net position. This deficit is due to the effect of GASB Statements 68 and 75 related to the District's proportionate share of the net pension liability and OPEB liability.

(23) Evaluation of subsequent events

Subsequent events are evaluated by the District's management through November 17, 2022, the date which the financial statements were available to be issued. Subsequent to November 17, 2022, The District was awarded \$1,970,000 from a construction settlement dated August 4, 2022. Settlement amounts have been restricted to campus improvements.

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APPENDIX D
FORMS OF OPINIONS OF CO-BOND COUNSEL

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IN REGARD to the authorization and issuance of the "Judson Independent School District Unlimited Tax School Building Bonds, Series 2023 (Non-PSF)" (the *Bonds*), dated February 1, 2023, in the aggregate principal amount of \$_____, we have reviewed the legality and validity of the issuance thereof by the Board of Trustees of the Judson Independent School District (the *Issuer*). The Bonds are issuable in fully registered form only, in denominations of \$5,000 or any integral multiple thereof (within a Stated Maturity). The Bonds have Stated Maturities of February 1 in the years 20__ through 20__, unless optionally or mandatorily redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Bonds. Interest on the Bonds accrues from the dates, at the rates, in the manner, and is payable on the dates, all as provided in the order (the *Order*) authorizing the issuance of the Bonds. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Order.

WE HAVE SERVED AS CO-BOND COUNSEL for the Issuer solely to pass upon the legality and validity of the issuance of the Bonds under the laws of the State of Texas with respect to the exclusion of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes and for no other purpose. 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. We have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Bonds. We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the Bonds. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

WE HAVE EXAMINED the applicable and pertinent laws of the State of Texas and the United States of America. In rendering the opinions herein we rely upon (1) original or certified copies of the proceedings of the Issuer in connection with the issuance of the Bonds, including the Order; (2) customary certifications and opinions of officials of the Issuer; (3) certificates executed by officers of the Issuer relating to the expected use and investment of proceeds of the Bonds and certain other funds of the Issuer, and to certain other facts solely within the knowledge and control of the Issuer; and (4) such other documentation, including an examination of the Bond executed and delivered initially by the Issuer, and such matters of law as we deem relevant to the matters discussed below. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements and information contained in such certificates. We express no opinion concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

BASED ON OUR EXAMINATION, IT IS FURTHER OUR OPINION that the Bonds have been duly authorized and issued in conformity with the laws of the State of Texas now in force and that the Bonds are valid and legally binding obligations of the Issuer enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar

Legal Opinion of Cantu Harden Montoya LLP, San Antonio, Texas, in connection with the authorization and issuance of JUDSON INDEPENDENT SCHOOL DISTRICT UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2023 (NON-PSF)

laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. The Bonds are payable from the proceeds of an ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property in the Issuer.

BASED ON OUR EXAMINATION, IT IS OUR OPINION that, assuming continuing compliance after the date hereof by the Issuer with the provisions of the Order and in reliance upon the representations and certifications of the Issuer made in a certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Bonds, under existing statutes, regulations, published rulings, and court decisions (1) interest on the Bonds will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the Code), of the owners thereof for federal income tax purposes, pursuant to section 103 of the Code, and (2) interest on the Bonds is not an item of tax preference for purposes of the alternative minimum tax; however, such interest is taken into account in determining the "adjusted financial statement income" (as defined in section 56A of the Code) of "applicable corporations" (as defined in section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

WE EXPRESS NO OTHER OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement Benefits, individuals otherwise qualifying for the earned income credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

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

Cantu Harden Montoya LLP



WALSH GALLEGOS
TREVINO KYLE & ROBINSON P.C.

DRAFT

IN REGARD to the authorization and issuance of the "Judson Independent School District Unlimited Tax School Building Bonds, Series 2023 (Non-PSF)" (the *Bonds*), dated February 1, 2023, in the aggregate principal amount of \$_____, we have reviewed the legality and validity of the issuance thereof by the Board of Trustees of the Judson Independent School District (the *Issuer*). The Bonds are issuable in fully registered form only, in denominations of \$5,000 or any integral multiple thereof (within a Stated Maturity). The Bonds have Stated Maturities of February 1 in the years 20__ through 20__, unless optionally or mandatorily redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Bonds. Interest on the Bonds accrues from the dates, at the rates, in the manner, and is payable on the dates, all as provided in the order (the *Order*) authorizing the issuance of the Bonds. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Order.

WE HAVE SERVED AS CO-BOND COUNSEL for the Issuer solely to pass upon the legality and validity of the issuance of the Bonds under the laws of the State of Texas. 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. We have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Bonds. We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the Bonds. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

WE HAVE EXAMINED the applicable and pertinent laws of the State of Texas and the United States of America. In rendering the opinions herein we rely upon (1) original or certified copies of the proceedings of the Issuer in connection with the issuance of the Bonds, including the Order; (2) customary certifications and opinions of officials of the Issuer; (3) certificates executed by officers of the Issuer relating to the expected use and investment of proceeds of the Bonds and certain other funds of the Issuer, and to certain other facts solely within the knowledge and control of the Issuer; and (4) such other documentation, including an examination of the Bond executed and delivered initially by the Issuer, and such matters of law as we deem relevant to the matters discussed below. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements and information contained in such certificates. We express no opinion concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

BASED ON OUR EXAMINATION, IT IS FURTHER OUR OPINION that the Bonds have been duly authorized and issued in conformity with the laws of the State of Texas now in force and that the Bonds are valid and legally binding obligations of the Issuer enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. The Bonds are payable from the proceeds of an ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property in the Issuer.

WE EXPRESS NO OTHER OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds.

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

Walsh Gallegos Treviño Kyle & Robinson, P.C.

Financial Advisory Services
Provided By:

