

**PRELIMINARY REMARKETING MEMORANDUM**  
**Dated: July 5, 2023**

**REMARKETING (NOT A NEW ISSUE): BOOK-ENTRY-ONLY**

In the opinion of McCall, Parkhurst & Horton L.L.P., as Bond Counsel, delivered in connection with the initial issuance of the Bonds, interest on the Bonds, as remarketed, is excludable from gross income for federal income tax purposes under statutes, regulations, published rulings, and court decisions existing on the date thereof, subject to matters described under "TAX MATTERS" herein. The delivery of the Bonds upon their remarketing is subject to the delivery by Bond Counsel of an opinion to the effect that the conversion of the Bonds to the New Rate Period (hereinafter defined) will not adversely affect the excludability of interest on the Bonds for federal income tax purposes. Bond Counsel has not been asked to and has not rendered any opinion as to the current excludability of interest on the Bonds. See "TAX MATTERS" herein.

**\$13,485,000\***

**PLAINVIEW INDEPENDENT SCHOOL DISTRICT**  
**(A political subdivision of the State of Texas located in Hale and Floyd Counties, Texas)**  
**ADJUSTABLE RATE UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2020B**

**CONVERSION TO TERM RATE PERIOD OF THREE\* YEARS AT A PER ANNUM TERM RATE OF \_\_\_\_%**  
**(PRICED TO YIELD \_\_\_\_% TO MANDATORY TENDER DATE)**

**Original Dated Date: February 1, 2020**  
**CUSIP No: 726736\_\_\_\_**

**New Mandatory Tender Date: August 15, 2026\***  
**Stated Maturity: February 15, 2050**

The Plainview Independent School District is remarketing its Adjustable Rate Unlimited Tax School Building Bonds, Series 2020B (the "Bonds"). The Bonds were initially issued on January 16, 2020 pursuant to the Constitution and general laws of the State of Texas, particularly Sections 45.001, 45.0011, and 45.003(b)(1), as amended, Texas Education Code, Chapter 1371, as amended, Texas Government Code, an election held in the District on November 5, 2019, and the order (such order, as supplemented by the hereinafter-defined Conversion Order, the "Original Bond Order") adopted by the Board of Trustees (the "Board") on April 20, 2023. The Bonds are currently outstanding in the Initial Rate Period, bearing interest at the Initial Rate through the August 14, 2023 conclusion of the Initial Interest Period. On August 15, 2023 (the "Conversion Date") all outstanding Bonds are subject to mandatory tender for purchase, without the right of retention by the owners thereof, and redemption at the District's option.

The Board, pursuant to an order thereby adopted on April 20, 2023 (the "Conversion Order"), (i) authorized the remarketing of tendered Bonds to new holders and conversion of such Bonds to a new Term Rate Period commencing on the Conversion Date and continuing through and including August 14, 2026\* (the "New Rate Period") and during which the remarketed Bonds will bear interest at the new Term Rate identified below and (ii) delegated to certain District officials and staff members (each, an "Authorized Official") the authority to execute a pricing certificate (the "Conversion Pricing Certificate") evidencing certain of the terms of the Bonds, as remarketed. In addition, the Conversion Order authorized the redemption of Bonds on the Conversion Date, at the District's option and using lawfully available District funds.

The Bonds are currently outstanding in the principal amount of \$15,000,000. On August 15, 2023, \$13,485,000\* will be mandatorily tendered for purchase by the existing holders thereof for remarketing and conversion to the New Rate Period and \$1,515,000\* will be optionally redeemed by the District. Except specifically with respect to a description of the Bonds prior to the Conversion Date, the term "Bonds" as used in this Remarketing Memorandum refers to Bonds that remain outstanding on and immediately after the Conversion Date.

During the New Rate Period, the Bonds will bear interest at a Term Rate of \_\_\_\_, and such interest shall accrue from the Conversion Date and continue until the end of the New Rate Period (occurring on August 14, 2026\*). The Bonds are subject to mandatory tender, without right of retention by the holders thereof, on August 15, 2026\* (the "New Mandatory Tender Date"), which is the day immediately succeeding the last day of the New Rate Period; provided, however, that actual mandatory tender for purchase shall occur on August 17, 2026\*, which is the first business day after the expiration of the New Rate Period. Interest on the Bonds in the New Rate Period will cease to accrue after the August 16, 2026\* expiration of the New Rate Period. During the New Rate Period, interest on the Bonds is payable initially on February 15, 2024, and thereafter on each August 15 and February 15 through and including the New Mandatory Tender Date. The definitive Bonds have been registered and delivered to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of \$5,000 or any integral multiple thereof. No physical delivery of the Bonds will be made to the owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds (see "BOOK-ENTRY- ONLY SYSTEM" herein). BOKF, NA, Dallas, Texas, serves as Paying Agent/Registrar and Tender Agent for the Bonds.

All tenders of Bonds on the New Mandatory Tender Date must be made to the Tender Agent at its designated office in Dallas, Texas. In the Order, the District has covenanted to identify and enter into a contract with a new remarketing agent for the Bonds prior to the commencement of the remarketing period applicable to the Bonds prior to the conclusion of the New Rate Period. Bonds tendered for purchase on the New Mandatory Tender Date will be bought from the proceeds derived from the remarketing of such Bonds, if any; provided, however, that should the date for tender of the Bonds occur on an Interest Payment Date, the accrued interest portion of the Purchase Price is to be paid by the District.

In the event that all of the Bonds are not remarketed to new purchasers on the New Mandatory Tender Date, neither the acting remarketing agent nor the District will have any obligation to purchase any of the Bonds tendered on such date, and the related notice of mandatory tender will be deemed to be rescinded for that date with respect to all of the Bonds. The occurrence of the foregoing will not result in an Event of Default under the Order or the Bonds. Until such time as the District redeems or remarkets Bonds that have not been successfully remarketed as described above, the Bonds shall bear interest at the "Stepped Rate" for the duration of the Stepped Rate Period. The Stepped Rate for the Bonds remarketed to the New Rate Period is a per annum rate of \_\_.00% (see "THE BONDS — Determination of Interest Rates; Rate Mode Changes" and "— Tender Provisions" herein).

The Bonds were initially delivered on February 13, 2020, and were approved by the Attorney General of the State of Texas and the approval of certain legal matters by the District's Bond Counsel, McCall, Parkhurst & Horton L.L.P. In connection with the remarketing of the Bonds, certain legal matters will be passed upon for the District by its Bond Counsel. Certain legal matters will be passed upon for the Remarketing Agent by its counsel, Cantu Harden Montoya LLP, San Antonio, Texas. The Bonds will, through the services of DTC, be available for delivery following payment of the Purchase Price thereof on August 15, 2023.

**Huntington Capital Markets**  
**as Remarketing Agent**

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

\* Preliminary, subject to change.

**\$13,485,000\***  
**PLAINVIEW INDEPENDENT SCHOOL DISTRICT**  
(A political subdivision of the State of Texas located in Hale and Floyd Counties, Texas)  
**ADJUSTABLE RATE UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2018**

**MATURITY SCHEDULE**  
CUSIP No.: 726736\_\_<sup>(1)</sup>

<u>Stated Maturity</u> <sup>(2)</sup>	<u>New Rate Conversion Date</u>	<u>Last Day of New Rate Period*</u>	<u>Mandatory Tender Date</u> <sup>(3)</sup>	<u>Term Rate</u>	<u>Initial Yield</u> <sup>(4)</sup>	<u>Stepped Rate</u>
February 15, 2050	August 15, 2023	August 14, 2026	August 15, 2026	%	%	___.00%

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<sup>(2)</sup> Subject to scheduled mandatory sinking fund redemption. See “THE BONDS – Redemption – Scheduled Mandatory Redemption” herein.

<sup>(3)</sup> Actual mandatory tender shall occur on August 17, 2026\*, the first business day after expiration of the New Rate Period (though interest on the Bonds in the New Rate Period shall cease to accrue after the August 14, 2026\* expiration of the New Rate Period).

<sup>(4)</sup> Initial yield calculated from New Rate Conversion Date to Mandatory Tender Date.

\* Preliminary, subject to change.

# PLAINVIEW INDEPENDENT SCHOOL DISTRICT

## BOARD OF TRUSTEES

<u>Name</u>	<u>Date Initially Elected</u>	<u>Current Term Expires</u>	<u>Occupation</u>
Adam Soto, President	2020	2024	Code Enforcement Officer / Funeral Assistant
Amber Bass, Vice President	2018	2026	Self Employed - Farmer
Sofia Rivera, Secretary	2018	2026	Office Manager
Sylvia de la Garza, Member	2020	2024	MCOT Supervisor
JoAnn Rey, Member	2018	2026	Self Employed – Licensed Professional Counselor
Veronica Salazar, Member	2020	2024	Hale County Juvenile Probation Officer
Danny Salazar, Member	2022	2026	HR Manager

## APPOINTED OFFICIALS

<u>Name</u>	<u>Position</u>	<u>Length of Education Service</u>	<u>Length of Service with District</u>
Dr. H.T. Sanchez	Superintendent	25 Years	5 Years
Yesenia Pardo	Assistant Superintendent – Elementary	26 Years	26 Years
Robin Straley <sup>(1)</sup>	Assistant Superintendent – Secondary Leadership	23 Years	8 Years
Dr. Pilar Moreno-Recio	Assistant Superintendent – Teaching and Learning	25 Years	1 Year
Doris Chapa	Chief Financial Officer	19 Years	19 Years
Brandy Merrick	Associate Superintendent	25 Years	25 Years

*(1) Plans to assume position of Director of College Readiness in Academic Innovation and Student Success at Texas Tech University.*

## CONSULTANTS AND ADVISORS

McCall, Parkhurst & Horton L.L.P., San Antonio, Texas	Bond Counsel
SAMCO Capital Markets, Inc., Plano, Texas	Financial Advisor
Eide Bailly LLP, Abilene, Texas	Certified Public Accountants

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## USE OF INFORMATION IN REMARKETING MEMORANDUM

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

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

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

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

The information set forth herein has been obtained from the District and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor or the Remarketing Agent. This Remarketing Memorandum contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Remarketing Memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein. See "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM – PSF Continuing Disclosure Undertaking" and "CONTINUING DISCLOSURE OF INFORMATION" for a description of the Texas Education Agency's ("TEA") and the District's undertakings to provide certain information on a continuing basis.

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

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

NONE OF THE DISTRICT, ITS FINANCIAL ADVISOR, OR THE REMARKETING AGENT MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS REMARKETING MEMORANDUM REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM DESCRIBED UNDER "BOOK-ENTRY-ONLY SYSTEM" OR THE AFFAIRS OF THE TEA DESCRIBED UNDER "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM", AS SUCH INFORMATION WAS PROVIDED BY THE DEPOSITORY TRUST COMPANY AND THE TEA, RESPECTIVELY.

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

The agreements of the District and others related to the Bonds are contained solely in the contracts described herein. Neither this Remarketing Memorandum 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 purchaser of the Bonds. INVESTORS SHOULD READ THE ENTIRE REMARKETING MEMORANDUM, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

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## SELECTED DATA FROM THE REMARKETING MEMORANDUM

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

<b>The District</b>	The Plainview Independent School District (the "District") is a political subdivision of the State of Texas located in Hale and Floyd Counties, Texas. The District is governed by a seven-member Board of Trustees (the "Board"). Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent of Schools who is the chief administrative officer of the District. Support services are supplied by consultants and advisors.
<b>New Rate Period</b>	<p>The Bonds are currently outstanding in the Initial Rate Period, expiring on August 14, 2023 and during which they bear interest at the Initial Rate. On August 15, 2023 (the "Conversion Date"), all outstanding Bonds are subject to mandatory tender for purchase, without the right of retention by the owners thereof, and redemption at the District's option. On the Conversion Date, Bonds not redeemed will be converted to a new Term Rate Period, commencing on such Conversion Date and concluding on August 14, 2026* (such Term Rate Period, the "New Rate Period") and bearing interest at a Term Rate of ___%, and remarketed to new holders. The Bonds are subject to mandatory tender, without right of retention by the holders thereof, on August 15, 2026* (hereinafter defined and referred to as the "Mandatory Tender Date"), which is the day immediately succeeding the last day of the New Rate Period; provided, however, that actual mandatory tender for purchase shall occur on August 17, 2026*, which is the first business day after the expiration of the New Rate Period. Interest on the Bonds in the New Rate Period will cease to accrue after the August 16, 2026* expiration of the New Rate Period.</p> <p>On the Mandatory Tender Date, the Bonds are subject to mandatory tender, without the right of retention by the holders thereof, at which time the District expects to convert such tendered Bonds to a new Rate Period or Periods and remarket them to new purchasers.</p>
<b>Failure to Remarket</b>	In the event that all of the Bonds are not converted into one or more Rate Periods and remarketed to new purchasers on the Mandatory Tender Date, neither the then-acting remarketing agent nor the District will have any obligation to purchase any of the Bonds tendered on such date, and the mandatory tender notice will be deemed to be rescinded for that date with respect to all of the Bonds. The occurrence of the foregoing will not result in an Event of Default under the Original Bond Order or the Bonds. Until such time as the District redeems or remarkets Bonds that have not been successfully remarketed as described above, such Bonds shall bear interest at the "Stepped Rate" of __.00% per annum for the duration of the Stepped Rate Period (see "THE BONDS Determination of Interest Rates; Rate Period Changes" and "- Tender Provisions" herein)
<b>Paying Agent/Registrar and Tender Agent</b>	The initial Paying Agent/Registrar and Tender Agent for the Bonds is BOKF, NA, Dallas, Texas.
<b>Security</b>	The Bonds constitute direct obligations of the District, payable as to principal and interest from ad valorem taxes levied annually against all taxable property located within the District, without legal limitation as to rate or amount.
<b>Redemption</b>	The Bonds are subject to redemption at times, in the amounts, and subject to the provisions described herein under the caption "THE BONDS – Redemption".
<b>Permanent School Fund Guarantee</b>	The Bonds are guaranteed by the corpus of the Permanent School Fund Guarantee Program of Texas. However, the Permanent School Fund guarantee is not effective with respect to the payment of the Purchase Price of tendered Bonds. (See "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM.")
<b>Rating</b>	The Bonds are rated "Aaa" by Moody's Investors Service, Inc. ("Moody's") based upon the guaranteed repayment thereof under the Permanent School Fund Guarantee Program of the TEA. The District's unenhanced, underlying rating, including the Bonds, is "A1" from Moody's. (See "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "RATING" herein.)
<b>Tax Matters and Legal Opinion</b>	In connection with the initial delivery of the Bonds Bond Counsel delivered its opinion that interest on the Bonds is excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein including the alternative minimum tax on corporations. (See "TAX MATTERS" and "Appendix C - Original Legal Opinion of Bond Counsel.")
<b>Payment Record</b>	The District has never defaulted on the payment of its bonded indebtedness.

\* Preliminary, subject to change.

## INTRODUCTORY STATEMENT

This Remarketing Memorandum (the "Remarketing Memorandum"), including Appendices A, B and D, has been prepared by the Plainview Independent School District (the "District"), a political subdivision of the State of Texas (the "State") located in Hale and Floyd Counties, Texas, in connection with the offering by the District of its Adjustable Rate Unlimited Tax School Building Bonds, Series 2020B (the "Bonds").

All financial and other information presented in this Remarketing Memorandum 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.

There follows in this Remarketing Memorandum descriptions of the Bonds and the order adopted on January 16, 2020 by the Board of Trustees of the District (the "Board") authorizing the issuance of the Bonds (such order, as supplemented by the hereinafter-defined Conversion Order, the "Order") and certain other information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained upon request by writing the Plainview Independent School District, 2417 Yonkers, Plainview, Texas 79072 and, during the offering period, from the Financial Advisor, SAMCO Capital Markets, Inc., 5800 Granite Parkway, Suite 210, Plano, Texas 75024, by electronic mail or upon payment of reasonable copying, mailing, and handling charges.

This Remarketing Memorandum speaks only as of its date, and the information contained herein is subject to change. A copy of this Final Remarketing Memorandum pertaining to the Bonds will be deposited with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA) system. See "CONTINUING DISCLOSURE OF INFORMATION" herein for a description of the District's undertaking to provide certain information on a continuing basis.

This Remarketing Memorandum does not describe the terms and provisions of the Bonds or the Original Bond Order as they relate to the Bonds following the expiration of the New Rate Period (defined herein) except as described herein in connection with the mandatory tender for purchase following the last day of the New Rate Period (to actually occur on the first business day after such last day). See "THE BONDS – Tender Provisions." Upon mandatory tender for purchase of the Bonds as described herein, the Bonds are expected to be remarketed. At the time of such remarketing, a new offering document or supplement to this Remarketing Memorandum will be prepared for such remarketing of the Bonds.

Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Original Bond Order.

THE BONDS ARE SUBJECT TO CONVERSION TO OTHER INTEREST MODES AT THE TIMES AND UPON THE CONDITIONS DESCRIBED IN THE ORIGINAL BOND ORDER FOLLOWING A MANDATORY TENDER FOR PURCHASE OF SUCH BONDS. THIS REMARKETING MEMORANDUM IS NOT INTENDED TO PROVIDE INFORMATION WITH RESPECT TO THE BONDS AFTER CONVERSION TO ANY NEW INTEREST RATE PERIOD (INCLUDING ANY THAT ARE SUBSEQUENT TO THE NEW RATE PERIOD THAT IS THE SUBJECT OF THIS REMARKETING MEMORANDUM). PURCHASERS OF THE BONDS SHOULD NOT RELY ON THIS REMARKETING MEMORANDUM FOR INFORMATION CONCERNING ANY OTHER INTEREST RATE PERIOD FOR THE BONDS OTHER THAN THE BONDS IN THE NEW RATE PERIOD.

## THE BONDS

### Authorization and Purpose

The Bonds were initially issued on February 13, 2020 pursuant to the Constitution and general laws of the State of Texas, particularly Sections 45.001, 45.0011, and 45.003(b)(1), Texas Education Code, as amended, and Chapter 1371, Texas Government Code, as amended, an election held in the District on November 5, 2019 (the "Election") and the Original Bond Order. Proceeds from the sale of the Bonds were used for the purpose of (i) construction, renovation, acquisition and equipment of school buildings in the District, including the purchase of new school buses, and (ii) to pay the costs of issuing the Bonds.

### Security for Payment

The Bonds are direct obligations of the District and are payable as to both principal and interest from ad valorem taxes levied annually on all taxable property within the District, without legal limitation as to rate or amount. Payment of the scheduled debt service on (but not the Purchase Price of) the Bonds is guaranteed under the State of Texas Permanent School Fund Guarantee Program (hereinafter defined). (See "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS", "CURRENT PUBLIC SCHOOL FINANCE SYSTEM", and "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM".)

### Permanent School Fund Guarantee

The Bonds are absolutely and unconditionally guaranteed by the corpus of the Permanent School Fund of the State of Texas under the Permanent School Fund Guarantee Program (Chapter 45, Subchapter C, of the Texas Education Code, as amended); provided, however, the Permanent School Fund Guarantee is not effective with respect to the payment of the Purchase Price for mandatorily tendered Bonds. In the event of a payment default by the District, registered owners will receive all payments due from the corpus of the Permanent School Fund.

In the event the District defeases any of the Bonds, the payment of such defeased Bonds will cease to be guaranteed by the Permanent School Fund Guarantee. (See "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "REGISTERED OWNERS' REMEDIES").

### Current Rate Period, Conversion and Remarketing

The Bonds are variable rate, multi-modal obligations, currently outstanding in the Initial Rate Period that expires on August 14, 2023 (which period, from the Bonds' date of initial delivery to such date of expiration is referred to herein as the "Current Rate Period"). Upon expiration of the Current Rate Period, the Bonds are subject to mandatory tender for purchase, without right of retention by the owners thereof and, upon tender, will be remarketed into a new Term Rate Period, commencing on August 15, 2023 and concluding on August 14, 2026 (preliminary, subject to change) (such period, the "New Rate Period"), pursuant to the applicable terms of the Original Bond Order and the terms of an order adopted by the Board on April 20, 2023 (the "Conversion Order"). The Conversion Order delegated to certain District officials and staff members (each, an "Authorized Official") the authority to execute a pricing certificate (the "Conversion Pricing Certificate") evidencing certain of the terms of the Bonds, as remarketed.

On August 15, 2023 (the "Conversion Date"), all outstanding Bonds in the Current Rate Period, as stated above, are subject to mandatory tender for purchase, without the right of retention by the owners thereof.

The Bonds are currently outstanding in the principal amount of \$15,000,000. On August 15, 2023, \$15,000,000, less any amount redeemed on such date by the District (at its option), will be mandatorily tendered for purchase by the existing holders thereof for remarketing and conversion to the New Rate Period. Except specifically with respect to a description of the Bonds prior to the Conversion Date, the term "Bonds" as used in this Remarketing Memorandum refers to Bonds that remain outstanding on and immediately after the Conversion Date.

### **New Rate Period**

On the Conversion Date, the Bonds tendered for purchase and not optionally redeemed will be converted to the New Rate Period. The Bonds will bear interest during the New Rate Period at a Term Rate of \_\_\_%, which Term Rate will be effective from and including the Conversion Date and shall remain in effect through and including the last day of the New Rate Period (which is August 14, 2026; preliminary, subject to change). Pursuant to the terms of the Original Bond Order, the Term Rate on the Bonds is established by the Remarketing Agent (defined herein) for the New Rate Period.

### **General Description**

Authorized Denominations. The Bonds are being remarketed in the New Rate Period in principal denominations of \$5,000 or integral multiples thereof.

Calculation of Interest; Interest Payment Dates. Interest accrued on the Bonds during the New Rate Period will be paid on each February 15 and August 15 commencing February 15, 2024 (and continuing through August 15, 2026 (preliminary, subject to change)). Interest on the Bonds in a Stepped Rate Period will be payable on each February 15 and August 15 during such period and on the day such Bonds are converted from the Stepped Rate Period to a different Rate Period (as defined herein)

Interest Payment Methods. While the Bonds bear interest at a Term Rate, interest will be paid by check, sent by first class mail, to the owner of record on the Record Date or by such other customary banking arrangement acceptable to the Paying Agent/Registrar requested by and at the risk and expense of the owner.

Book-Entry System of Registration and Payment. The Bonds were issued as Book-Entry-Only securities through The Depository Trust Company ("DTC"). Use of the DTC Book-Entry-Only System will effect the timing and receipt of payment of interest on and principal of the Bonds. (See "THE BONDS – Book-Entry-Only System".)

Paying Agent/Registrar. BOKF, NA, Dallas, Texas currently serves as the Paying Agent/Registrar. In the Order, the District retains the right to replace the Paying Agent/Registrar. The District has covenanted in the Order to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Tender Agent. BOKF, NA, Dallas, Texas, currently serves as the tender agent (the "Tender Agent") for the Bonds. All notices and Bonds required to be delivered to the Tender Agent shall be delivered to BOKF, NA, Dallas, Texas, Attn: Ms. Erin Fitzpatrick, 5956 Sherry Lane, Suite 1201, Dallas, Texas 75225. In the event that the Book-Entry-Only System herein is discontinued and registered bonds are issued, all notices and Bonds are required to be delivered to 5956 Sherry Lane, Suite 1201, Dallas, Texas 75225.

Remarketing Agent and Remarketing Agreement. Huntington Capital Markets has been appointed to serve as the remarketing agent (the "Remarketing Agent") for the Bonds for the Bonds to remarket tendered Bonds on the conversion date to new holders in the New Rate Period. Huntington Capital Markets may be removed as Remarketing Agent and a successor may be appointed in accordance with the Order and the Remarketing Agreement between the Remarketing Agent and the District. The office of Huntington Capital Markets for purposes of its duties as Remarketing Agent, is 10000 North Central Expressway, Suite 400, Dallas, Texas 75231.

Payment Record. The District has never defaulted with respect to the payment of its bonded indebtedness.

### **Determination of Interest Rates; Rate Mode Changes**

New Rate Period. The Bonds will bear interest at the Term Rate of \_\_\_%, from the Conversion Date through and including August 14, 2026 (preliminary, subject to change). The Interest Payment Dates during the New Rate Period will be February 15 and August 15, commencing on February 15, 2024 and continuing through August 15, 2026 (preliminary, subject to change). Following the New Rate Period, the Bonds will bear interest at a Term Rate as determined by the Remarketing Agent, unless changed by the District in the manner as described below.

Rate Mode Changes after New Rate Period. On the day immediately following the last day of the New Rate Period (referred to herein as the "Mandatory Tender Date"), which shall occur on August 15, 2026 (preliminary, subject to change), the Bonds are subject to mandatory tender for purchase, without right of retention by the holders thereof, and are to be converted from the New Term Rate Period to one or more different Rate Periods established under the Order; provided, however, that actual settlement of mandatorily tendered Bonds shall occur on the first business day to occur after the expiration of the New Rate Period. Interest on the Bonds in the New Rate Period shall nevertheless cease to accrue as of the expiration of the New Rate Period (and no effectiveness of a Stepped Rate shall occur from expiration of the New Rate Period to actual settlement of mandatory tender on the next occurring business day, assuming that the Bonds subject to mandatory tender on such date have been successfully remarketed). See "– Tender Provisions – Mandatory Tender." The "Rate Periods" established under the Order include a term rate period and fixed rate period. The Order does not obligate the District to obtain a standby bond purchase agreement, liquidity facility, or similar agreement (each, a "Liquidity Facility") providing liquidity support for the Bonds upon the conversion thereof from the New Rate Period to a different term rate period or a fixed rate period. Any Liquidity Facility obtained by the District in connection with the conversion of the Bonds following the New Rate Period will not be available to pay any portion of the Purchase Price of the Bonds on the Mandatory Tender Date.

The District may elect to convert the Bonds on the Mandatory Tender Date from the New Rate Period to one or more Rate Periods by notice given to the Paying Agent/Registrar and certain other notice parties at least 45 days prior to the Mandatory Tender Date. Such notice shall also specify the conditions, if any, to the conversion and the consequences of such conditions not being fulfilled. Not less than 30 days prior to the such conversion, the Paying Agent/Registrar shall send a written notice of the conversion and the mandatory tender for the Bonds to the registered owners thereof. See "– Tender Provisions – Mandatory Tender." While the Bonds are in book-entry form, registered to DTC, such notice will be given only to DTC.

Conversion of Bonds to the New Rate Period and any conversion to a new interest period thereafter, will be conditioned on delivery of an opinion of nationally recognized bond counsel to the Paying Agent/Registrar and the Remarketing Agent prior to the

applicable conversion date to the effect that the conversion will not adversely affect the excludability of interest on the Bonds from gross income of the owners thereof for federal income tax purposes and is in compliance with State law.

While in a Term Rate mode, Bonds may be converted to a different interest rate mode only at the expiration of a Term Rate period.

**Any Owner of Bonds who may be unable to take timely action on any notice should consider whether to make arrangements for another person to act in his or her stead.**

Determination of Interest Rates. During each Rate Period after the New Rate Period, the rate of interest on the Bonds will be the rate that the Remarketing Agent determines, in conjunction with the District and under prevailing market conditions on the date of such determination, would result in the market value of the Bonds being not less than 100% of the principal amount thereof.

In no event will the interest rate borne by the Bonds exceed the "Highest Rate", which (as provided in the Order) is the lesser of 8.00% and the maximum net effective interest rate permitted under Chapter 1204, Texas Government Code, as amended.

### **Tender Provisions**

No Optional Tender. During the New Rate Period, the Bonds are not benefitted by a Liquidity Facility nor is one currently contemplated to be entered into in the future. The Bonds are not subject to optional tender at the election of the holders thereof for purchase during the New Rate Period.

Mandatory Tender. The Bonds are required to be tendered for purchase to the Tender Agent on the day immediately succeeding conclusion of the New Rate Period for the Bonds, without right of retention by holders thereof, and, if not successfully remarketed at the end of the New Rate Period, while the Bonds bear interest at the Stepped Rate, upon at least one day's prior notice; provided, however, that actual settlement of mandatorily tendered Bonds shall occur on the first business day to occur after the expiration of the New Rate Period. Interest on the Bonds in the New Rate Period shall nevertheless cease to accrue as of the expiration of the New Rate Period (and no effectiveness of a Stepped Rate shall occur from expiration of the New Rate Period to actual settlement of mandatory tender on the next occurring business day, assuming that the Bonds subject to mandatory tender on such date have been successfully remarketed).

Payment of the Purchase Price of Bonds to be purchased upon mandatory tender as described herein will be made by the Tender Agent at its Corporate Trust Office or by wire transfer in immediately available funds. Payment of such Purchase Price is not guaranteed by the Permanent School Fund Guarantee.

Effects of Failed Remarketing. In the event that such Bonds are not converted and remarketed to new purchasers on the scheduled date of mandatory tender, (which, for Bonds in the New Rate Period is August 17, 2026 (preliminary, subject to change), being the first business day to occur after the scheduled August 15, 2026 (preliminary, subject to change) Mandatory Tender Date), the District or the Remarketing Agent shall have no obligation to purchase the Bonds tendered on such date, the failed conversion and remarketing shall not constitute an event of default under the Original Bond Order or the Bonds, the mandatory tender notice will be deemed to have been rescinded for that date with respect to the Bonds subject to such failed remarketing only, and such Bonds (i) will continue to be Outstanding, (ii) will be purchased upon the availability of funds to be received from the subsequent remarketing of such Bonds, (iii) will bear interest at the Stepped Rate during the Stepped Rate Period, (iv) will be subject to redemption and mandatory tender for purchase on any date during the Stepped Rate Period upon which a conversion occurs (which shall occur at the District's discretion upon delivery of at least one day's notice to the holders of Bonds bearing interest at the Stepped Rate), and (v) will be deemed to continue in the then-applicable Term Rate period for all other purposes of the Order, though bearing interest during such time at the Stepped Rate until remarketed or redeemed in accordance with the terms of the Order. In the event of a failed conversion and remarketing as described above, the District has covenanted in the Order to cause the Bonds to be converted and remarketed on the earliest reasonably practicable date on which they can be sold at not less than par, in such interest rate mode or modes as the District directs, at a rate not exceeding the Highest Rate. The Order provides that the Stepped Rate means a rate per annum equal to \_\_\_%, calculated on the basis of twelve 30 day months and the number of days actually elapsed.

Interest on any Bond that the Owner has not elected to continue to own after a mandatory purchase date and that is not tendered on the mandatory purchase date, but for which there has been irrevocably deposited with the Tender Agent an amount sufficient to pay the Purchase Price thereof, will cease to accrue on the mandatory purchase date. Thereafter, the Owner of such Bond will not be entitled to any payment other than the Purchase Price for such Bond from money held by the Tender Agent for such payment, and such Bond will not otherwise be outstanding or entitled to the benefits of the Order. On the mandatory purchase date, the Tender Agent will authenticate and deliver substitute Bonds in lieu of such untendered Bonds.

Remarketing and Purchase. The Remarketing Agent is required, at a minimum, to use its best efforts to sell such Bonds at a price equal to not less than 100% of the principal amount thereof plus accrued interest, if any, on the forthcoming mandatory tender date or as quickly as possible thereafter.

The Purchase Price of Bonds tendered for purchase is required to be paid by the Tender Agent from money derived from the remarketing of such Bonds by the Remarketing Agent. If sufficient funds are not available for the purchase of all tendered Bonds, no purchase will be consummated.

### **Redemption**

Optional Redemption. The Bonds are not subject to optional redemption prior to the expiration of the New Rate Period; provided, however, the Bonds are subject to optional redemption on the Mandatory Tender Date and on any date when the Bonds bear interest at the Stepped Rate.

Extraordinary Optional Redemption. Upon the occurrence of an Extraordinary Event, the Bonds are subject to redemption prior to Stated Maturity, at the option of the District, on any date, in whole but not in part, in principal amounts of \$5,000 or any integral multiple thereof, at the price of par plus accrued interest to such date of redemption.

The term "Extraordinary Event" shall mean the occurrence of (i) passage of legislation by either house of the United States Congress, the effect of which (if enrolled) would be to impose, directly or indirectly, federal income taxation upon interest received on obligations of the general character of the Bonds, or (ii) the execution by the President of the United States of an executive order that imposes, directly or indirectly, federal income taxation upon interest received on obligations of the general character of the Bonds.

Upon the occurrence of an Extraordinary Event, the District anticipates issuing tax-exempt refunding bonds prior to the effective date of such legislation and exercising the right to redeem and refund the Bonds with the proceeds of the refunding bonds.



Scheduled Mandatory Redemption. The Bonds are subject to mandatory redemption prior to stated maturity as follows (preliminary, subject to change):

**Mandatory Redemption**

<u>Date</u>	<u>Amount</u>
February 15, 2047	\$3,455,000
February 15, 2048	3,600,000
February 15, 2049	3,745,000
February 15, 2050*	2,685,000

**\*Stated Maturity**

The principal amount of Bonds required to be redeemed pursuant to the operation of such mandatory redemption provisions shall be reduced, at the option of the District, by the principal amount of any Bonds which, at least 50 days prior to the mandatory redemption date (1) shall have been defeased or acquired by the District and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the District with money in the Interest and Sinking Fund, or (3) shall have been redeemed pursuant to the optional redemption provisions set forth above and not theretofore credited against a mandatory redemption requirement.

Notice of Redemption. The Paying Agent/Registrar is required to cause notice of any redemption of Bonds to be mailed to each owner of Bonds to be redeemed at the respective addresses appearing in the registration books for the Bonds at least 30 days prior to the redemption date when Bonds bear interest at the Stepped Rate at the Term Rate (including during the New Rate Period). All notices of redemption shall (i) specify the date of redemption for the Bonds, (ii) identify the Bonds to be redeemed and, in the case of a portion of the principal amount to be redeemed, the principal amount thereof to be redeemed, (iii) state the redemption price, (iv) state the Bonds, or the portion of the principal amount thereof, to be redeemed, shall become due and payable on the redemption date specified, and the interest thereof, or on the portion of the principal amount thereof to be redeemed, shall cease to accrue from and after the redemption date, and (v) specify the payment of the redemption price for the Bonds, or the principal amount thereof to be redeemed, shall be made at the designated corporate trust office of the Paying Agent/Registrar only upon presentation and surrender thereof by the registered owner. If a Bond is subject by its terms to redemption and has been called for redemption and notice of redemption thereof has been duly given or waived, as provided in the Order, such Bonds (or the principal amount thereof to be redeemed) so called for redemption shall become due and payable, and on the redemption date designated in such notice, interest on such Bonds (or the principal amount thereof to be redeemed) called for redemption shall cease to accrue and such Bonds shall not be deemed to be outstanding. A notice of mandatory tender delivered in connection with the remarketing of any outstanding Bonds shall also serve as notice of redemption if any such Bonds will be redeemed on a Conversion Date.

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

DTC Redemption Provision. The Paying Agent/Registrar, so long as a book-entry system is used for the Bonds, will send any notice of redemption, or other notices with respect to the Bonds only to DTC (or any successor securities depository for the Bonds). Any failure by DTC to advise any Direct Participant (defined herein), or of any Direct Participant or Indirect Participant (defined herein) to notify the Beneficial Owner (defined herein), will not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the District will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for the account of Direct Participants in accordance with its rules or other agreements with Direct Participants and then Direct Participants and Indirect Participants may implement a redemption of such Bonds from the Beneficial Owners. Any such selection of Bonds to be redeemed will not be governed by the Order and will not be conducted by the District or Paying Agent/Registrar. Neither the District nor the Paying Agent/Registrar will have any responsibility to Direct Participants, Indirect Participants, or the persons for whom Direct Participants act as nominees, with respect to the payments on the Bonds or the providing of notice to Direct Participants, Indirect Participants, or Beneficial Owners of the selection of portions of the Bonds for redemption. (See "BOOK-ENTRY-ONLY SYSTEM" herein).

**Legality**

The Bonds were initially delivered on February 13, 2020 and were approved as to legality by the Attorney General of the State of Texas and the approval of certain legal matters by the District's bond counsel. McCall, Parkhurst & Horton L.L.P., Bond Counsel will also approve certain legal matters relating to the conversion and remarketing of the Bonds described herein. (See "LEGAL MATTERS" and "Appendix C - Original Legal Opinion of Bond Counsel").

**Payment Record**

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

**Amendments**

The District may amend the 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 the registered owners of all of the Bonds then outstanding, no such amendment, addition, or rescission may (1) extend the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount, thereof, the redemption price, 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 aggregate principal amount of Bonds required to be held by Holders for consent to any such amendment, addition or rescission.

**Defeasance**

The Order provides for the defeasance of the Bonds when the payment of the principal of and premium, if any, on the Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption or otherwise), is provided by irrevocably depositing with the Paying Agent/Registrar or other authorized escrow agent, in trust (1) money sufficient to make such payment, (2) Government Obligations (defined below) that mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds, or (3) a combination of money and Government Obligations sufficient to make such payment. The sufficiency of deposits hereinbefore described shall be certified

by an independent certified accountant, the District's Financial Advisor, the Paying Agent/Registrar, or some other qualified financial institution as specified in the Order. The District has additionally reserved the right in the Order, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Obligations for the Government Obligations originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the District money in excess of the amount required for such defeasance. The Order provides that "Government Obligations" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of their acquisition or purchase by the District, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (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, on the date of their acquisition or purchase by the District, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, or (d) any additional securities and obligations hereafter authorized by Texas law as eligible for use to accomplish the discharge of obligations such as the Bonds. Authorized District officials may limit the foregoing Government Obligations in connection with the remarketing of the Bonds. There is no assurance that the ratings for U.S. Treasury securities acquired to defease any Bonds, or those for any other Government Obligations, will be maintained at any particular rating category. Further, there is no assurance that current Texas law will not be amended in a manner that expands or contracts the list of permissible defeasance securities (such list consisting of those securities identified in clauses (a) through (c) above), or any rating requirement thereon, that may be purchased with defeasance proceeds relating to the Bonds ("Defeasance Proceeds"), though the District has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Order does not contractually limit such permissible defeasance securities and expressly recognizes the ability of the District to use lawfully available Defeasance Proceeds to defease all or any portion of the Bonds, registered owners of Bonds are deemed to have consented to the use of Defeasance Proceeds to purchase such other defeasance securities, defeasance securities may not be of the same investment quality as those currently identified Texas law as permissible defeasance securities.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment 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 has 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.

Defeasance will automatically cancel the Permanent School Fund Guarantee with respect to those defeased Bonds.

#### **REGISTERED OWNERS' REMEDIES**

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

#### **BOOK-ENTRY-ONLY SYSTEM**

*This section describes how ownership of the 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 Remarketing Memorandum. The District, the Financial Advisor and the Remarketing Agent believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.*

*The District and the Remarketing Agent cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption notices 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 notices 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 Remarketing Memorandum. 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 Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity and will be deposited with DTC.

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

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

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

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

The information in this section concerning DTC and DTC’s book-entry system has been obtained from sources that the District, the Financial Advisor and the Remarketing Agent believe to be reliable, but none of the District, the Financial Advisor or the Remarketing Agent take any responsibility for the accuracy thereof.

#### **Use of Certain Terms in Other Sections of this Remarketing Memorandum**

In reading this Remarketing Memorandum it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Remarketing Memorandum to registered owners should be read to include the person for which the Direct or Indirect 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.

## REGISTRATION, TRANSFER AND EXCHANGE

### Successor Paying Agent/Registrar

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

### Future Registration

In the event the Book-Entry-Only System is discontinued, the Bonds will be printed and delivered to the beneficial owners thereof and thereafter may be transferred, registered and assigned on the registration books only upon presentation and surrender of the Bonds 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 Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar in lieu of the Bond or Bonds being transferred or exchanged at the corporate trust office of the Paying Agent/Registrar, or sent by United States mail, first class postage prepaid to the new registered owner. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Bonds to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in authorized denominations and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer.

### Record Date For Interest Payment

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

### Limitation on Transfer of Bonds

Neither the District nor the Paying Agent/Registrar are required (1) to make any transfer or exchange during a period beginning at the opening of business 45 days before the day of the first mailing of a notice of redemption of Bonds and ending at the close of business on the day of such mailing, or (2) to transfer or exchange any Bonds so selected for redemption when such redemption is scheduled to occur within 45 calendar days; provided however, that such limitation of transfer is not applicable to an exchange by the registered owner of the uncalled balance of a Bond.

### Replacement Bonds

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

## THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

The Bonds are guaranteed by the corpus of the Permanent School Fund of the State of Texas. However, the Permanent School Fund guarantee is not effective with respect to the payment of the Purchase Price of tendered Bonds. In the event of default, registered owners will receive all payments due on the Bonds from the Permanent School Fund, and the Charter District Bond Guarantee Reserve would be the first source to pay debt service if a charter school was unable to make such payment. See "APPENDIX E – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" for pertinent information regarding the Permanent School Fund Guarantee Program. The disclosure regarding the Permanent School Fund Guarantee Program in Appendix E is incorporated herein and made a part hereof for all purposes.

## 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 and any Permanent School Fund guarantee of the Bonds would be adversely affected by any such legislation. See “CURRENT PUBLIC SCHOOL FINANCE SYSTEM”.

## **CURRENT PUBLIC SCHOOL FINANCE SYSTEM**

### **Overview**

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

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

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

### **2021 Regular and Special Legislative Sessions**

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

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

### **2023 Regular and Any Special Legislative Sessions**

On January 10, 2023, the 88<sup>th</sup> Legislature convened in general session and such general session adjourned on May 29, 2023. Immediately after the conclusion of the regular session, the Texas Governor called a special session to address property tax relief and border security; the first special session began on May 29, 2023 and adjourned on June 27, 2023. The Texas Governor called a second special session to address property tax relief on June 27, 2023 and such special session may last no longer than 30 days. Additional special sessions may be called by the Texas Governor. During this time, the Texas Legislature may enact laws that materially change current law as it relates to funding public school, including the District and its finances.

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

## **Local Funding for School Districts**

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

### ***State Compression Percentage***

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

### ***Maximum Compressed Tax Rate***

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

### ***Tier One Tax Rate***

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

### ***Enrichment Tax Rate***

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

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

## **State Funding for School Districts**

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

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

The current public school finance system also provides an Existing Debt Allotment ("EDA") to subsidize debt service on eligible outstanding school district bonds, an Instructional Facilities Allotment ("IFA") to subsidize debt service on newly issued bonds, and a New Instructional Facilities Allotment ("NIFA") to subsidize operational expenses associated with the opening of a new instructional facility. IFA primarily addresses the debt service needs of property-poor school districts. For the 2020-2021 State fiscal biennium, the State Legislature appropriated funds in the amount of \$1,007,300,000 for the EDA, IFA, and NIFA.

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

### ***Tier One***

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

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

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

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

### ***Tier Two***

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

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

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

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

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

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

### ***Tax Rate and Funding Equity***

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

Furthermore, “property-wealthy” school districts that received additional State funds under the public school finance system prior to the enactment of the 2019 Legislation are entitled to an equalized wealth transition grant on an annual basis through the 2023-2024 school year in an amount equal to the amount of additional revenue such school district would have received under former Texas Education Code Sections 41.0021 through (g), as those sections existed on January 1, 2019. This grant is phased out through the 2023-2024 school year as follows: (1) 20% reduction for the 2020-2021 school year, (2) 40% reduction for the 2021-2022 school year, (3) 60% reduction for the 2022-2023 school year, and (4) 80% reduction for the 2023-2024 school year. Additionally, school districts (through the fiscal year ending in 2025) and open-enrollment charter schools (through the fiscal year ending in 2024) are entitled to receive an allotment in the form of a formula transition grant meant to ensure a smooth transition into the funding formulas enacted by the 86<sup>th</sup> State Legislature. Beginning with the 2021-2022 school year, if the total amount of allotments to which school districts and open enrollment charter schools are entitled for a school year exceeds \$400 million, the Commissioner shall proportionately reduce each district’s or school’s allotment. The reduction in the amount to which a district or school is entitled may not result in an amount that is less than zero.

### **Local Revenue Level in Excess of Entitlement**

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

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

#### **Options for Local Revenue Levels in Excess of Entitlement**

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

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

### **Possible Effects of Wealth Transfer Provisions on the District’s Financial Condition**

For the 2022-2023 school year, the District was not designated as an “excess local revenue” Chapter 49 school district by TEA. Accordingly, the District has not been required to exercise one of the wealth equalization options permitted under applicable State law. As a district with local revenue less than the maximum permitted level, the District may benefit in the future by agreeing to accept taxable property or funding assistance from or agreeing to consolidate with, a property-rich district to enable such district to reduce its wealth per student to the permitted level.

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

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

## **AD VALOREM TAX PROCEDURES**

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

### **Valuation of Taxable Property**

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



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

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

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

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

### **State Mandated Homestead Exemptions**

State law grants, with respect to each school district in the State, (1) a \$40,000 exemption (as described below) of the appraised value of all homesteads, (2) a \$10,000 exemption of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled, and (3) various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty. On November 2, 2021, the Texas Constitution was amended to provide that the surviving spouse of an individual who received a limitation on the school district property taxes on the person's residence homestead on the basis of disability continued to receive that limitation while the property remained the spouse's residence homestead if the spouse was at least 55 years old. See "Appendix A – Financial Information of the District – Assessed Valuation" for the reduction in taxable valuation attributable to state-mandated homestead exemptions. Senate Joint Resolution 2, passed during the Third Special Session of the 87<sup>th</sup> Texas Legislature and approved by voters on May 7, 2022 authorized a constitutional amendment increasing the mandatory homestead exemption for school districts from \$25,000 to \$40,000 beginning January 1, 2022. Senate Bill 1, which was also passed during the Third Special Session of the 87<sup>th</sup> 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 presentation of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit. See "Appendix A – Financial Information of the District – Assessed Valuation" for the reduction in taxable valuation, if any, attributable to local option homestead exemptions.

### **State Mandated Freeze on School District Taxes**

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

### **Personal Property**

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

### **Freeport and Goods-In-Transit Exemptions**

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

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

A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property. See "Appendix A – Financial Information of the District – Assessed Valuation" for the reduction in taxable valuation, if any, attributable to Goods-in-Transit or Freeport Property exemptions.

## **Other Exempt Property**

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

## **Temporary Exemption for Qualified Property Damaged by a Disaster**

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

## **Tax Increment Reinvestment Zones**

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

Until September 1, 1999, school districts were able to reduce the value of taxable property reported to the State to reflect any taxable value lost due to TIRZ participation by the school district. The ability of the school district to deduct the taxable value of the tax increment that it contributed prevented the school district from being negatively affected in terms of state school funding. However, due to a change in law, local M&O tax rate revenue contributed to a TIRZ created on or after May 31, 1999 will count toward a school district's Tier One entitlement (reducing Tier One State funds for eligible school districts) and will not be considered in calculating any school district's Tier Two entitlement (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts"). The 87<sup>th</sup> Texas Legislature did not vote to extend this program, which expired by its terms effective December 31, 2022.

## **Tax Limitation Agreements**

The Texas Economic Development Act (Chapter 313, Texas Tax Code, as amended), allowed 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 could 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 87<sup>th</sup> Texas Legislature did not vote to extend this program, which expired by its terms effective December 31, 2022.

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

## **District and Taxpayer Remedies**

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

Owners of certain property with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at \$50 million for the 2020 tax year, \$50.6 million for the 2021 tax year, \$52,978,200 for the 2022 tax year, \$57,216,456 for the 2023 tax year and is adjusted annually by the State Comptroller to reflect the inflation rate.

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

## **Levy and Collection of Taxes**

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

## **District's Rights in the Event of Tax Delinquencies**

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

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

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

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

## **TAX RATE LIMITATIONS**

### **M&O Tax Rate Limitations**

The District is authorized to levy an M&O tax rate pursuant to the approval of the voters of the District at an election held on December 14, 1955 pursuant to Article 2784e-1, Texas Revised Civil Statutes Annotated, as amended.

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

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

### **I&S Tax Rate Limitations**

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

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

A school district is required to adopt its annual tax rate before the later of September 30 or the sixtieth (60<sup>th</sup>) 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 (71<sup>st</sup>) 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 (60<sup>th</sup>) 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 (71<sup>st</sup>) 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 (60<sup>th</sup>) 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 44.004i further provides the action to enjoin the collection of taxes must be filed before the date the school district delivers substantially all of its tax bills. A school district that elects to adopt a tax rate before the adoption of a budget for the fiscal year that begins in the current tax year may adopt a tax rate for the current tax year before receipt of the certified appraisal roll, so long as the chief appraiser of the appraisal district in which the school district participates has certified to the assessor for the school district an estimate of the taxable value of property in the school district. If a school district adopts its tax rate prior to the adoption of its budget, both the no-new-revenue tax rate and the Voter-Approval Tax Rate of the school district shall be calculated based on the school district's certified estimate of taxable value. A school district that adopts a tax rate before adopting its budget must hold a public hearing on the proposed tax rate followed by another public hearing on the proposed budget rather than holding a single hearing on the two items.

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

**THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT**

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

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

The District does not grant a local exemption of 20% of the market value of all residence homesteads.

The District has not granted a local option, additional exemption for persons who are 65 years of age or older and disabled persons above the amount of the State mandated exemption.

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

The District does not collect an additional 20% penalty to defray attorney costs in the collection of delinquent taxes over and above the penalty automatically assessed under the Tax Code.

The District's taxes are collected by each Appraisal District.

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

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

The District has not taken action to tax "goods-in-transit".

The District has not granted the freeport exemption.

The District has entered into a tax value limitation agreement under the provisions of Chapter 313, Texas Tax Code ("Chapter 313"), known as the Texas Economic Development Act, as described below:

<u>Company</u>	<u>First Tax Year of Abatement</u>	<u>Estimated Peak Taxable Value for I&amp;S Taxation</u>	<u>Capped Value for M&amp;O Taxation</u>	<u>Type of Project</u>
Martin Operating Partnership, L.P.	2024	\$75,000,000	\$30,000,000	Sulfuric Acid Plant

In accordance with Chapter 313, the agreement provided that the full value of the project was subject to taxation during the first two years of the agreement, and thereafter the District has levied its M&O Tax against a capped value (as set forth above, \$30 million) for ten years. The agreement has not limited the tax value with respect to the District's debt service tax rate during any year. After year ten, the full tax value of the project was subject to taxation by the District for both maintenance and operations and debt service purposes. See "AD VALOREM TAX PROCEDURES – Property Subject to Taxation by the District" for a description of tax limitation agreements.

**EMPLOYEES' RETIREMENT PLAN AND OTHER POST-EMPLOYMENT BENEFITS**

The District's employees participate in a retirement plan (the "Plan") with the State of Texas. The Plan is administered by the Teacher Retirement System of Texas ("TRS"). State contributions are made to cover costs of the TRS retirement plan up to certain statutory limits. The District is obligated for a portion of TRS costs relating to employee salaries that exceed the statutory

limit. For fiscal year ended August 31, 2022, the District made a contribution to TRS on a portion of their employee's salaries that exceeded the statutory minimum. For a discussion of the TRS retirement plan, see Note 9 – "Defined Benefit Pension Plan" to the audited financial statements of the District that are attached hereto as Appendix D (the "Financial Statements").

The District accounts for the Plan and the TRS-Care Retired Plan in accordance with Governmental Accounting Standards Board ("GASB") Statement 75.

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.

In June 2012, Government Accounting Standards Board (GASB) Statement No. 68 (Accounting and Financial Reporting for Pensions) was issued to improve accounting and financial reporting by state and local governments regarding pensions. GASB Statement No. 68 requires reporting entities, such as the District, to recognize their proportionate share of the net pension liability and operating statement activity related to changes in collective pension liability. This means that reporting entities, such as the District, that contribute to the TRS pension plan will report a liability on the face of their government-wide financial statements. Such reporting began with the District's fiscal year ending August 31, 2015. See "APPENDIX A – Change in Net Assets". GASB Statement No. 68 applies only to pension benefits and does not apply to Other Post-Employment Benefits (OPEB) or TRS-Care related liabilities.

## RATING

At the time of their initial issuance, the Bonds were rated "Aaa" by Moody's Investors Service, Inc. ("Moody's") based upon the guaranteed repayment thereof under the Permanent School Fund Guarantee Program of the TEA. (See "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM"). The District's unenhanced, underlying rating, including the Bonds, is "A1" from Moody's.

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

The above ratings are not a recommendation to buy, sell or hold the Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of the ratings may have an adverse effect on the market price of the Bonds. A securities rating is not a recommendation to buy, sell, or hold securities.

## LEGAL MATTERS

At the time of the initial issuance of the Bonds, the District furnished to the underwriters thereof a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District, and based upon examination of such transcript of proceedings, the approving opinion of the District's bond counsel, McCall, Parkhurst & Horton L.L.P. (which opinion is attached to this Remarketing Memorandum as Appendix C).

Though it represents the Financial Advisor and the Remarketing Agent from time to time in unrelated matters, Bond Counsel was engaged by and only represents the District in connection with the remarketing of the Bonds. Bond Counsel did not take part in the preparation of the Remarketing Memorandum and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds in the Remarketing Memorandum to verify that such description conforms to the provision of the Order. The legal fee to be paid Bond Counsel for services rendered in connection with this remarketing and conversion of the Bonds is contingent on the remarketing and delivery of the converted Bonds as Bonds bearing interest at a Term Rate. The legal opinion will accompany the definitive remarketed Bonds. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the remarketing and delivery of the Bonds, or which would affect the provisions made for their payment or security, or in any manner questioning the validity of said Bonds was also furnished. McCall, Parkhurst & Horton L.L.P. also advises the TEA in connection with its disclosure obligations under the federal securities laws, but such firm has not passed upon any TEA disclosures contained in this Remarketing Memorandum.

In connection with the conversion of the Bonds to the New Rate Period, certain legal matters will be passed upon for the Remarketing Agent by its counsel, Cantu Harden Montoya LLP, San Antonio, Texas.

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

## TAX MATTERS

### Opinion

At the time of the original delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Bond Counsel to the District, rendered its opinion that, as of the date thereof, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds is excludable from the "gross income" of the owners thereof for federal income tax purposes and (2) the Bonds are not "specified private activity bonds" within the meaning of section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). As a condition to conversion and remarketing of the Bonds on the conversion date, McCall, Parkhurst & Horton L.L.P. will render an opinion to the effect that the conversion will not adversely affect any exclusion of interest on any Bond from gross income of the owner for federal income tax purposes. See "Appendix C--Form of Supplemental Opinion of Bond Counsel." Except as stated above, Bond Counsel to the District has expressed and will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds, including any opinion relating to the status of the Bonds, as of the conversion date, as obligations described in section 103 of the Code.

In rendering its opinion, Bond Counsel to the District relied upon (i) information furnished by the District with respect to certain material facts that are solely within their knowledge relating to the use of the proceeds of the Bonds, the construction, use and management of the project financed with the proceeds of the Bonds and in the case of the opinion to be rendered on the conversion date the use of proceeds of and the property to be refinanced by the Bonds, and (ii) covenants of the District with

respect to arbitrage, the application of the proceeds received from the issuance and sale of the Bonds and certain other matters. Failure to comply with these representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

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

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

### **Collateral Federal Income Tax Consequences**

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law, all of which are subject to change or modification, retroactively.

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

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

Interest on the Bonds may be includable in certain corporation's "adjusted financial statement income" determined under section 56A of the Code to calculate the alternative minimum tax imposed by section 55 of the Code.

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

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

### **State, Local and Foreign Taxes**

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

### **Information Reporting and Backup Withholding**

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

### **Future and Proposed Legislation**

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

## **INVESTMENT POLICIES**

### **Investments**

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

### **Legal Investments**

Under State law, the District is authorized to invest in: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or

the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund (the "NCUSIF") or their respective successors; (8) interest-bearing banking deposits, other than those described in clause (7), that (i) are invested through a broker or institution with a main office or branch office in this state and selected by the District in compliance with the PFIA, (ii) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the District's account, (iii) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States, and (iv) the District appoints as its custodian of the banking deposits, in compliance with the PFIA, the institution in clause (8)(i) above, a bank, or a broker-dealer; (9) certificates of deposit and share certificates meeting the requirements of the PFIA (i) that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8), above, or secured in accordance with Chapter 2257, Texas Government Code, or in any other manner and amount provided by law for District deposits, or (ii) where (a) the funds are invested by the District through a broker or institution that has a main office or branch office in the State and selected by the District in compliance with the PFIA, (b) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the account of the District, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (d) the District appoints, in compliance with the PFIA, the institution in clause (9)(ii)(a) above, a bank, or broker-dealer as custodian for the District with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described by clauses (1) or (12), which are pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party selected and approved by the District, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with a stated maturity of 270 days or less, if the short-term obligations of the accepting bank, or of the holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least A-1 or P-1 or an equivalent by either (i) two nationally recognized credit rating agencies, or (ii) one nationally recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission and complies with Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are registered and regulated by the Securities and Exchange Commission that have a weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations approved in this paragraph, or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset backed securities; (15) guaranteed investment contracts that have a defined termination date and are secured by obligations described in clause (1), excluding obligations which the District is explicitly prohibited from investing in, and in an amount at least equal to the amount of bond proceeds invested under such contract; and (16) securities lending programs if (i) the securities loaned under the program are 100% collateralized, including accrued income, (ii) a loan made under the program allows for termination at any time, (iii) a loan made under the program is either secured by (a) obligations described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent, or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (12) through (14) above, or an authorized investment pool, (iv) the terms of a loan made under the program require that the securities being held as collateral be pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party designated by the District, (v) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State, and (vi) the agreement to lend securities has a term of one year or less.

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

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

Under State law, the District may contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term of up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance or resolution. The District has not contracted with, and has no present intention of contracting with, any such investment management firm or the State Securities Board to provide such services.

### **Investment Policies**

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

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

## **Additional Provisions**

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

## **Current Investments**

As of February 28, 2023, the District had approximately \$462,997 (unaudited) invested in Texas Class (operates as money market equivalent) and \$17,399 (unaudited) invested at the local depository bank. The market value of such investments (as determined by the District by reference to published quotations, dealer bids, and comparable information) is approximately 100% of the book value. No funds of the District are invested in derivative securities; i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

## **REGISTRATION AND QUALIFICATION OF BONDS FOR SALE**

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

It is the obligation of the Remarketing Agent 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 Remarketing Agent's 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.

## **CYBERSECURITY RISK MANAGEMENT**

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

## **LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS**

Section 1201.041 of the Public Securities Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "RATING" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value.

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

## **FINANCIAL ADVISOR**

SAMCO Capital Markets, Inc. is employed as Financial Advisor to the District to assist in the remarketing of the Bonds. In this capacity, the Financial Advisor has compiled certain data relating to the Bonds that is contained in this Remarketing Memorandum. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the District to determine the accuracy or completeness of this Remarketing Memorandum. Because of its limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained



herein. The fee of the Financial Advisor for services with respect to the Bonds is contingent upon the remarketing and sale of the Bonds. In the normal course of business, the Financial Advisor may from time to time sell investment securities to the District for the investment of bond proceeds or other funds of the District upon the request of the District.

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

### **CONTINUING DISCLOSURE OF INFORMATION**

In the Order, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board ("MSRB"). For a description of the continuing disclosure obligations of the TEA, see "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM." The information provided to the MSRB will be available to the public free of charge via the Electronic Municipal Markets Access ("EMMA") system at [www.emma.msrb.org](http://www.emma.msrb.org).

#### **Annual Reports**

The District will provide certain updated financial information and operating data annually to the MSRB. The information to be updated includes financial information and operating data with respect to the District of the general type included in this Remarketing Memorandum in Appendix A (such information being the "Annual Operating Report"). The District will additionally provide financial statements of the District (the "Financial Statements"), that will be (i) prepared in accordance with the accounting principles described in Appendix D or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation and shall be in substantially the form included in Appendix D and (ii) audited, if the District commissions an audit of such Financial Statements and the audit is completed within the period during which they must be provided. The District will update and provide the Annual Operating Report within six months after the end of each fiscal year and the Financial Statements within 12 months of the end of each fiscal year, in each case beginning with the fiscal year ending in and after 2023. The District may provide the Financial Statements earlier, including at the time it provides its Annual Operating Report, but if the audit of such Financial Statements is not complete within 12 months after any such fiscal year end, then the District shall file unaudited Financial Statements within such 12-month period and audited Financial Statements for the applicable fiscal year, when and if the audit report on such Financial Statements becomes available.

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

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

#### **Notice of Certain Events**

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

For these purposes, any event described in clause (12) of 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. For the purposes of the above described event notices (15) and (16), the term "financial obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) a guarantee of (i) or (ii); provided however, that a "financial obligation" shall not include municipal securities as to which a final Remarketing Memorandum (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

#### **Availability of Information**

All information and documentation 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 through EMMA at [www.emma.msrb.org](http://www.emma.msrb.org).

## **Limitations and Amendments**

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

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if, but only if, (1) the agreement, as so amended, would have permitted an underwriter to purchase or sell Bonds in the initial primary offering 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 to the amendment or (b) any qualified person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. If the District amends its agreement, it has agreed to include with the financial information and operating data next provided, in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and operating data so provided.

## **Compliance with Prior Undertakings**

In the past three years, at which such time the District was subject to a continuing disclosure requirement, the District complied in all material respects with its continuing disclosure agreements made by the it in accordance with the Rule.

## **LITIGATION**

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

At the time of the remarketing of the Bonds, the District will provide the Remarketing Agent with a certificate to the effect that except as disclosed in the Remarketing Memorandum, 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.

## **FORWARD LOOKING STATEMENTS**

The statements contained in this Remarketing Memorandum, 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 Remarketing Memorandum 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 Remarketing Memorandum would prove to be accurate.

## **REMARKETING**

The Remarketing Agent has agreed, subject to certain customary conditions, to purchase the Bonds at a price offered to the public producing the initial yield, as shown on the cover page hereof, less a Remarketing Agent's discount of \$\_\_\_\_\_, and no accrued interest. The Remarketing Agent's obligations are subject to certain conditions precedent, and the Remarketing Agent will be obligated to purchase all of the Bonds, if any Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Remarketing Agent.

The Remarketing Agent is a full service financial institution engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Remarketing Agent has, from time to time, performed, and may in the future perform, various investment banking services for the District for which they received or will receive customary fees and expenses.

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

Huntington Capital Markets is a trade name under which securities and investment banking products and services of Huntington Bancshares Incorporated and its subsidiaries, including Huntington Securities, Inc. ("HSI"), are marketed. Municipal sales, trading and underwriting services are provided through HSI, which is a broker-dealer registered with the Securities and Exchange Commission.

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

## **CONCLUDING STATEMENT**

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

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

The Order also approved the form and content of this Remarketing Memorandum and any addenda, supplement or amendment thereto and authorized its further use in the remarketing of the Bonds by the Remarketing Agent.

/s/

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President, Board of Trustees

ATTEST:

/s/

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Secretary, Board of Trustees

**APPENDIX A**  
**FINANCIAL INFORMATION OF THE DISTRICT**

# PLAINVIEW INDEPENDENT SCHOOL DISTRICT

## Financial Information

### ASSESSED VALUATION <sup>(1)</sup>

2022/23 Total Valuation.....		\$ 1,828,232,510
Less Exemptions & Deductions <sup>(2)</sup> :		
State Homestead Exemption	\$ 168,289,086	
State Over-65 Exemption	15,596,804	
Disabled Exemption	3,945,620	
Veterans Exemption	857,818	
Surviving Spouse Disabled Veteran Exemption	540,570	
Surviving Spouse First Responder Exemption	299,604	
Pollution Control Exemption Loss	3,390,180	
Productivity Loss	250,964,773	
Homestead Cap Loss	49,163,082	
	\$ 493,047,537	
2022/23 Net Taxable Valuation .....		\$ 1,335,184,973

<sup>(1)</sup> Source: Comptroller of Public Accounts - Property Tax Division. The passage of a Texas Constitutional Amendment on May 7, 2022 increased the homestead exemption from \$25,000 to \$40,000. See "AD VALOREM TAX PROCEDURES -- Residential Homestead Exemptions" herein.  
<sup>(2)</sup> Excludes the values on which property taxes are frozen for persons 65 years of age or older and disabled taxpayers, which totaled \$38,543,958 for 2022/23.

### VOTED GENERAL OBLIGATION DEBT

Unlimited Tax Bonds Outstanding <sup>(1)</sup>		\$ 47,950,000
Plus: The Bonds <sup>(2)</sup>		13,485,000
Total Unlimited Tax Bonds <sup>(1)(2)</sup>		61,435,000
Less: Interest & Sinking Fund Balance (As of August 31, 2022) <sup>(2)</sup>		(995,264)
Net General Obligation Debt		\$ 60,439,736

Ratio of Net G.O. Debt to Net Taxable Valuation <sup>(3)</sup> 4.53%

2023 Population Estimate <sup>(4)</sup>		23,987
Per Capita Net Taxable Valuation		\$55,663
Per Capita Net G.O. Debt		\$2,520

<sup>(1)</sup> Excludes the Principal on the Adjustable Rate Unlimited Tax School Building Bonds, Series 2020B.  
<sup>(2)</sup> Preliminary, subject to change.  
<sup>(3)</sup> Source: Plainview ISD Audited Financial Statement.  
<sup>(4)</sup> See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM," "DEBT SERVICE REQUIREMENTS" and the "Audited Financial Report Fiscal Year Ended August 31, 2022" herein for more information relative to the District's long-term obligations other than unlimited tax bonds.  
<sup>(5)</sup> Source: Municipal Advisory Council of Texas.

### PROPERTY TAX RATES AND COLLECTIONS

Fiscal Year	Net		% Collections <sup>(4)</sup>	
	Taxable Valuation <sup>(1)</sup>	Tax Rate	Current <sup>(5)</sup>	Total <sup>(5)</sup>
2006/07	\$ 999,682,181	\$ 1.3700 <sup>(6)</sup>	98.05%	99.97%
2007/08	1,017,755,675	1.0400 <sup>(6)</sup>	98.20%	100.40%
2008/09	1,158,207,140	1.0400	87.44%	89.59%
2009/10	1,117,258,367	1.0400	97.90%	103.67%
2010/11	1,167,484,479	1.0400	98.27%	102.90%
2011/12	1,256,212,630	1.0400	98.37%	103.07%
2012/13	1,310,076,035	1.0400	98.40%	101.39%
2013/14	1,258,739,713	1.0400	98.30%	100.24%
2014/15	1,221,009,266	1.0400	98.86%	100.42%
2015/16	1,214,225,180 <sup>(2)</sup>	1.0400	98.57%	100.13%
2016/17	1,355,005,722 <sup>(2)</sup>	1.1700	98.52%	99.74%
2017/18	1,288,445,428 <sup>(2)</sup>	1.1700	98.03%	99.31%
2018/19	1,360,082,334 <sup>(2)</sup>	1.1700	98.68%	100.80%
2019/20	1,354,750,610 <sup>(2)</sup>	1.0684 <sup>(7)</sup>	98.52%	99.67%
2020/21	1,255,220,960 <sup>(2)</sup>	1.3547	98.70%	99.91%
2021/22	1,280,826,924 <sup>(2)</sup>	1.3547	98.59%	99.67%
2022/23	1,335,184,973 <sup>(3)</sup>	1.3547	(In Process of Collection)	

<sup>(1)</sup> Source: Comptroller of Public Accounts - Property Tax Division. See the Assessed Valuation section in this Appendix for additional information.  
<sup>(2)</sup> The passage of a Texas Constitutional Amendment on November 3, 2015 increased the homestead exemption from \$15,000 to \$25,000.  
<sup>(3)</sup> The passage of a Texas Constitutional Amendment on May 7, 2022 increased the homestead exemption from \$25,000 to \$40,000.  
<sup>(4)</sup> Source: Plainview ISD Audited Financial Statements.  
<sup>(5)</sup> Excludes penalties and interest.  
<sup>(6)</sup> The decline in the District's Maintenance & Operation Tax from the 2006/07 fiscal year to the 2007/08 fiscal year is a function of House Bill 1 adopted by the Texas Legislature in May 2006. See "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" herein.  
<sup>(7)</sup> The decline in the District's Maintenance & Operation Tax from the 2018/19 fiscal year to the 2019/20 fiscal year is a function of House Bill 3 adopted by the Texas Legislature in June 2019. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM"- Local Funding for School Districts" herein.

**TAX RATE DISTRIBUTION <sup>(1)</sup>**

	2018/19	2019/20 <sup>(2)</sup>	2020/21	2021/22	2022/23
Maintenance & Operations	\$1.1700	\$1.0684	\$1.0547	\$1.0517	\$1.0324
Debt Service	\$0.0000	\$0.0000	\$0.3000	\$0.3030	\$0.3223
<b>Total Tax Rate</b>	<b>\$1.1700</b>	<b>\$1.0684</b>	<b>\$1.3547</b>	<b>\$1.3547</b>	<b>\$1.3547</b>

(1) On October 6, 2016, the District successfully held a tax ratification election at which the voters of the District approved a maintenance and operations tax not to exceed \$1.17.  
 (2) The decline in the District's Maintenance & Operations Tax from the 2018/19 fiscal year to the 2019/20 fiscal year is a function of House Bill 3 adopted by the Texas Legislature in June 2019.

**VALUATION AND FUNDED DEBT HISTORY**

Fiscal Year	Net Taxable Valuation	Bond Debt Outstanding <sup>(1)</sup>	Ratio Debt to A.V. <sup>(2)</sup>
2006/07	\$ 999,682,181	\$ -	0.00%
2007/08	1,017,755,675	-	0.00%
2008/09	1,158,207,140	-	0.00%
2009/10	1,117,258,367	-	0.00%
2010/11	1,167,484,479	-	0.00%
2011/12	1,256,212,630	-	0.00%
2012/13	1,310,076,035	-	0.00%
2013/14	1,258,739,713	-	0.00%
2014/15	1,221,009,266	-	0.00%
2015/16	1,214,225,180	-	0.00%
2016/17	1,355,005,722	-	0.00%
2017/18	1,288,445,428	-	0.00%
2018/19	1,360,082,334	-	0.00%
2019/20	1,354,750,610	67,155,000	4.96%
2020/21	1,255,220,960	66,490,000	5.30%
2021/22	1,280,826,924	64,765,000	5.06%
2022/23	1,335,184,973 <sup>(3)</sup>	61,435,000 <sup>(4)</sup>	4.60% <sup>(4)</sup>

(1) At fiscal year end.  
 (2) See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM," "DEBT SERVICE REQUIREMENTS" and see the "Audited Financial Report Fiscal Year Ended August 31, 2022" herein for more information.  
 (3) The passage of a Texas Constitutional Amendment on May 7, 2022 increased the homestead exemption from \$25,000 to \$40,000.  
 (4) Includes the Bonds as remarketed into their New Rate Period. Preliminary, subject to change.

**ESTIMATED OVERLAPPING DEBT STATEMENT**

Taxing Body	Amount	Percent Overlapping	Amount Overlapping
Floyd County	\$ -	0.37%	\$ -
Hale County	-	50.68%	-
Plainview, City of	20,655,000	100.00%	20,655,000
<b>Total Overlapping Debt <sup>(1)</sup></b>			<b>\$ 20,655,000</b>
Plainview Independent School District <sup>(2)</sup>			60,439,736
<b>Total Direct &amp; Overlapping Debt <sup>(2)</sup></b>			<b>\$ 81,094,736</b>
Ratio of Net Direct & Overlapping Debt to Net Taxable Valuation		6.07%	
Per Capita Direct & Overlapping Debt		\$3,381	

(1) Equals gross debt less self-supporting debt.  
 (2) Includes the Bonds as remarketed into their New Rate Period. Preliminary, subject to change.

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

**PRINCIPAL TAXPAYERS <sup>(1)</sup>****2022/23 Top Ten Taxpayers**

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
Plainview Bioenergy, LLC	Manufacturing	\$ 119,893,000	8.98%
Wal-Mart Distribution Center	Wholesale Supplier/Distribution	96,248,044	7.21%
Gruma Corp.	Food Packaging/Processing	53,845,698	4.03%
Southwestern Public Service Co.	Electric Utility/Power Plant	43,466,886	3.26%
BNSF Railway Co.	Railroad	38,287,031	2.87%
Pioneer Hi-Bred Int. Inc.	Manufacturing	19,558,123	1.46%
Martin Resources Inc.	Oil & Gas	14,918,004	1.12%
Wal-Mart Stores East, LP	Retail Store	14,754,340	1.11%
Atmos Energy/Wes-Tex Division	Oil & Gas	13,536,760	1.01%
Gavilon Grain, LLC	Agriculture	9,646,153	0.72%
		<u>\$ 424,154,039</u>	<u>31.77%</u>

**2021/22 Top Ten Taxpayers**

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
Plainview Bioenergy, LLC	Manufacturing	\$ 111,604,380	8.71%
Wal-Mart Distribution Center	Wholesale Supplier/Distribution	84,958,666	6.63%
Gruma Corp.	Food Packaging/Processing	72,366,657	5.65%
BNSF Railway Co.	Railroad	35,163,871	2.75%
Southwestern Public Service Co.	Electric Utility/Power Plant	34,279,536	2.68%
Pioneer Hi-Bred Int. Inc.	Manufacturing	15,892,627	1.24%
Martin Resources Inc.	Oil & Gas	14,582,184	1.14%
Wal-Mart Stores East, LP	Retail Store	13,790,560	1.08%
Atmos Energy/Wes-Tex Division	Oil & Gas	12,710,820	0.99%
Martin Resources Inc.	Oil & Gas	8,711,940	0.68%
		<u>\$ 404,061,241</u>	<u>31.55%</u>

**2020/21 Top Ten Taxpayers**

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
Plainview Bioenergy, LLC	Manufacturing	\$ 114,551,280	9.13%
Wal-Mart Distribution Center	Wholesale Supplier/Distribution	89,243,891	7.11%
Gruma Corp.	Food Packaging/Processing	63,306,908	5.04%
BNSF Railway Co.	Railroad	33,968,071	2.71%
Southwestern Public Service Co.	Electric Utility/Power Plant	29,508,416	2.35%
Martin Resources Inc.	Oil & Gas	17,896,891	1.43%
Pioneer Hi-Bred Int. Inc.	Manufacturing	17,342,720	1.38%
Wal-Mart Stores East, LP	Retail Store	13,873,610	1.11%
Atmos Energy/Wes-Tex Division	Oil & Gas	11,022,810	0.88%
Martin Resources Inc.	Oil & Gas	10,122,640	0.81%
		<u>\$ 400,837,237</u>	<u>31.93%</u>

(1) Source: Comptroller of Public Accounts - Property Tax Division, Hale and Floyd Appraisal Districts.

Note: As shown in the table above, the total combined top ten taxpayers in the District currently account for over 31% of the District's tax base. In addition, the top taxpayer in the District currently accounts for almost 9% of the District's tax base, thereby creating a concentration risk for the District. Any adverse development related to Plainview Bioenergy, LLC or its subsidiaries affecting its ability to continue to conduct business at its location within the District's boundaries may result in significantly less local tax revenue, thereby severely affecting the District's finances and its ability to repay its outstanding indebtedness. A portion of the District's assessed valuation is comprised of industries related to oil and gas, which are subject to fluctuation in terms of market valuation and availability. Accordingly, the District makes no representation regarding the continued valuation of any of the property listed in the above table or the generation of future tax revenues therefrom. If any major taxpayer (or a combination of taxpayers) were to default in the payment of taxes due to economic conditions resulting difficulty, the ability of the District to timely pay debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax lien (which, in the event of bankruptcy, certain laws may preclude until the automatic stay is lifted). Such process is time-consuming and can only occur annually; in the alternative, the District may sell tax anticipation notes until such amounts could be collected, if ever. See "REGISTERED OWNERS' REMEDIES" and AD VALOREM TAX PROCEDURES - District's Rights in the Event of Tax Delinquencies" herein.

**CLASSIFICATION OF ASSESSED VALUATION BY USE CATEGORY <sup>(1)</sup>**

Category	2022/23		2021/22		2020/21	
		% of Total		% of Total		% of Total
Real, Residential, Single-Family	\$ 654,971,939	35.83%	\$ 543,401,029	32.98%	\$ 531,451,585	32.84%
Real, Residential, Multi-Family	30,826,277	1.69%	26,405,980	1.60%	26,337,528	1.63%
Real, Vacant Lots/Tracts	7,575,415	0.41%	7,606,932	0.46%	7,682,911	0.47%
Real, Qualified Land & Improvements	283,946,918	15.53%	284,750,290	17.28%	281,538,765	17.40%
Real, Non-Qualified Land & Improvements	91,315,174	4.99%	75,579,344	4.59%	72,845,754	4.50%
Real, Commercial & Industrial	202,501,632	11.08%	196,840,292	11.95%	199,359,754	12.32%
Oil & Gas	-	0.00%	-	0.00%	-	0.00%
Utilities	116,589,383	6.38%	105,122,078	6.38%	94,970,558	5.87%
Tangible Personal, Commercial	112,700,902	6.16%	92,924,881	5.64%	91,455,621	5.65%
Tangible Personal, Industrial	314,567,936	17.21%	306,403,103	18.60%	305,212,258	18.86%
Tangible Personal, Mobile Homes & Other	1,343,673	0.07%	1,339,042	0.08%	1,312,171	0.08%
Tangible Personal, Special Inventory	11,893,261	0.65%	7,155,053	0.43%	6,067,879	0.37%
<b>Total Appraised Value</b>	<b>\$ 1,828,232,510</b>	<b>100.00%</b>	<b>\$ 1,647,528,024</b>	<b>100.00%</b>	<b>\$ 1,618,234,784</b>	<b>100.00%</b>
<b>Less:</b>						
Homestead Cap Adjustment	\$ 49,163,082		\$ 2,290,949		\$ 629,343	
Productivity Loss	250,964,773		227,262,179		223,946,236	
Exemptions	192,919,682 <sup>(2)</sup>		137,147,972 <sup>(3)</sup>		138,438,245 <sup>(3)</sup>	
Total Exemptions/Deductions <sup>(4)</sup>	<u>\$ 493,047,537</u>		<u>\$ 366,701,100</u>		<u>\$ 363,013,824</u>	
<b>Net Taxable Assessed Valuation</b>	<b>\$ 1,335,184,973</b>		<b>\$ 1,280,826,924</b>		<b>\$ 1,255,220,960</b>	

Category	2019/20		2018/19		2017/18	
		% of Total		% of Total		% of Total
Real, Residential, Single-Family	\$ 525,681,327	30.38%	\$ 516,871,428	30.34%	\$ 509,143,857	30.84%
Real, Residential, Multi-Family	25,709,511	1.49%	24,958,792	1.46%	24,712,510	1.50%
Real, Vacant Lots/Tracts	7,724,749	0.45%	8,198,950	0.48%	8,735,701	0.53%
Real, Qualified Land & Improvements	302,796,083	17.50%	264,343,657	15.52%	270,703,802	16.40%
Real, Non-Qualified Land & Improvements	71,422,026	4.13%	72,360,034	4.25%	69,664,124	4.22%
Real, Commercial & Industrial	191,375,228	11.06%	190,651,375	11.19%	208,394,673	12.62%
Oil & Gas	-	0.00%	-	0.00%	-	0.00%
Utilities	87,578,077	5.06%	82,294,687	4.83%	78,057,707	4.73%
Tangible Personal, Commercial	172,304,822	9.96%	108,030,427	6.34%	104,942,690	6.36%
Tangible Personal, Industrial	334,165,916	19.31%	421,000,563	24.71%	362,993,581	21.99%
Tangible Personal, Mobile Homes & Other	1,228,522	0.07%	1,322,460	0.08%	1,334,876	0.08%
Tangible Personal, Special Inventory	10,448,831	0.60%	13,679,878	0.80%	12,355,113	0.75%
<b>Total Appraised Value</b>	<b>\$ 1,730,435,092</b>	<b>100.00%</b>	<b>\$ 1,703,712,251</b>	<b>100.00%</b>	<b>\$ 1,651,038,634</b>	<b>100.00%</b>
<b>Less:</b>						
Homestead Cap Adjustment	\$ 492,775		\$ 508,098		\$ 544,384	
Productivity Loss	237,292,488		206,131,719		225,703,175	
Exemptions	137,899,219 <sup>(3)</sup>		136,990,100 <sup>(3)</sup>		136,345,647 <sup>(3)</sup>	
Total Exemptions/Deductions <sup>(4)</sup>	<u>\$ 375,684,482</u>		<u>\$ 343,629,917</u>		<u>\$ 362,593,206</u>	
<b>Net Taxable Assessed Valuation</b>	<b>\$ 1,354,750,610</b>		<b>\$ 1,360,082,334</b>		<b>\$ 1,288,445,428</b>	

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

(2) The passage of a Texas Constitutional Amendment on May 7, 2022 increased the homestead exemption from \$25,000 to \$40,000.

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

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



**PRINCIPAL REPAYMENT SCHEDULE**

Fiscal Year Ending 8/31	Outstanding Bonds <sup>(1)</sup>	Plus: The Bonds <sup>(2)</sup>	Total <sup>(1)(2)</sup>	Bonds Unpaid At Fiscal Year End <sup>(2)</sup>	Percent of Principal Retired <sup>(2)</sup>
2023	\$ 1,815,000.00	\$ -	\$ 1,815,000.00	\$ 61,435,000.00	2.87%
2024	1,190,000.00	-	1,190,000.00	60,245,000.00	4.75%
2025	1,250,000.00	-	1,250,000.00	58,995,000.00	6.73%
2026	1,315,000.00	-	1,315,000.00	57,680,000.00	8.81%
2027	1,385,000.00	-	1,385,000.00	56,295,000.00	11.00%
2028	1,455,000.00	-	1,455,000.00	54,840,000.00	13.30%
2029	1,530,000.00	-	1,530,000.00	53,310,000.00	15.72%
2030	1,610,000.00	-	1,610,000.00	51,700,000.00	18.26%
2031	1,690,000.00	-	1,690,000.00	50,010,000.00	20.93%
2032	1,780,000.00	-	1,780,000.00	48,230,000.00	23.75%
2033	1,860,000.00	-	1,860,000.00	46,370,000.00	26.69%
2034	1,935,000.00	-	1,935,000.00	44,435,000.00	29.75%
2035	2,015,000.00	-	2,015,000.00	42,420,000.00	32.93%
2036	2,095,000.00	-	2,095,000.00	40,325,000.00	36.25%
2037	2,180,000.00	-	2,180,000.00	38,145,000.00	39.69%
2038	2,270,000.00	-	2,270,000.00	35,875,000.00	43.28%
2039	2,365,000.00	-	2,365,000.00	33,510,000.00	47.02%
2040	2,460,000.00	-	2,460,000.00	31,050,000.00	50.91%
2041	2,575,000.00	-	2,575,000.00	28,475,000.00	54.98%
2042	2,705,000.00	-	2,705,000.00	25,770,000.00	59.26%
2043	2,845,000.00	-	2,845,000.00	22,925,000.00	63.75%
2044	2,990,000.00	-	2,990,000.00	19,935,000.00	68.48%
2045	3,145,000.00	-	3,145,000.00	16,790,000.00	73.45%
2046	3,305,000.00	-	3,305,000.00	13,485,000.00	78.68%
2047	-	3,455,000.00	3,455,000.00	10,030,000.00	84.14%
2048	-	3,600,000.00	3,600,000.00	6,430,000.00	89.83%
2049	-	3,745,000.00	3,745,000.00	2,685,000.00	95.75%
2050	-	2,685,000.00	2,685,000.00	-	100.00%
Total	<u>\$ 49,765,000.00</u>	<u>\$ 13,485,000.00</u>	<u>\$ 63,250,000.00</u>		

(1) Excludes the accreted value of outstanding capital appreciation bonds. Excludes the Principal on the Adjustable Rate Unlimited Tax School Building Bonds.

(2) Preliminary, subject to change.

**DEBT SERVICE REQUIREMENTS**

Fiscal Year Ending 8/31	Outstanding Debt Service <sup>(1)</sup>	Plus: The Bonds <sup>(2)</sup>			Combined Total <sup>(1) (2) (3)</sup>
		Principal	Interest	Total	
2023	\$ 4,311,075.00	\$ -	\$ -	\$ -	\$ 4,311,075.00
2024	3,385,950.00	-	539,400.00	539,400.00	3,925,350.00
2025	3,384,950.00	-	539,400.00	539,400.00	3,924,350.00
2026	3,385,825.00	-	539,400.00	539,400.00	3,925,225.00
2027	3,388,325.00	-	539,400.00	539,400.00	3,927,725.00
2028	3,387,325.00	-	539,400.00	539,400.00	3,926,725.00
2029	3,387,700.00	-	539,400.00	539,400.00	3,927,100.00
2030	3,389,200.00	-	539,400.00	539,400.00	3,928,600.00
2031	3,386,700.00	-	539,400.00	539,400.00	3,926,100.00
2032	3,389,950.00	-	539,400.00	539,400.00	3,929,350.00
2033	3,388,250.00	-	539,400.00	539,400.00	3,927,650.00
2034	3,387,350.00	-	539,400.00	539,400.00	3,926,750.00
2035	3,388,350.00	-	539,400.00	539,400.00	3,927,750.00
2036	3,386,150.00	-	539,400.00	539,400.00	3,925,550.00
2037	3,385,650.00	-	539,400.00	539,400.00	3,925,050.00
2038	3,386,650.00	-	539,400.00	539,400.00	3,926,050.00
2039	3,388,950.00	-	539,400.00	539,400.00	3,928,350.00
2040	3,387,450.00	-	539,400.00	539,400.00	3,926,850.00
2041	3,388,875.00	-	539,400.00	539,400.00	3,928,275.00
2042	3,386,875.00	-	539,400.00	539,400.00	3,926,275.00
2043	3,388,125.00	-	539,400.00	539,400.00	3,927,525.00
2044	3,387,250.00	-	539,400.00	539,400.00	3,926,650.00
2045	3,388,875.00	-	539,400.00	539,400.00	3,928,275.00
2046	3,387,625.00	-	539,400.00	539,400.00	3,927,025.00
2047	-	3,455,000.00	470,300.00	3,925,300.00	3,925,300.00
2048	-	3,600,000.00	329,200.00	3,929,200.00	3,929,200.00
2049	-	3,745,000.00	182,300.00	3,927,300.00	3,927,300.00
2050	-	2,685,000.00	53,700.00	2,738,700.00	2,738,700.00
	<u>\$ 82,223,425.00</u>	<u>\$ 13,485,000.00</u>	<u>\$ 13,441,700.00</u>	<u>\$ 26,926,700.00</u>	<u>\$ 109,150,125.00</u>

(1) Excludes the Debt Service on the Adjustable Rate Unlimited Tax School Building Bonds, Series 2020B in 2024 and thereafter.  
(2) Preliminary, subject to change. Interest calculated at an assumed rate for purposes of illustration only.  
(3) Based on its wealth per student, the District expects to receive Existing Debt Allotment state financial assistance in the amount of \$1,200,000 for the payment of debt service for the fiscal year 2022/23. The amount of state financial assistance for debt service, if any, may differ substantially each year depending on a variety of factors, including the amount, if any, appropriated for that purpose by the state legislature and a school district's wealth per student. See "CURRENT

**TAX ADEQUACY WITH RESPECT TO THE DISTRICT'S BONDS**

Projected Maximum Debt Service Requirement <sup>(1)</sup>	\$ 4,311,075.00
Projected State Financial Assistance Debt Service in 2022/23 <sup>(2)</sup>	1,200,000.00
Projected Net Debt Service Requirement	\$ 3,111,075.00
 \$0.23776 Tax Rate @ 98% Collections Produces	 \$ 3,111,075.00
 2022/23 Net Taxable Valuation <sup>(3)</sup>	 \$ 1,335,184,973

(1) Includes the Bonds.  
(2) The amount of state financial assistance for debt service, if any, may differ substantially each year depending on a variety of factors, including the amount, if any, appropriated for that purpose by the state legislature and a school district's wealth per student. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" herein.  
(3) The passage of a Texas Constitutional Amendment on May 7, 2022 increased the homestead exemption from \$25,000 to \$40,000.

**AUTHORIZED BUT UNISSUED BONDS**

The District does not have any authorized but unissued unlimited ad valorem tax bonds. The District may incur other financial obligations payable from its collection of taxes and other sources of revenue, including maintenance tax notes payable from its collection of maintenance taxes, public property finance contractual obligations, delinquent tax notes, and leases for various purposes payable from State appropriations and surplus maintenance taxes.

COMPARATIVE STATEMENT OF GENERAL FUND REVENUES AND EXPENDITURES <sup>(1)</sup>

	Fiscal Year Ending August 31				
	2018	2019	2020	2021	2022
<b>Beginning Fund Balance</b>	<b>\$ 20,916,753</b>	<b>\$ 24,081,408</b>	<b>\$ 27,410,947</b>	<b>\$ 31,672,031</b>	<b>\$ 34,186,168</b>
<b>Revenues:</b>					
Local and Intermediate Sources	\$ 20,435,112	\$ 16,627,526	\$ 15,117,991	\$ 13,812,765	\$ 13,548,213
State Sources	31,560,604	30,765,678	36,468,692	36,691,604	34,594,202
Federal Sources & Other	1,117,489	1,904,306	1,021,879	1,332,911	2,146,799
<b>Total Revenues</b>	<b>\$ 53,113,205</b>	<b>\$ 49,297,510</b>	<b>\$ 52,608,562</b>	<b>\$ 51,837,280</b>	<b>\$ 50,289,214</b>
<b>Expenditures:</b>					
Instruction	\$ 24,516,700	\$ 24,203,357	\$ 25,581,819	\$ 26,276,299	\$ 22,293,453
Instructional Resources & Media Services	498,676	502,231	498,327	468,316	459,217
Curriculum & Instructional Staff Development	253,771	293,023	1,001,149	768,519	969,429
Instructional Leadership	1,086,825	1,150,050	993,683	1,046,631	877,758
School Leadership	3,199,032	3,268,776	3,441,150	3,406,152	3,568,887
Guidance, Counseling & Evaluation Services	1,510,467	1,478,536	1,490,940	1,613,364	1,031,793
Social Work Services	58,575	65,891	51,505	30,309	30,124
Health Services	442,212	474,273	565,335	573,042	559,378
Student (Pupil) Transportation	1,615,151	1,682,038	1,747,476	2,052,027	2,184,636
Cocurricular/Extracurricular Activities	2,977,328	2,071,314	2,323,959	1,981,653	2,518,378
General Administration	1,739,710	1,980,313	1,997,113	2,063,654	1,958,651
Facilities Maintenance and Operations	5,005,324	5,877,076	6,618,916	6,459,823	6,082,200
Security and Monitoring Services	167,359	310,061	567,419	497,175	933,508
Data Processing Services	1,020,508	1,125,413	1,100,533	1,105,073	1,902,290
Community Services	5,082	11,655	5,380	1,330	14,276
Debt Service - Principal on Long Term Debt	156,487	164,555	206,124	74,344	279,076
Debt Service - Interest on Long Term Debt	21,061	12,993	9,966	9,196	10,723
Debt Service - Issuance Costs and Fees	300	300	3,494	887	-
Facilities Acquisition and Construction	5,416,970	1,101,264	260,694	430,460	6,201,110
Payments to Juvenile Justice Alternative Ed. Prg.	59,069	29,396	44,394	48,352	56,968
Other Intergovernmental Charges	197,943	200,540	201,244	181,237	210,584
<b>Total Expenditures</b>	<b>\$ 49,948,550</b>	<b>\$ 46,003,055</b>	<b>\$ 48,710,620</b>	<b>\$ 49,087,843</b>	<b>\$ 52,142,439</b>
Excess (Deficiency) of Revenues over Expenditures	\$ 3,164,655	\$ 3,294,455	\$ 3,897,942	\$ 2,749,437	\$ (1,853,225)
<b>Other Resources and (Uses):</b>					
Sale of Real and Personal Property	\$ -	\$ 41,640	\$ -	\$ -	\$ -
Proceeds from Capital Lease	-	-	363,142	-	-
Other Uses	-	(6,556)	-	-	-
Transfers Out (Use)	-	-	-	(235,300)	-
<b>Total Other Resources (Uses)</b>	<b>\$ -</b>	<b>\$ 35,084</b>	<b>\$ 363,142</b>	<b>\$ (235,300)</b>	<b>\$ -</b>
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	\$ 3,164,655	\$ 3,329,539	\$ 4,261,084	\$ 2,514,137	\$ (1,853,225)
<b>Ending Fund Balance</b>	<b>\$ 24,081,408</b>	<b>\$ 27,410,947</b>	<b>\$ 31,672,031</b>	<b>\$ 34,186,168</b>	<b>\$ 32,332,943</b>

(1) See "MANAGEMENT'S DISCUSSION AND ANALYSIS - ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES" herein for a discussion of the 2022/23 budget and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - Possible Effects of Wealth Transfer Provisions on the District's Financial Condition" herein.

**CHANGE IN NET POSITION <sup>(1)</sup>**

	Fiscal Year Ending August 31				
	2018	2019	2020	2021	2022
<b>Revenues:</b>					
<b>Program Revenues:</b>					
Charges for Services	\$ 1,710,794	\$ 2,474,772	\$ 1,485,460	\$ 1,734,967	\$ 1,948,137
Operating Grants and Contributions	15,892,725	10,632,760	12,835,806	12,869,117	18,179,229
<b>General Revenues:</b>					
Property Taxes Levied for General Purposes	14,666,077	15,375,119	14,028,332	12,374,778	12,779,793
Property Taxes Levied for Debt Service	-	-	-	3,613,714	3,844,533
State Aid - Formula Grants	29,393,637	28,545,928	33,844,269	34,019,542	32,566,611
Grants and Contributions Not Restricted	152,694	184,257	44,627	-	608,549
Investment Earnings	358,328	561,499	1,707,469	2,536,350	393,047
Miscellaneous	5,258,359	573,247	239,758	439,026	516,948
<b>Total Revenue</b>	<b>\$ 67,432,614</b>	<b>\$ 58,347,582</b>	<b>\$ 64,185,721</b>	<b>\$ 67,587,494</b>	<b>\$ 70,836,847</b>
<b>Expenses:</b>					
Instruction	\$ 29,467,763	\$ 30,885,073	\$ 33,160,771	\$ 33,013,261	\$ 32,847,545
Instruction Resources & Media Services	607,738	561,391	569,556	511,461	469,685
Curriculum & Staff Development	480,756	599,274	1,789,900	1,404,350	1,821,520
Instructional Leadership	1,299,540	1,499,317	1,273,876	1,191,479	941,404
School Leadership	3,479,066	3,501,223	3,768,414	3,465,413	3,356,340
Guidance, Counseling & Evaluation Services	1,797,150	1,910,542	2,021,412	2,109,920	1,889,342
Social Work Services	67,182	113,639	60,146	34,513	37,301
Health Services	648,727	595,313	682,277	735,304	793,534
Student Transportation	1,619,526	1,664,299	1,513,176	2,031,555	2,189,011
Food Service	3,421,628	3,266,947	3,122,259	2,588,651	2,583,797
Cocurricular/Extracurricular Activities	2,434,168	2,785,153	2,788,306	2,479,353	2,864,824
General Administration	1,667,807	2,062,410	2,191,821	2,112,892	1,890,112
Plant Maintenance & Operations	(58,487)	5,558,520	6,418,762	6,515,209	7,447,178
Security and Monitoring Services	213,522	415,710	771,277	561,866	1,052,691
Data Processing Services	1,079,235	1,044,448	1,176,732	1,218,043	1,837,732
Community Services	68,453	72,362	80,508	46,888	103,065
Interest on Long-term Debt	20,708	12,628	1,177,817	2,278,162	2,217,634
Bond Issuance Costs and Fees	300	300	621,130	4,266	12,149
Payments to Juvenile Justice Alt. Ed. Program	59,069	29,396	44,394	48,352	56,968
Other Intergovernmental Charges	5,615,901	200,540	201,244	184,750	429,719
<b>Total Expenses</b>	<b>\$ 53,989,752</b>	<b>\$ 56,778,485</b>	<b>\$ 63,433,778</b>	<b>\$ 62,535,688</b>	<b>\$ 64,841,551</b>
<b>Change in Net Position</b>	<b>\$ 13,442,862</b>	<b>\$ 1,569,097</b>	<b>\$ 751,943</b>	<b>\$ 5,051,806</b>	<b>\$ 5,995,296</b>
<b>Beginning Net Position</b>	<b>\$ 42,017,381</b>	<b>\$ 24,785,357</b>	<b>\$ 26,354,454</b>	<b>\$ 27,106,397</b>	<b>\$ 32,274,445</b>
<b>Prior Period Adjustment</b>	<b>\$ (30,674,886) <sup>(2)</sup></b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 116,242 <sup>(3)</sup></b>	<b>\$ -</b>
<b>Ending Net Position<sup>(4)</sup></b>	<b>\$ 24,785,357</b>	<b>\$ 26,354,454</b>	<b>\$ 27,106,397</b>	<b>\$ 32,274,445</b>	<b>\$ 38,269,741</b>

(1) The foregoing information represents government-wide financial information provided in accordance with GASB 34.

(2) In 2018, the District adopted GASB Statement No. 75 which required the District to assume their proportionate share of the net OPEB liability of the Texas Public School Retired Employees Group Insurance Program administered by the Teacher Retirement System of Texas.

(3) In 2021, the District adopted GASB Statement No. 84 for Fiduciary Activities.

(4) The District previously adopted a balanced budget that ended in a deficit of approximately \$2 million.

**APPENDIX B**

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

**PLAINVIEW INDEPENDENT SCHOOL DISTRICT**

**General and Economic Information**

Plainview Independent School District (the "District") includes the City of Plainview, the county seat located on Interstate Highway 27. Hale County is a north Texas county, traversed by Interstate Highway 27, U.S. Highway 70, State Highway 194, and nine farm-to-market roads. The current estimated population of the District is approximately 23,987.

Source: *Texas Municipal Report for Plainview ISD and Hale County.*

**Enrollment Statistics**

<u>Year Ending 8/31</u>	<u>Enrollment</u>
2012	5,694
2013	5,521
2014	5,444
2015	5,529
2016	5,580
2017	5,541
2018	5,414
2019	5,337
2020	5,518
2021	5,202
2022	5,020
Current	4,906

**District Staff**

Teachers	335
Teachers' Aides & Secretaries	121
Auxiliary Personnel	129
Administrators	125
Other (Counselors/Technology)	11
	<hr/>
	721

**Facilities**

<u>Campus</u>	<u>Grades</u>	<u>Current Enrollment</u>	<u>Capacity</u>	<u>Year Built</u>	<u>Year of Addition/ Renovation</u>
Plainview North Elementary	PK-4	672	3,031	2022	2022
Plainview Central Elementary	PK-4	630	2,933	2022	2022
Plainview South Elementary	PK-4	426	3,026	1991	2023
Plainview Intermediate	5-6	702	3,180	1980	2022
Plainview Junior High School	7-8	763	2,176	1958	2022
Plainview High School	9-12	1,442	8,343	1950	2013
Plainview Collegiate High School	9-10	160	750	1921	NA
Ash Program	9-12	73	1,250	1925	1992

**Principal Employers within the District**

<u>Name of Company</u>	<u>Type of Business</u>	<u>Number of Employees</u>
Walmart Distribution	Distribution Center	1,500
Plainview ISD	Public Education	721
Texas Department of Criminal Justice	Prison Unit	450
Wayland Baptist University	College	350
Covenant Hospital	Hospital	320
Azteca Milling Company	Maza Flour	300
United Supermarket	Grocery Store	286
City of Plainview	Government	210

**Unemployment Rates**

	<u>May 2021</u>	<u>May 2022</u>	<u>May 2023</u>
Hale County	5.9%	4.3%	4.8%
State of Texas	5.7%	3.6%	4.1%

Source: *Texas Workforce Commission.*

**APPENDIX C**

**ORIGINAL LEGAL OPINION OF BOND COUNSEL**

**Proposed Form of Opinion of Bond Counsel**

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

**PLAINVIEW INDEPENDENT SCHOOL DISTRICT  
ADJUSTABLE RATE UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2020B  
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$15,000,000**

---

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

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

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

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



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

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

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

Respectfully,

**APPENDIX D**

**AUDITED FINANCIAL REPORT  
FISCAL YEAR ENDED AUGUST 31, 2022**



Financial Statements  
August 31, 2022

# Plainview Independent School District

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**CERTIFICATE OF BOARD**

Plainview Independent School District

Hale

095-905

Name of School District

County

Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and approved  disapproved  for the year ended August 31, 2022, at a meeting of the Board of Trustees of such school district on the 19<sup>th</sup> day of January, 2023.

  
\_\_\_\_\_  
Signature of Board Secretary

  
\_\_\_\_\_  
Signature of Board President



## Independent Auditor's Report

The Board of Trustees  
Plainview Independent School District  
Plainview, Texas

### Report on the Audit of the Financial Statements

#### *Opinions*

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

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

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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.

### ***Adoption of New Accounting Standard***

As discussed in Note 16 to the financial statements, the District has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended August 31, 2022. Accordingly, a restatement has been made to the governmental activities' net position as of September 1, 2021, to restate beginning net position. 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 the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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



- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District’s ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District’s basic financial statements. The combining nonmajor fund financial statements, TEA required schedules and the 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 nonmajor fund financial statements, TEA required schedules and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

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

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Abilene, Texas  
January 12, 2023

## Introduction

This section of Plainview Independent School District annual financial report presents our discussion and analysis of the District's financial performance during the year ended August 31, 2022. Please read it in conjunction with the District's basic financial statements, which follow this section.

## Financial Highlights

- At August 31, 2022, the District's assets and deferred outflows of resources exceeded its liabilities and deferred outflows. Net position was \$38,269,741. Net investment in capital assets was \$34,651,883.
- At August 31, 2022, the District's general fund had total assets of \$38,585,371 with a net decrease in fund balance of \$1,853,225 and a total fund balance of \$32,332,943.
- Total general fund expenditures for the year ending August 31, 2022 were \$52,142,439 as compared to \$49,087,843 for the previous year that ended August 31, 2021.

## Overview of the Financial Statements

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a whole, and then proceed to provide an increasingly detailed look at specific financial activities.

Government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 13 and 14). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 15) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside the District.

The notes to the financial statements (starting on page 24) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The sections labeled TEA Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

## **Reporting the District as a Whole**

### **Government-Wide Financial 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 liabilities. 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 it has 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, you need to consider additional nonfinancial factors such as changes in the District's tax base.

**Governmental activities**—The District's basic services are reported here, including instruction, counseling, co-curricular activities, food services, transportation, maintenance, and general administration. Property taxes, tuition, fees, and state and federal 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 three kinds of funds:

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

**Proprietary funds**—The District reports the activities for which it charges users (other units of the District) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. The internal service fund reports activities that provide insurance programs for the District's other programs and activities.

**Fiduciary funds**—The District is the trustee, or fiduciary, for money raised by student activities programs. 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. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position of the District's governmental activities increased from \$32.274 million to \$38.269 million.

**Table I**  
**NET POSITION**  
**in thousands**

	Governmental Activities	
	2022	2021 (as restated)
Current and other assets	\$ 58,139	\$ 111,553
Capital assets	96,117	44,028
Total assets	154,256	155,581
Deferred outflows of resources	6,140	6,195
Long-term liabilities	94,468	102,994
Other liabilities	8,382	10,659
Total liabilities	102,850	113,653
Deferred inflows of resources	19,277	15,849
Net position		
Net investment in capital assets	34,652	29,945
Restricted for federal and state programs	1,640	1,504
Restricted for debt service	1,102	327
Unrestricted	875	498
Total net position	\$ 38,269	\$ 32,274

**Table II**  
**CHANGES IN NET POSITION**  
in thousands

	Governmental Activities	
	2022	2021
Revenues		
Program revenues		
Charges for services	\$ 1,948	\$ 1,735
Operating grants and contributions	18,179	12,869
General revenues		
Property taxes, levied for general purposes	12,780	12,375
Property taxes, levied for debt service	3,845	3,614
State aid - formula grants	32,567	34,020
Grants & contributions not restricted	609	-
Investment earnings	393	2,536
Miscellaneous	517	439
	<u>70,838</u>	<u>67,588</u>
Expenses		
Instruction, curriculum and media services	35,139	34,930
Instructional and school leadership	4,298	4,657
Student support services	4,909	4,911
Food services	2,584	2,589
Extracurricular activities	2,865	2,479
General administration	1,890	2,113
Facilities maintenance/operations, security/monitoring and data processing	10,338	8,295
Community services	103	47
Debt service	2,230	2,282
JJAEP payments and other intergovernmental charges	487	233
	<u>64,843</u>	<u>62,536</u>
Change in net position	5,995	5,052
Net position, beginning of year	<u>32,274</u>	<u>27,222</u>
Net position, ending	<u>\$ 38,269</u>	<u>\$ 32,274</u>

The District's total revenues increased from \$67.588 million in fiscal year 2021 to \$70.838 million in fiscal year 2022, an increase of 4.8 percent. The District's total expenses increased from \$62.536 million in the preceding year to the current level of \$64.843 million for the year ending August 31, 2022, which reflects an increase of 3.7 percent. The District's revenues exceeded the expenses by \$5.995 million.

## The District's Funds

### Fund Balances

As the District completed the year, its governmental funds (as presented in the balance sheet on page 15) reported a combined fund balance of \$48.993 million, which is lower than last year's total of \$100.266 million.

- General Fund (unassigned) - The balance of the unassigned general fund balance decreased from \$15.023 million to \$13.280 million during the 2022 fiscal year.
- General Fund (assigned) - The assigned general fund balance of \$1.5 million for anticipated technology infrastructure and facility upgrades did not change during the 2022 fiscal year. The assigned general fund balance of \$17.5 million for future construction projects did not change during the 2022 fiscal year.
- ESSER III (Elementary and Secondary School Emergency Relief Fund) has an ending fund balance of \$0. The fund received \$5,130,153 in revenue during the year, all of which was expended according to grant requirements.
- Capital Projects Fund has a total fund balance of \$13,789,105, all of which is restricted for the payment of ongoing capital projects with the issuance of the 2020 Bond Program.

### General Fund Budgetary Highlights

Over the course of the year, the District revised its budget to reflect activities in the District. With these adjustments, actual expenditures were \$4,639,640 below the final budgeted amount. The positive variance was an overall savings of approximately 8.9% in the budget.

Resources available were \$2,687,336 less the final budgeted amount. The variance was due to state and federal funding that reflected different numbers than those used in budgeting.



## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At August 31, 2022, the District had \$96.117 million (net of depreciation) invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. The District is currently renovating several campus buildings. More information on the District's capital assets is presented in Note 5 to the financial statements.

### **Long-term Liabilities**

At the end of 2022, the District had \$94,467,597 in long-term liabilities, which included general obligation bonds, unamortized bond premium, net pension liability, and OPEB liability. The District's long-term liabilities decreased by \$8,205,169. More information on the District's long-term liabilities is presented in Note 6 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The primary factors considered in preparing the District's budget for the 2022-2023 fiscal year were the impact of enrollment, property taxes, and ESSER funding. The board adopted a \$52,817,448 budget for 2022-2023, which provides salary increases and retention pay for all employees. ESSER funding continued to be used this fiscal year to help with post-coronavirus effects on the district. We are continuing to experience a decrease in enrollment and an increase in special services for our students.

For the 2022-2023 fiscal year, the District adopted a Maintenance and Operation (M&O) tax rate of \$1.0324 and an Interest and Sinking (I&S) tax rate of \$0.3223 for a total tax rate that remains the same at \$1.35470. The M&O rate is a decrease from the 2021-2022 rate of \$1.05470, as required by House Bill 3 as of November 2019. District voters approved a \$76.6 million bond referendum in a prior year. We have completed 75% of the construction that has funded new facility construction, renovation of existing facilities, and the purchase of new equipment and technology that will be used to enhance educational opportunities for students. Due to this new voter-approved debt issuance, the District was required to adopt a \$0.32230 tax rate budget of \$4,450,000 that will support the debt's principal and interest payments.

The District recognizes the unique challenges facing the District. However, due to its Board of Trustees, administration, and committed staff, the District will continue to accommodate every student due to its outstanding leadership.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Plainview Independent School District, 2417 Yonkers, Plainview, Texas 79072.

Plainview Independent School District

Statement of Net Position (Exhibit A-1)

August 31, 2022

Data Control Codes		Governmental Activities
	Assets	
1110	Cash and cash equivalents	\$ 13,069,643
1120	Current investments	38,272,695
1220	Property taxes receivable (delinquent)	742,103
1230	Allowance for uncollectible taxes	(241,777)
1240	Due from other governments	6,242,432
1290	Other receivables	1,128
1300	Inventories at cost	53,114
1410	Prepayments	123
	Capital assets	
1510	Land	691,602
1520	Buildings and improvements, net	32,592,916
1530	Furniture and equipment, net	2,353,793
1550	Intangible asset - right-to-use leased asset, net	306,954
1580	Construction in progress	60,172,118
1000	Total assets	<u>154,256,844</u>
	Deferred outflows of resources	
1705	Deferred outflows - pension	3,676,011
1706	Deferred outflows - OPEB	2,463,871
1700	Total deferred outflows of resources	<u>6,139,882</u>
	Liabilities	
2110	Accounts payable	3,409,272
2140	Interest payable	110,498
2150	Payroll deductions and withholdings	8,302
2160	Accrued wages payable	2,243,117
2180	Due to other governments	2,461,418
2300	Unearned revenues	149,315
	Noncurrent liabilities	
2501	Due within one year	1,831,629
2502	Due in more than one year	73,422,976
2540	Net pension liability	5,601,694
2545	Net OPEB liability	13,611,298
2000	Total liabilities	<u>102,849,519</u>
	Deferred inflows of resources	
2605	Deferred inflows - pension	7,533,810
2606	Deferred inflows - OPEB	11,743,656
2600	Total deferred inflows of resources	<u>19,277,466</u>
	Net position	
3200	Net investment in capital assets	34,651,883
3820	Restricted for federal and state programs	1,639,699
3850	Restricted for debt service	1,102,072
3900	Unrestricted	876,087
3000	Total net position	<u>\$ 38,269,741</u>

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues	
			3 Charges for Services	4 Operating Grants and Contributions
	Governmental activities			
11	Instruction	\$ 32,847,545	\$ 1,510,639	\$ 10,362,850
12	Instructional resources and media services	469,685	-	10,847
13	Curriculum and instructional staff development	1,821,520	-	1,006,302
21	Instructional leadership	941,404	-	143,872
23	School leadership	3,356,340	-	134,277
31	Guidance, counseling, and evaluation services	1,889,342	-	1,066,140
32	Social work services	37,301	-	6,466
33	Health services	793,534	-	124,360
34	Student transportation	2,189,011	-	-
35	Food services	2,583,797	138,519	2,443,422
36	Extracurricular activities	2,864,824	290,139	80,826
41	General administration	1,890,112	-	65,531
51	Facilities maintenance and operations	7,447,178	8,840	1,020,817
52	Security and monitoring services	1,052,691	-	162,986
53	Data processing services	1,837,732	-	273,735
61	Community services	103,065	-	76,519
72	Debt service - interest on long-term debt	2,217,634	-	1,200,279
73	Debt service - bond issuance costs and fees	12,149	-	-
95	Payments to juvenile justice alternative ed.prg.	56,968	-	-
99	Other intergovernmental charges	429,719	-	-
TG	Total governmental activities	<u>64,841,551</u>	<u>1,948,137</u>	<u>18,179,229</u>
TP	Total primary government	<u>\$ 64,841,551</u>	<u>\$ 1,948,137</u>	<u>\$ 18,179,229</u>
	General revenues			
MT	Property taxes, levied for general purposes			
DT	Property taxes, levied for debt service			
SF	State aid - formula grants			
GC	Grants and contributions not restricted			
IE	Investment earnings			
MI	Miscellaneous			
TR	Total general revenues			
CN	Change in net position			
NB	Net position, beginning of year			
PA	Prior period adjustments			
	Beginning net position, as restated			
NE	Net position, ending			

See Notes to Financial Statements

Plainview Independent School District  
Statement of Activities (Exhibit B-1)  
Year Ended August 31, 2022

Net (Expense) Revenue and Changes in Net Position	
Primary Government	
6	8
Governmental Activities	Total
\$ (20,974,056)	\$ (20,974,056)
(458,838)	(458,838)
(815,218)	(815,218)
(797,532)	(797,532)
(3,222,063)	(3,222,063)
(823,202)	(823,202)
(30,835)	(30,835)
(669,174)	(669,174)
(2,189,011)	(2,189,011)
(1,856)	(1,856)
(2,493,859)	(2,493,859)
(1,824,581)	(1,824,581)
(6,417,521)	(6,417,521)
(889,705)	(889,705)
(1,563,997)	(1,563,997)
(26,546)	(26,546)
(1,017,355)	(1,017,355)
(12,149)	(12,149)
(56,968)	(56,968)
(429,719)	(429,719)
(44,714,185)	(44,714,185)
(44,714,185)	(44,714,185)
12,779,793	12,779,793
3,844,533	3,844,533
32,566,611	32,566,611
608,549	608,549
393,047	393,047
516,948	516,948
50,709,481	50,709,481
5,995,296	5,995,296
32,274,445	32,274,445
-	-
32,274,445	32,274,445
\$ 38,269,741	\$ 38,269,741

Data Control Codes		199	282
		General Fund	ESSER III
	Assets		
1110	Cash and cash equivalents	\$ 8,878,610	\$ -
1120	Current investments	23,272,695	-
1220	Property taxes - delinquent	678,957	-
1230	Allowance for uncollectible taxes (credit)	(239,248)	-
1240	Due from other governments	6,359	3,247,893
1260	Due from other funds	5,934,761	-
1290	Other receivables	-	-
1300	Inventories	53,114	-
1410	Prepayments	123	-
1000	Total assets	<u>38,585,371</u>	<u>3,247,893</u>
1000a	Total assets and deferred outflows	<u>\$ 38,585,371</u>	<u>\$ 3,247,893</u>
	Liabilities		
2110	Accounts payable	\$ 621,425	\$ -
2150	Payroll deductions and withholdings	8,302	-
2160	Accrued wages payable	1,945,450	89,967
2170	Due to other funds	784,923	3,157,926
2180	Due to other governments	2,461,418	-
2300	Unearned revenues	35,766	-
2000	Total liabilities	<u>5,857,284</u>	<u>3,247,893</u>
	Deferred inflows of resources		
	Unavailable revenue - property taxes	395,144	-
2600	Total deferred inflows of resources	<u>395,144</u>	<u>-</u>
	Fund balance		
3410	Nonspendable - inventories	53,114	-
3430	Nonspendable prepayments	123	-
3450	Restricted - federal or state funds	-	-
3470	Restricted - construction	-	-
3480	Restricted - debt service	-	-
3550	Assigned - construction	17,500,000	-
3570	Assigned - capital expenditures for equipment	1,500,000	-
3590	Assigned - other	-	-
3600	Unassigned	<u>13,279,706</u>	<u>-</u>
3000	Total fund balances	<u>32,332,943</u>	<u>-</u>
4000	Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 38,585,371</u>	<u>\$ 3,247,893</u>

See Notes to Financial Statements

Plainview Independent School District  
Balance Sheet – Governmental Funds (Exhibit C-1)  
August 31, 2022

699 Capital Projects Fund	Total Nonmajor Funds	Total Governmental Funds
\$ 661,939	\$ 3,266,899	\$ 12,807,448
15,000,000	-	38,272,695
-	63,146	742,103
-	(2,529)	(241,777)
-	2,988,180	6,242,432
744,011	40,912	6,719,684
-	1,128	1,128
-	-	53,114
-	-	123
<u>16,405,950</u>	<u>6,357,736</u>	<u>64,596,950</u>
<u>\$ 16,405,950</u>	<u>\$ 6,357,736</u>	<u>\$ 64,596,950</u>
\$ 2,616,845	\$ 171,002	\$ 3,409,272
-	-	8,302
-	207,700	2,243,117
-	2,776,835	6,719,684
-	-	2,461,418
-	113,549	149,315
<u>2,616,845</u>	<u>3,269,086</u>	<u>14,991,108</u>
-	217,306	612,450
-	217,306	612,450
-	-	53,114
-	-	123
-	1,639,699	1,639,699
13,789,105	-	13,789,105
-	995,264	995,264
-	-	17,500,000
-	-	1,500,000
-	236,381	236,381
-	-	13,279,706
<u>13,789,105</u>	<u>2,871,344</u>	<u>48,993,392</u>
<u>\$ 16,405,950</u>	<u>\$ 6,357,736</u>	<u>\$ 64,596,950</u>

Plainview Independent School District  
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position (Exhibit C-1r)  
August 31, 2022

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Total Fund Balances - Governmental Funds (Exhibit C-1)		\$ 48,993,392
1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.		
		262,195
2 Capital assets, net of accumulated depreciation, are not financial resources and therefore are not reported as assets in governmental funds.		
		96,117,383
3 Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
Lease liability	(20,007)	
Bonds payable	(64,765,000)	
Unamortized premiums on bonds payable	<u>(10,469,598)</u>	(75,254,605)
4 Accrued interest is not due and payable in the current period and therefore is not reported as a liability in the governmental funds.		
		(110,498)
5 Certain assets are not available to pay for current period expenditures and therefore are deferred in the funds. These are:		
Deferred inflows of resources for property taxes		612,450
6 The government-wide statements includes the District's proportionate share of the TRS net pension liabilities and TRS-Care net OPEB liabilities, as well as certain pension and OPEB related transactions accounted for as deferred inflows and outflows of resources:		
Net pension liability	(5,601,694)	
Deferred outflows of resources - TRS pension	3,676,011	
Deferred inflows of resources - TRS pension	(7,533,810)	
Net OPEB liability	(13,611,298)	
Deferred outflows of resources - TRS-Care OPEB	2,463,871	
Deferred inflows of resources - TRS-Care OPEB	<u>(11,743,656)</u>	<u>(32,350,576)</u>
19 Net position of governmental activities - Statement of Net Position (Exhibit A-1)		
		<u><u>\$ 38,269,741</u></u>

Data Control Codes		199	282
		General Fund	ESSER III
	Revenues		
5700	Local and intermediate sources	\$ 13,548,213	\$ -
5800	State program revenues	34,594,202	-
5900	Federal program revenues	2,146,799	5,130,153
5020	Total revenues	<u>50,289,214</u>	<u>5,130,153</u>
	Expenditures		
	Current		
0011	Instruction	22,293,453	4,081,759
0012	Instructional resources and media services	459,217	-
0013	Curriculum and instructional and staff development	969,429	81,968
0021	Instructional leadership	877,758	-
0023	School leadership	3,568,887	3,077
0031	Guidance, counseling, and evaluation services	1,031,793	464,685
0032	Social work services	30,124	-
0033	Health services	559,378	24,918
0034	Student transportation	2,184,636	-
0035	Food services	-	-
0036	Extracurricular activities	2,518,378	-
0041	General administration	1,958,651	-
0051	Facilities maintenance and operations	6,082,200	301,959
0052	Security and monitoring services	933,508	68,000
0053	Data processing services	1,902,290	84,835
0061	Community services	14,276	18,952
	Debt service		
0071	Principal on long-term debt	279,076	-
0072	Interest on long-term debt	10,723	-
0073	Bond issuance cost and fees	-	-
	Capital outlay		
0081	Facilities acquisition and construction	6,201,110	-
	Intergovernmental		
0095	Payments to juvenile justice alternative ed.prg.	56,968	-
0099	Other intergovernmental charges	210,584	-
6030	Total expenditures	<u>52,142,439</u>	<u>5,130,153</u>
1100	Excess (deficiency) of revenues over (under) expenditures	<u>(1,853,225)</u>	-
1200	Net change in fund balances	<u>(1,853,225)</u>	-
0100	Fund balances, beginning	<u>34,186,168</u>	-
3000	Fund balances, ending	<u>\$ 32,332,943</u>	<u>\$ -</u>

See Notes to Financial Statements



Plainview Independent School District

Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds (Exhibit C-2)

Year Ended August 31, 2022

699 Capital Projects Fund	Total Nonmajor Funds	Total Governmental Funds
\$ 192,354	\$ 4,019,301	\$ 17,759,868
-	1,620,587	36,214,789
-	10,451,280	17,728,232
<u>192,354</u>	<u>16,091,168</u>	<u>71,702,889</u>
2,137,891	5,730,080	34,243,183
-	-	459,217
-	910,635	1,962,032
-	126,611	1,004,369
-	37,620	3,609,584
-	575,665	2,072,143
-	5,688	35,812
-	84,330	668,626
-	-	2,184,636
-	2,446,370	2,446,370
48,073	164,727	2,731,178
-	68,113	2,026,764
1,005,841	646,426	8,036,426
-	85,666	1,087,174
-	162,963	2,150,088
-	73,593	106,821
-	1,727,889	2,006,965
-	2,584,575	2,595,298
-	3,750	3,750
47,076,766	-	53,277,876
-	-	56,968
-	-	210,584
<u>50,268,571</u>	<u>15,434,701</u>	<u>122,975,864</u>
<u>(50,076,217)</u>	<u>656,467</u>	<u>(51,272,975)</u>
<u>(50,076,217)</u>	<u>656,467</u>	<u>(51,272,975)</u>
<u>63,865,322</u>	<u>2,214,877</u>	<u>100,266,367</u>
<u>\$ 13,789,105</u>	<u>\$ 2,871,344</u>	<u>\$ 48,993,392</u>

Plainview Independent School District  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental  
 Funds to the Statement of Activities (Exhibit C-2r)  
 Year Ended August 31, 2022

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Total Net Change in Fund Balances - Governmental Funds (Exhibit C-2)	\$ (51,272,975)
The District uses internal service funds to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The change in net position of internal service funds is reported with governmental activities. The net effect of this consolidation is to decrease net position.	(76,539)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2022 capital outlays of \$54,784,274, bond principal payments of \$1,725,000 and lease principal payments of \$273,566 is to increase net position.	56,782,840
Depreciation and amortization are not recognized as an expense in governmental funds since they do not require the use of current financial resources. The net effect of the current year's depreciation and amortization is to decrease net position.	(2,373,738)
Bond premiums are recorded as other financing sources when received in the fund financial statements but are capitalized and amortized in the government-wide financial statements. This is the current year amortization.	373,914
Changes in the deferred outflows of resources, deferred inflows of resources and net pension liability must be recorded as expenses. Changes in contributions made after the measurement date caused the change in net position to increase in the amount of \$530,880. The District's share of the unrecognized deferred inflows and outflows for TRS as of the measurement date must be amortized and the District's proportionate share of the pension expense must be recognized. These cause the change in net position to increase in the amount of \$666,768. The net effect is an increase in net position.	1,197,648
Changes in the deferred outflows of resources, deferred inflows of resources and net OPEB liability must be recorded as expenses. Changes in contributions made after the measurement date caused the change in net position to increase in the amount of \$79,502. The District's share of the unrecognized deferred inflows and outflows for TRS as of the measurement date must be amortized and the District's proportionate share of the OPEB expense must be recognized. These cause the change in net position to increase in the amount of \$1,071,783. The net effect is an increase in net position.	1,151,285
Interest payable on long-term debt is accrued in the government-wide financial statements, whereas in the fund financial statements, interest expense is reported when due. The current year change in the accrual is a decrease of \$3,750. The net effect is to increase net position.	3,750
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing deferred tax revenue of \$612,450 as revenue, removing the prior year's tax collection of \$403,339, and eliminating interfund transactions.	209,111
Change in net position of governmental activities - Statement of Activities (Exhibit B-1)	<u><u>\$ 5,995,296</u></u>

Plainview Independent School District  
Statement of Net Position – Proprietary Funds (Exhibit D-1)  
August 31, 2022

<u>Data Control Codes</u>		<u>Governmental Activities Internal Service Funds</u>
	Assets	
	Current assets	
1110	Cash and cash equivalents	\$ 262,195
1000	Total assets	<u>\$ 262,195</u>
	Net position	
3900	Unrestricted	<u>\$ 262,195</u>
3000	Total net position	<u><u>\$ 262,195</u></u>

Plainview Independent School District  
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds (Exhibit D-2)  
Year Ended August 31, 2022

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<u>Data Control Codes</u>		<u>Governmental Activities Internal Service Funds</u>
	Operating revenues	
5700	Local and intermediate sources	\$ 98,634
5020	Total operating revenues	98,634
	Operating expenses	
6100	Payroll costs	175,676
6030	Total operating expenses	175,676
	Operating loss	(77,042)
	Nonoperating revenues	
5742	Earnings from temporary deposits and investments	503
	Total nonoperating revenues	503
1300	Change in net position	(76,539)
0100	Net position, beginning	338,734
3300	Net position, ending	\$ 262,195

Plainview Independent School District  
Statement of Cash Flows – Proprietary Funds (Exhibit D-3)  
Year Ended August 31, 2022

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	Governmental Activities Internal Service Funds
Operating Activities	
Cash receipts for operating transactions	\$ 98,634
Cash payment for insurance claims	(175,676)
Net cash used for operating activities	(77,042)
Investing Activities	
Earnings from temporary deposits and investments	503
Net cash from investing activities	503
Net change in cash and cash equivalents	(76,539)
Cash balances - beginning of the year	338,734
Cash balances - end of the year	\$ 262,195
Reconciliation of operating loss to net cash used for operating activities	
Operating loss	\$ (77,042)
Net cash used for operating activities	\$ (77,042)

Plainview Independent School District  
Statement of Fiduciary Net Position – Fiduciary Funds (Exhibit E-1)  
August 31, 2022

	Custodial Funds			Total
	829 Scholarship Custodial Fund	865 Student Activity	876 UIL Custodial Fund	
<b>Assets</b>				
Cash and cash equivalents	\$ 19,539	\$ 72,937	\$ 9,387	\$ 101,863
Total assets	19,539	72,937	9,387	101,863
<b>Liabilities</b>				
Accounts payable	2,000	-	-	2,000
Total liabilities	2,000	-	-	2,000
<b>Net Position</b>				
Restricted for scholarships	17,539	-	-	17,539
Restricted for student activities	-	72,937	-	72,937
Restricted for other	-	-	9,387	9,387
Total net position	<u>\$ 17,539</u>	<u>\$ 72,937</u>	<u>\$ 9,387</u>	<u>\$ 99,863</u>

Plainview Independent School District  
Statement of Changes in Fiduciary Net Position – Fiduciary Funds (Exhibit E-2)  
Year Ended August 31, 2022

	Custodial Funds			Total
	829 Scholarship Custodial Fund	865 Student Activity	876 UIL Custodial Fund	
Additions				
Contributions	\$ 4,800	\$ 89,971	\$ 46,583	\$ 141,354
Total additions	4,800	89,971	46,583	141,354
Deductions				
Extracurricular activities	-	87,942	47,518	135,460
General administration	-	-	933	933
Community services	6,800	-	-	6,800
Total deductions	6,800	87,942	48,451	143,193
Change in net position	(2,000)	2,029	(1,868)	(1,839)
Net position, beginning	19,539	70,908	11,255	101,702
Net position, ending	<u>\$ 17,539</u>	<u>\$ 72,937</u>	<u>\$ 9,387</u>	<u>\$ 99,863</u>

**Note 1 - Reporting Entity**

The Board of Trustees, a seven-member group, has fiscal accountability over all activities related to public elementary and secondary education within the jurisdiction of the Plainview Independent School District (the District). The public elects the members of the Board of Trustees. The trustees as a body corporate have 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 TEA or to the State Board of Education are reserved for the trustees, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the trustees. The District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. There are no component units included within the reporting entity. The financial statements of the District include all activities for which the Board exercises these governance responsibilities.

The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities.

**Government-Wide and Fund Financial Statements**

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.



**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

The Proprietary Fund Types and Fiduciary Funds are accounted for using the *current financial resources measurement focus and the modified accrual basis of accounting*. Revenues are recognized in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into net investment in capital assets, restricted net position, and unrestricted net position.

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

The government reports the following major governmental funds:

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

The *ESSER III Grant* accounts for resources restricted by the grantor agency for this federal program.

*Capital Projects Fund*, a governmental fund type, is used to account for the proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions.

Additionally, the District reports the following fund types:

The *special revenue funds*, a governmental fund type, account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The District accounts for each federal and state grant in a separate special revenue fund.

The *internal service fund*, a proprietary fund type. Revenues and expenses are related to services provided to organizations inside the District on a cost reimbursement basis. Internal service funds inherently create redundancy because their expenses are recorded a second time in the fund that are billed for the services they provide. Therefore, on the government-wide financial statements, the operations of the internal service funds are consolidated and interfund transactions are eliminated. The District's internal service fund is the workers compensation fund.

The fiduciary funds, the District has the following:

*Custodial fund* – The District accounts for resources held for others in a custodial capacity in custodial funds. The District's custodial funds are the scholarship fund, student activity fund and District's UIL custodial fund.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from *nonoperating items*. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. Operating expenses include claims expense. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources, as they are needed.

### **Deposits and Investments**

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

### **Interfund Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

### Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

<u>Assets</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	15-40 years
Furniture and equipment	5-10 years

### Inventories

Inventories of supplies on the balance sheet are stated at weighted average cost. Inventory items are recorded as expenditure when they are consumed. Supplies are used for almost all functions of activity. Inventories also include plant maintenance and operations supplies as well as instructional supplies.

### Prepayments

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

### Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premiums or discounts.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Deferred Outflows/Inflows of Resources**

Deferred outflows/inflows of resources are separate elements of the financial statements. The District has deferred inflows of resources, which arises under the modified accrual basis of accounting, unavailable revenue from property taxes and for its proportionate share of TRS's deferred inflow related to pensions as described in Note 9 and its OPEB liability as described in Note 10. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District has deferred outflows of resources for its proportionate share of TRS's deferred outflow related to pensions as described in Note 9 and for its proportionate share of TRS-Care's deferred outflow related to OPEB as described in Note 10.

**Property Tax**

In the governmental fund financial statements, property tax revenues are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by January 31 of the year following the October 1 levy date. The assessed value of the property tax roll (net of exemptions), upon which the levy for the August 31, 2022 fiscal year was based, was \$1,234,380,010. Taxes are delinquent if not paid by February 1. Delinquent taxes are subject to both penalty and interest charges plus delinquent collection fees for attorney costs.

Current tax collections for the year ended August 31, 2022 were 98.3% of the year-end adjusted tax levy. Allowances for uncollectible taxes within the General Fund and Debt Service Fund are based on historical experience in collecting 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. As of August 31, 2022, property taxes receivable, net of estimated uncollectible taxes, totaled \$500,326.

The tax rate to finance general governmental services was \$1.0517 per \$100 and the tax rate to finance the payment of principal and interest on long-term obligations was \$0.3030 per \$100 for the year ended August 31, 2022.

**Fund Balance**

The District classifies governmental fund balance in accordance with GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions:

*Nonspendable* fund balance includes fund balance that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. The District had nonspendable fund balance for inventory of \$53,114 and prepaid items of \$123 at August 31, 2022.

*Restricted* fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. At August 31, 2022, the District had restricted fund balance for grant funding of \$1,639,699, \$13,789,105 restricted for capital acquisition and contractual obligations and \$995,264 restricted for debt service.

*Committed* fund balance is established and modified by a resolution from the District's Board, the District's highest level of decision-making authority, and can be used only for the specific purposes determined by the Board's resolution. At August 31, 2022, the District had no committed fund balances.

*Assigned* fund balance is intended to be used by the District for specific purposes but does not meet the criteria to be classified as restricted or committed. The Board has delegated the authority to assign fund balance to the Superintendent. At August 31, 2022, the District had \$17,500,000 assigned for construction, \$1,500,000 assigned for capital expenditures for equipment, and \$236,381 assigned for campus activities.

*Unassigned* fund balance is the residual classification for the District's general fund and includes all spendable amounts not contained in the other classifications.

The District uses restricted amounts first when both restricted and unrestricted fund balances are available. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

### **Pensions**

The fiduciary net position of the 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.

### **OPEB**

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

### **Use of Estimates**

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

**Implementation of GASB Statement No. 87**

As of September 1, 2021, the District adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The standard requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The effect of the implementation of this standard on beginning net position is disclosed in Note 16 and the additional disclosures required by this standard is included in Note 7.

**New Accounting Pronouncements****GASB Statement No. 89: *Accounting for Interest Cost Incurred Before the End of a Construction Period.***

Statement 89 was issued in June 2018. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement becomes effective for the District in fiscal year 2022. The implementation had no significant effect on the District's financial statements

**GASB Statement No. 91: *Conduit Debt Obligations.*** Statement 91 was issued in May 2019. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This standard becomes effective for the District in fiscal year 2023. The District has not yet determined the impact of this statement.

**GASB Statement No. 92: *Omnibus 2020.*** Statement 92 was issued in January 2020. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This standard becomes effective for the District in fiscal year 2022. The implementation had no significant effect on the District's financial statements.

**GASB Statement No. 93: *Replacement of Interbank Offered Rates.*** Statement 93 was issued in March 2020. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. This standard became effective for the District in fiscal year 2021. The implementation had no significant effect on the District's financial statements.

***GASB Statement No. 94: Public-Private and Public-Public Partnerships and Availability Payment***

***Arrangements.*** Statement 94 was issued in March 2020. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. This standard becomes effective for the District in fiscal year 2023. The District has not yet determined the impact of this statement.

***GASB Statement No. 95: Postponement of Effective Dates of Certain Authoritative Guidance.*** Statement 95 was issued in May 2020. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. This standard became effective for the District in fiscal year 2020. The implementation had no significant effect on the District's financial statements.

***GASB Statement No. 96: Subscription-Based Information Technology Arrangements.*** Statement 96 was issued in May 2020. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset— an intangible asset— and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. This standard becomes effective for the District in fiscal year 2023. The District has not yet determined the impact of this statement.

***GASB Statement No. 97: Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.*** Statement 97 was issued in June 2020. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. This standard becomes effective for the District in fiscal year 2022. The implementation had no significant effect on the District's financial statements.

**GASB Statement No. 98: *The Annual Comprehensive Financial Report*.** Statement 98 was issued in October 2021. This Statement establishes the term “annual comprehensive financial report” and its acronym “ACFR”. That new term and acronym replace instances of “comprehensive annual financial report” and its acronym in generally accepted accounting principles for state and local governments. This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for “comprehensive annual financial report” sounds like a profoundly objectionable racial slur. This Statement’s introduction of the new term is founded on a commitment to promoting inclusiveness. This standard becomes effective for fiscal years ending after December 15, 2021. The District has implemented this statement.

**GASB Statement No. 99: *Omnibus 2022*.** Statement 99 was issued in April 2022. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

The practice issues addressed by this Statement include the classification and reporting of derivative instruments within the scope of *Statement No. 53, Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument. Clarification of provisions in *Statement No. 87, Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives. Clarification of provisions in *Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset. Clarification of provisions in *Statement No. 96, Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability. Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt. Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP). Disclosures related to nonmonetary transactions. Pledges of future revenues when resources are not received by the pledging government. Clarification of provisions in *Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, as amended, related to the focus of the government-wide financial statements. Terminology updates related to certain provisions of *Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Terminology used in Statement 53 to refer to resource flows statements.

The requirements of Statement 99 that are related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The District has not yet determined the impact of this statement.



The requirements of Statement 99 that are related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The District has not yet determined the impact of this statement.

**GASB issued Statement No. 100, *Accounting Changes and Error Corrections*.** Statement 100 was issued in June 2022 and is an amendment of GASB Statement No. 62. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

**GASB issued Statement No. 101, *Compensated Absences*.** Statement 101 was issued in June 2022. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

## **Note 2 - Stewardship, Compliance and Accountability**

### **Budgetary Information**

Formal budgetary accounting is employed for all required Governmental Fund Types, as outlined in TEA's Financial Accounting Resource (FAR) module and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles. The budget is prepared and controlled at the function level within each organization to which responsibility for controlling operations is assigned.

The official school budget is prepared for adoption for required Governmental Fund Types prior to August 20 of the preceding fiscal year for the subsequent fiscal year beginning September 1. The budget is formally adopted by the Board of Trustees at a public meeting held at least ten days after public notice has been given.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, Debt Service Fund, and the Child Nutrition Special Revenue Fund. The remaining special revenue funds adopt project-length budgets that do not correspond to the District's fiscal year.

**Note 3 - Fair Value Measurements**

Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into three-level fair value hierarchy as follows:

- Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.
- Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.
- Level 3 inputs are unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value:

- Market approach – uses prices generated by market transactions involving identical or comparable assets or liabilities.
- Cost approach – uses the amount that currently would be required to replace the service capacity of an asset (replacement cost).
- Income approach – uses valuation techniques to convert future amounts to present amounts based on current market expectations.

**Note 4 - Detailed Notes on All Funds****Deposits and Investments**

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the School Depository Act. The depository bank 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) coverage. In order to maximize return on cash balances, the District uses consolidated bank accounts from which all disbursements are made, with cash in excess of the District's total daily requirement being invested for future needs.

At August 31, 2022, the bank balance of \$14,358,396 was on deposit with the contracted depository bank. District funds are insured up to \$250,000 for the combined amount of all time and savings accounts. Interest-bearing accounts were collateralized by pledged United States government securities with a fair value of \$91,040,866 at August 31, 2022, held by Prosperity Bank. Because Prosperity Bank holds the pledged securities in trust on behalf of the District, the deposits were deemed collateralized under Texas law. All campus activity funds were on deposit with the contracted depository.

### Investments

The Texas legislature passed the Public Funds Investment Act of 1995 (“Public Funds Investment Act”) which authorizes the District to invest its excess funds in the following:

- Obligations of the United States or its agencies and instrumentalities,
- Obligations of the State of Texas or its agencies, and instrumentalities,
- Other obligations guaranteed by the United States or the State of Texas or their agencies and instrumentalities,
- Public funds investment pools,
- No load money market funds with a weighted average maturity of 90 days or less,
- Fully collateralized repurchase agreements,
- Obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality not less than an “A”, or its equivalent, by a nationally recognized investment rating firm,
- Commercial paper having a stated maturity of 365 days or fewer from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies or one nationally recognized credit agency and is fully secured by an irrevocable letter of credit,
- Guaranteed investment contracts for bond proceeds investment only, with a defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas Public Funds Investment Act in an amount equal to the bond proceeds,
- Guaranteed or secured certificates of deposit, issued by state and national banks domiciled in Texas, and insured by federal depository insurance or secured by the obligations mentioned above,
- Bonds issued, assumed or guaranteed by the State of Israel, and Secured corporate bonds rated not lower than “AA—” or the equivalent.

The Public Funds Investment Act requires an annual review and approval of investment policies and practices. The review disclosed that in this area of investment practices, management reports and establishment of appropriate policies, the District materially adhered to the requirements of the Public Funds Investment Act. Additionally, investment practices of the District were in accordance with local policies, which are more restrictive than state statutes.

As of August 31, 2022, the following are the cash equivalents and investments held by the District, with respective maturities and credit rating:

Type of Investment	Book Value	Percent	Fair Value	Percent	Maturity in Less Than 1 Year	Maturity in 1-10 years	Credit Rating
Cash	\$13,171,506	26%	\$13,171,506	26%	\$ 13,171,506	\$ -	N/A
Investment pools:							
Texas CLASS	38,272,695	74%	38,272,695	74%	38,272,695	-	AAA
Total investment pools	38,272,695	74%	38,272,695	74%	38,272,695	-	
Total cash and investments	\$51,444,201	100%	\$51,444,201	100%	\$ 51,444,201	\$ -	

Investment Pools are measured at amortized cost or net asset value, i.e. fair value. As such, these investments are not required to be reported in the fair value hierarchy.

#### **Texas CLASS**

Texas CLASS is a local government investment pool emphasizing safety, liquidity, convenience and competitive yield. Since 1996, Texas CLASS has provided Texas public entities a safe and competitive investment alternative. Texas CLASS invests only in securities allowed by the Texas Public Funds Investment Act. Texas CLASS carries a letter of credit that ensures the integrity of the fund, making it the only investment pool in Texas backed by a letter of credit. The pool is governed by a board of trustees, elected annually by its participants. Texas CLASS uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in Texas CLASS is the same as the value of Texas CLASS Shares.

#### **Interest Rate Risk**

The District's investment policy states that any internally created pool fund group of the District shall have a maximum dollar weighted maturity of 180 days. The maximum allowable stated maturity of any other individual investment owned by the District shall not exceed one year from the time of purchase. The Board may specifically authorize a longer maturity for a given investment, within legal limits.

#### **Credit Risk**

The District's investments in Local Government Investment Pools (LGIP's) include: Texas CLASS. This is a public fund investment pool operating in full compliance with the Public Funds Investment Act. Texas CLASS is rated "AAA" by Standard and Poor's"

**Concentration of Credit Risk**

The District's investment policy does not limit investments in any one issuer except that the investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from overconcentration of assets in a specific class of investments, specific maturity, or specific issuer.

**Custodial Credit Risk – Deposits**

This is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. All deposits not covered by FDIC insurance but held in the depository bank, Prosperity Bank, were fully collateralized.

**Foreign Currency Risk**

As of August 31, 2022, there are no foreign currency investments in the District's portfolio.

**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 August 31, 2022, are summarized below.

Governmental Activities	Local	State Grants/ Entitlements	Federal Grants	Total
General Fund	\$ -	\$ 6,359	\$ -	\$ 6,359
ESSER III	-	-	3,247,893	3,247,893
Nonmajor Governmental Funds	-	-	2,988,180	2,988,180
	\$ -	\$ 6,359	\$ 6,236,073	\$ 6,242,432

**Interfund Receivables and Payables**

The composition of interfund balances as of August 31, 2022, is as follows:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 5,934,761	\$ 784,923
ESSER III	-	3,157,926
Capital Projects	744,011	-
Nonmajor Governmental Funds	40,912	2,776,835
Totals	\$ 6,719,684	\$ 6,719,684

Interfund receivables and payables were recorded to eliminate cash deficit balances and to record temporary interfund borrowing.

**Note 5 - Capital Assets**

Capital asset activity for the year ended August 31, 2022 was as follows:

Governmental Activities	Beginning Balances (as restated)	Additions	Deletions	Ending Balances
Capital assets, not being depreciated				
Land	\$ 691,602	\$ -	\$ -	\$ 691,602
Construction in progress	15,218,598	44,953,520	-	60,172,118
Total capital assets, not being depreciated	<u>15,910,200</u>	<u>44,953,520</u>	<u>-</u>	<u>60,863,720</u>
Capital assets, being depreciated				
Building and improvements	69,764,046	8,776,601	-	78,540,647
Furniture and equipment	6,616,740	1,054,153	-	7,670,893
Total capital assets, being depreciated	<u>76,380,786</u>	<u>9,830,754</u>	<u>-</u>	<u>86,211,540</u>
Less accumulated depreciation for				
Building and improvements	(43,912,117)	(2,035,614)	-	(45,947,731)
Furniture and equipment	(5,031,068)	(286,032)	-	(5,317,100)
Total accumulated depreciation	<u>(48,943,185)</u>	<u>(2,321,646)</u>	<u>-</u>	<u>(51,264,831)</u>
Total capital assets, being depreciated (net)	<u>27,437,601</u>	<u>7,509,108</u>	<u>-</u>	<u>34,946,709</u>
Right-to-use leased assets being amortized				
Equipment	400,908	-	-	400,908
Total right-to-use leased assets being amortized	<u>400,908</u>	<u>-</u>	<u>-</u>	<u>400,908</u>
Less accumulated amortization for				
Equipment	(41,862)	(52,092)	-	(93,954)
Total accumulated amortization	<u>(41,862)</u>	<u>(52,092)</u>	<u>-</u>	<u>(93,954)</u>
Net amortized assets	<u>359,046</u>	<u>(52,092)</u>	<u>-</u>	<u>306,954</u>
Governmental act Total capital assets (net)	<u>\$ 43,706,847</u>	<u>\$ 52,410,536</u>	<u>\$ -</u>	<u>\$ 96,117,383</u>

Estimated costs to complete construction in progress for the year ended August 31, 2022 are \$13,500,000.

Plainview Independent School District

Notes to Financial Statements

August 31, 2022

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Depreciation expense was charged to the District's functions as follows:

Instruction	\$ 1,544,534
Instructional leadership	36,074
Social work services	3,838
Health services	1,390
Student transportation	4,375
Food service	137,427
Extracurricular activities	401,968
General administration	7,359
Facilities maintenance and operations	160,070
Security and monitoring services	9,686
Data processing services	14,925
	<hr/>
Total depreciation expense	\$ 2,321,646

Amortization expense for governmental activities was charged to the District's functions as follows:

Instruction	\$ 52,092
	<hr/>
Total amortization expense	\$ 52,092



**Note 6 - Long-Term Debt**

The long-term indebtedness of the District pertains to the Governmental Activities of the District. Expenditures for the debt service requirements of the leases payable are accounted for in the General Fund. Expenditures for the debt service requirements of the bonds payable are accounted for in the Debt Service Fund.

A summary of changes in total bonds payable and other long-term debt follows:

	Beginning Balance (as restated)	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds payable					
General obligation bonds	\$ 66,490,000	\$ -	\$(1,725,000)	\$64,765,000	\$1,815,000
Plus unamortized bond premium	10,843,512	-	(373,914)	10,469,598	-
Total bonds payable, net	77,333,512	-	(2,098,914)	75,234,598	1,815,000
Leases					
Equipment	293,573	-	(273,566)	20,007	16,629
Governmental activities long-term liabilities	<u>\$ 77,627,085</u>	<u>\$ -</u>	<u>\$(2,372,480)</u>	<u>\$75,254,605</u>	<u>\$1,831,629</u>

A summary of changes in bonds payable for the year ended August 31, 2022 is as follows:

	Interest Rate Payable	Amounts Original Issued	Beginning Balance	Debt Issued	Principal Retired	Ending Balance	Due Within One Year
Unlimited Tax School Building Bonds, Series 2020A	4.00% - 5.00%	\$52,155,000	\$ 51,490,000	\$ -	\$(1,725,000)	\$49,765,000	\$1,815,000
Unlimited Tax School Building Bonds, Series 2020B	4.00% - 5.00%	15,000,000	15,000,000	-	-	15,000,000	-
Total bonds payable			<u>\$ 66,490,000</u>	<u>\$ -</u>	<u>\$(1,725,000)</u>	<u>\$64,765,000</u>	<u>\$1,815,000</u>

Debt service requirements for the District's bonds payable are as follows:

Year Ending August 31,	Principal	Interest	Total Requirements
2023	\$ 1,815,000	\$ 2,496,075	\$ 4,311,075
2024	1,190,000	3,395,950	4,585,950
2025	1,250,000	3,334,950	4,584,950
2026	1,315,000	3,270,825	4,585,825
2027	1,385,000	3,203,325	4,588,325
2028-2032	8,065,000	14,875,875	22,940,875
2033-2037	10,085,000	12,850,750	22,935,750
2038-2042	12,375,000	10,563,800	22,938,800
2043-2047	15,595,000	7,134,475	22,729,475
2048-2050	11,690,000	1,452,400	13,142,400
Totals	\$ 64,765,000	\$ 62,578,425	\$ 127,343,425

There are a number of limitations and restrictions contained in the general obligation bond indentures. Management has indicated that the District is in compliance with all significant limitations and restrictions as of August 31, 2022.

Payment requirements for the District's leases for governmental activities are as follows:

Year Ending August 31,	Principal	Interest	Total Requirements
2023	\$ 16,629	\$ 448	\$ 17,077
2024	3,378	23	3,401
Totals	\$ 20,007	\$ 471	\$ 20,478

Vacations are to be taken within the same year they are earned, and any unused days at the end of the year are forfeited. Therefore, no liability for vacation leave has been accrued in the accompanying financial statements. Employees of the District are entitled to sick leave based on category/class of employment. Sick leave is allowed to be accumulated but does not vest. Therefore, a liability for unused sick leave has not been recorded in the accompanying financial statements.

**Note 7 - Leases**

The District entered an agreement to lease copiers for District-wide use beginning October 2018. Under the terms of the lease, the District pays a monthly fee of \$931. The lease terminates on September 30, 2023.

The District entered an agreement to lease postage meter for District-wide use beginning September 2017. Under the terms of the lease, the District pays a monthly fee of \$149. The lease terminates on August 31, 2022. The District entered an agreement to lease an additional postage meter for District-wide use beginning March 2019. Under the terms of the lease, the District pays a monthly fee of \$247. The lease terminates on February 29, 2024. The District entered an additional agreement to lease postage meter for District-wide use beginning March 2019. Under the terms of the lease, the District pays a monthly fee of \$247. The lease terminates on February 29, 2024.

The District entered into various leases for vehicles beginning February 2020. Under the terms of the leases, the District was required to make total monthly payments of \$6,784 until the leases terminated in April 2025. The leases contained an interest rate of 4.94%. The District made principal payments totaling \$255,807, which was all remaining amounts due under the leases, during the fiscal year ended August 31, 2022.

At August 31, 2022, the District has recognized a right to use asset, net of accumulated amortization, of \$306,954 and a lease liability of \$20,007 related to these agreements. During the fiscal year, the District recorded \$52,092 in amortization expense and \$1,107 in interest expense for the right to use the copier and vehicles. The District used a discount rate of 4.07% on the copier lease, 2.07% on the first postage machine and 3.52% on the second and third postage machines. The discount rates were based on the risk-free rate published by the United States Treasury as the District has no comparable publicly traded debt. The rates are then adjusted for the specific terms of each lease and the rating of the entity.

Remaining obligations associated with these leases for governmental activities are as follows:

Year Ending August 31,	Principal	Interest	Total Requirements
2023	\$ 16,629	\$ 448	\$ 17,077
2024	3,378	23	3,401
Totals	\$ 20,007	\$ 471	\$ 20,478

**Note 8 - Contingencies**

The District is not a party to any legal actions that are believed by the administration to have a material effect on the financial condition of the District. Accordingly, no provision for losses has been recorded in the accompanying financial statements for such contingencies.

The District participates in numerous state and federal grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2022, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

### **Note 9 - Defined Benefit Pension Plan**

#### **Plan Description**

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

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

#### **Pension Plan Fiduciary Net Position**

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Annual Comprehensive Financial Report (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](https://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 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 post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

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

### 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 86<sup>th</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 through 2025.

	<u>2021</u>	<u>2022</u>
Member	7.70%	8.00%
Non-employer contributing entity (state)	7.50%	7.75%
Employers/District	7.50%	7.75%

The contribution amounts for the District are as follows:

	2021	2022
Member contributions	\$ 2,589,406	\$ 2,636,806
NECE on-behalf contributions (state)	2,070,377	1,592,415
District contributions	939,390	1,470,270

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

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

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

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

- All public schools, charter schools, and regional educational service centers must contribute 1.6% of the member's salary beginning in fiscal year 2021, gradually increasing to 2% in fiscal year 2025.
- When employing a retiree of the TRS the employer shall pay both the member contribution and State contribution as an employment after retirement surcharge.

### Actuarial Assumptions

The total pension liability in the August 31, 2020 actuarial valuation rolled forward to August 31, 2021 was determined using the following actuarial assumptions on the following page:

Valuation date	August 31, 2020 rolled forward to August 31, 2021
Actuarial cost method	Individual entry age normal
Asset valuation method	Market value
Single discount rate	7.25%
Long-term expected investment rate of return	7.25%
Municipal bond rate as of August 2020	1.95%
Inflation	2.30%
Salary increases including inflation	3.05% to 9.05%
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 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 8.5% 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 those 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 expected rate of return on pension plan investments is 7.25%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target allocation as of August 31, 2021 (see page 53 of the TRS ACFR) are summarized on the following page.

**Teacher Retirement System of Texas  
Asset Allocation and Long-Term Expected Real Rate of Return  
As of August 31, 2021**

Asset Class <sup>4</sup>	Target Allocation <sup>1</sup>	Long-Term Expected Arithmetic Real Rate of Return <sup>2</sup>	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
U.S.	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 Return	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 and 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 <sup>3</sup>			-0.95%
<b>Total</b>	<b>100%</b>		<b>6.90%</b>

<sup>1</sup> Target Allocation based on FY 2021 policy manual.

<sup>2</sup> Capital Market Assumptions come from Aon Hewitt (as of 8/31/2021).

<sup>3</sup> The volatility drag results from the conversion between arithmetic and geometric mean returns.

<sup>4</sup> Absolute Return includes Credit Sensitive instruments.



**Discount Rate Sensitivity Analysis**

The following schedule shows 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% lower (6.25%) or 1% higher (8.25%) than the current rate.

	1% Decrease in Discount Rate 6.25%	Discount Rate 7.25%	1% Increase in Discount Rate 8.25%
Total TRS net pension liability	\$55,648,259,551	\$25,466,461,134	\$979,861,293
District's proportionate share of the net pension liability	\$ 12,240,590	\$ 5,601,694	\$ 215,534

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

At August 31, 2022, the District reported a liability of \$5,601,694 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 net pension liability	\$ 5,601,694
State's proportionate share of the net pension liability associated with the District	12,337,868
Total	<u>\$ 17,939,562</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 employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2020 through August 31, 2021.

At August 31, 2021, the employer's proportion of the collective net pension liability was .0219963578% which was an increase of .00046546% from its proportion measured as of August 31, 2020.

**Changes Since the Prior Actuarial Valuation**

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

For the fiscal year ended August 31, 2022, the District recognized pension expense of \$271,921 and revenue of \$2,067,486 for support provided by the State.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 9,374	\$ 394,364
Changes in actuarial assumptions	1,980,089	863,149
Net difference between projected and actual earnings on pension plan investments	-	4,696,947
Changes in proportion and difference between District contribution and proportionate share of contributions	216,278	1,579,350
Contributions paid to TRS subsequent to the measurement date	<u>1,470,270</u>	<u>-</u>
Total as of fiscal year end	<u><u>\$ 3,676,011</u></u>	<u><u>\$ 7,533,810</u></u>

\$1,470,270 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended August 31, 2023.

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

<u>Year Ended August 31,</u>	<u>Pension Expense Amount</u>
2023	\$ (1,094,276)
2024	(1,073,522)
2025	(1,410,476)
2026	(1,668,668)
2027	(80,987)
Thereafter	<u>(140)</u>
	<u><u>\$ (5,328,069)</u></u>

**Note 10 - Postemployment Health Benefits****Plan Description**

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature.

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

**OPEB Plan Fiduciary Net Position**

Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [https://www.trs.texas.gov/TRS%20Documents/cafr\\_2020.pdf](https://www.trs.texas.gov/TRS%20Documents/cafr_2020.pdf); or by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

**Benefits Provided**

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

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

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

TRS-Care Premium Monthly Rates

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

## Contributions

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

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

Contribution Rates		
	2021	2022
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%
	2021	2022
Employer Contributions	\$ 275,913	\$ 355,415
Member Contributions	218,588	214,240
NECE On-behalf Contributions	396,420	304,252

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

TRS-Care received supplemental appropriations authorized by Senate Bill 1264 of the 86<sup>th</sup> Legislature as the Non-Employer Contributing Entity in the amount of \$5.5 million in fiscal year 2021 for consumer protections against medical and health care billing by certain out-of-network providers.

**Actuarial Assumptions**

The actuarial valuation was performed as of August 31, 2020. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2021. The actuarial valuation was determined using the following actuarial assumptions:

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The demographic assumptions were developed in the experience study performed for the 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 plan 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 incidence	

The active mortality rates were based on 90% of the RP-2014 Employee Mortality Tables for males and females. The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Rates. The rates were projected on a fully generational basis using the ultimate improvement rates from mortality projection scale MP-2018.

**Additional Actuarial Methods and Assumptions**

Valuation Date	August 31, 2020 rolled forward to August 31, 2021
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	1.95% as of August 31, 2021
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Salary Increases	3.05% to 9.05%
Healthcare Trend Rates	4.25% to 8.5%
	The initial medical trend rates were 8.5% for Medicare retirees and 7.10% for non-Medicare retirees. There was an initial prescription drug trend rate of 8.5% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 12 years.
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 post-employment benefit changes	None

**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 applied to all periods of projected benefit payments to determine the total OPEB liability.

The source of the municipal bond rate is the Fixed Income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-Year Municipal GO AA Index.”

### Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% lower than and 1% higher than the discount rate that was used (1.95%) in measuring the Net OPEB Liability.

	<u>1% Decrease in Discount Rate (0.95%)</u>	<u>Discount Rate (1.95%)</u>	<u>1% Increase in Discount Rate (2.95%)</u>
Total TRS Net OPEB Liability	\$ 46,529,697,637	\$ 38,574,468,613	\$ 32,313,444,468
District's proportionate share of the Net OPEB Liability	\$ 16,418,362	\$ 13,611,298	\$ 11,402,047

### Healthcare Cost Trend Rate Sensitivity Analysis

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

	<u>1% Decrease Healthcare Trend Rate</u>	<u>Current Single Healthcare Trend Rate</u>	<u>1% Increase in Healthcare Trend Rate</u>
Total TRS Net OPEB Liability	\$ 31,244,041,262	\$ 38,574,468,613	\$ 48,410,081,189
District's proportionate share of the Net OPEB Liability	\$ 11,024,700	\$ 13,611,298	\$ 17,081,870

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

At August 31, 2022, the District reported a liability of \$13,611,298 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 Net OPEB Liability	\$ 13,611,298
State's proportionate share of the Net OPEB Liability associated with the District	18,236,106
	<u>\$ 31,847,404</u>

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

At August 31, 2021, the District's proportion of the collective Net OPEB Liability was 0.035285770%, compared to 0.035550021% as of August 31, 2020 .

### Changes Since the Prior Actuarial Valuation

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

- The discount rate changed from 2.33% as of August 31, 2020, to 1.95% as of August 31, 2021. This change increased the Total OPEB liability.

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

For the year ended August 31, 2022, the District recognized OPEB expense of \$907,523 and revenue of \$369,326 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Differences between expected and actual economic experience	\$ 586,031	\$ 6,588,821
Changes in actuarial assumptions	1,507,611	2,878,538
Net difference between projected and actual earnings on pension plan investments	14,778	-
Changes in proportion and difference between District contribution and proportionate share of contributions	36	2,276,297
Contributions paid to TRS subsequent to the measurement date	<u>355,415</u>	<u>-</u>
Total as of fiscal year end	<u><u>\$ 2,463,871</u></u>	<u><u>\$ 11,743,656</u></u>



\$355,415 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ended August 31, 2023.

The other 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>Year Ended</u> <u>August 31,</u>	<u>OPEB</u> <u>Expense</u>
2023	\$ (1,775,759)
2024	(1,776,092)
2025	(1,776,001)
2026	(1,417,718)
2027	(932,661)
Thereafter	<u>(1,956,969)</u>
	<u>\$ (9,635,200)</u>

#### **Medicare Part D**

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments have been recognized as equal revenues and expenditures by the District in the amount of \$138,137; \$150,232; and \$137,434 for the years ended August 31, 2022, 2021, and 2020, respectively.

#### **Note 11 - Workers' Compensation Coverage**

During the year ended August 31, 2022, the District met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the Fund.) The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members' injured employees.

The District participates in the Fund's reimbursable aggregate deductible program. As such, the member is responsible for a certain amount of claims' liability as outlined on the member's Contribution and Coverage Summary document. After the member's deductible has been met, the Fund is responsible for additional claims liability.

The Fund and its members are protected against higher than expected claims cost through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$2 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2021, the Fund carries a discounted reserve of \$44,985,187 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2022, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions and reimbursable aggregate deductibles.

The Fund engages the services of independent auditors to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2021, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin, Texas.

#### Note 12 - Revenues from Local and Intermediate Sources

For the year ended August 31, 2022, revenues from local and intermediate sources for governmental fund types consisted of the following:

	General Fund	ESSER III	Capital Projects Fund	Total Nonmajor Funds	Total
Property taxes	\$ 12,754,874	\$ -	\$ -	\$ 3,696,259	\$ 16,451,133
Food service sales	-	-	-	138,519	138,519
Investment income	193,351	-	192,354	7,342	393,047
Penalties, interest, and other tax related income	163,971	-	-	-	163,971
Cocurricular student activities	227,106	-	-	152,680	379,786
Insurance proceeds	2,792	-	-	-	2,792
Gifts and bequests	-	-	-	18,032	18,032
Other	206,119	-	-	6,469	212,588
	<u>\$ 13,548,213</u>	<u>\$ -</u>	<u>\$ 192,354</u>	<u>\$ 4,019,301</u>	<u>\$ 17,759,868</u>
Total	<u>\$ 13,548,213</u>	<u>\$ -</u>	<u>\$ 192,354</u>	<u>\$ 4,019,301</u>	<u>\$ 17,759,868</u>

**Note 13 - Unavailable Revenue and Unearned Revenue**

Unavailable revenue at year-end in the fund financial statements consisted of the following:

	<u>General Fund</u>	<u>ESSER III</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Unavailable tax collections	\$ 395,144	\$ -	\$ 217,306	\$ 612,450
Total	<u>\$ 395,144</u>	<u>\$ -</u>	<u>\$ 217,306</u>	<u>\$ 612,450</u>

Unearned revenue at year-end in the fund financial statements consisted of the following:

	<u>General Fund</u>	<u>ESSER III</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Unearned local revenue	\$ -	\$ -	\$ 5,769	\$ 5,769
Unearned state revenue	35,766	-	105,762	141,528
Unearned federal revenue	-	-	2,018	2,018
Total	<u>\$ 35,766</u>	<u>\$ -</u>	<u>\$ 113,549</u>	<u>\$ 149,315</u>

**Note 14 - Risk Management**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2022, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

**Note 15 - General Fund Federal Source Revenues**

Revenues from federal sources, which are reported in the General Fund, consist of:

	ALN	Amount
School Health and Related Services	N/A	\$ 1,414,340
Navy ROTC	12.000	51,818
Emergency Connectivity Fund*	32.009	34,000
Universal Service Fund Schools and Libraries (E-Rate)	N/A	38,092
Indirect costs		
Title I, Part A	84.010	82,810
ESEA Title I, Part C	84.011	2,915
ESEA, Title VI, Part B	84.358	1,202
IDEA - Part B, Formula	84.027A	46,665
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425U	470,540
ESEA Title II, Part A	84.367	4,417
Total		\$ 2,146,799

\*Expenditures were recorded in the General Fund in fiscal year 2021; however, the award was finalized and reimbursement was received in fiscal year 2022. Accordingly, the revenue is recorded in the same fund that expenditures had previously been recorded.

**Note 16 - Adoption of New Standard**

As of September 1, 2021, the District adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. See additional disclosures required by this standard in Note 7.

Beginning net position was restated to retroactively adopt the provisions of GASB Statement No. 87 as follows:

	Governmental Activities
Net position - September 1, 2021, as previously reported	\$ 32,274,445
Add right-to-use intangible asset, net of amortization under GASB Statement No. 87 at September 1, 2021	37,766
Add lease liability, net of amortization under GASB Statement No. 87 at September 1, 2021	(37,766)
Net position at September 1, 2021, as restated	\$ 32,274,445

**Note 17 - Tax Abatement Agreements**

On May 4, 2022, the District approved property tax abatement agreements with Martin Operating Partnership, L.P. for limitations on appraised value of property for school district maintenance and operations taxes pursuant to Chapter 313 of the Texas Tax Code. The qualified tax limitation agreements are for renewable energy electric generation projects.

Value limitation agreements are part of a state program, originally created in 2001 which allows school districts to limit the taxable value of an approved project for Maintenance and Operations (M&O) for a period of years specified in statute. The projects under the Chapter 313 agreement must be consistent with the state’s goals to “encourage large scale capital investments in the state.” Chapter 313 of the Tax Code grants eligibility to companies engaged in manufacturing, research and development, renewable electric energy production, clean coal projects, nuclear power generation and data centers.

In order to qualify for a value limitation agreement, each applicant, is required to meet a series of capital investment, job creation, and wage requirements specified by state law. At the time of the applicant's approval, the agreements were found to have done so by both the District's Board of Trustees and the Texas Comptroller's Office, which recommended approval of the projects. The applications, the agreements and state reporting requirement documentation can be viewed at the Texas Comptroller's website. The agreements and all supporting documentation were assigned Texas Comptroller Application No. 1841.

After approval, the applicant companies must maintain a viable presence in the District for the entire period of the value limitation plus a period of years thereafter. In addition, there are specific reporting requirements, which are monitored on an annual and biennial basis in order to ensure relevant job, wage, and operational requirements are being met.

In the event that the applicant terminates the agreement without the consent of the District, or in the event that the applicant fails to comply in any material respect with the terms of the agreement or to meet any material obligation under the agreement, then the District shall be entitled to recapture of all ad valorem tax revenue lost as a result of the agreements together with the payment of penalty and interest, on that recaptured ad valorem tax revenue. Penalties and interest on said amounts shall be calculated in accordance with the methodology set forth in the Texas Tax Code. The agreements provide an administrative procedure to determine any company liability. Ultimately, enforcement of any payment obligations is through the local state district court.

During the year ended August 31, 2022, the applicants made an application payment of \$75,000 to the District. This payment was recorded as local revenue in the general fund. There were no value limitations, abatement of any taxes, or other supplemental payments made to the District during the year ended August 31, 2022.



Required Supplementary Information  
August 31, 2022

## Plainview Independent School District

Plainview Independent School District  
 Budgetary Comparison Schedule – General Fund (Exhibit G-1)  
 Year Ended August 31, 2022

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance with Final Budget Positive or (Negative)
		Original	Final		
Revenues					
5700	Local and intermediate sources	\$13,639,000	\$13,639,000	\$ 13,548,213	\$ (90,787)
5800	State program revenues	38,287,550	38,287,550	34,594,202	(3,693,348)
5900	Federal program revenues	1,050,000	1,050,000	2,146,799	1,096,799
5020	Total revenues	52,976,550	52,976,550	50,289,214	(2,687,336)
Expenditures					
Current					
0011	Instruction	30,006,833	24,666,504	22,293,453	2,373,051
0012	Instructional resources and media services	468,696	482,757	459,217	23,540
0013	Curriculum and instructional staff development	924,732	1,018,860	969,429	49,431
0021	Instructional leadership	876,537	897,962	877,758	20,204
0023	School leadership	3,171,875	3,644,470	3,568,887	75,583
0031	Guidance, counseling, and evaluation services	1,749,928	1,351,229	1,031,793	319,436
0032	Social work services	50,575	48,487	30,124	18,363
0033	Health services	647,125	676,458	559,378	117,080
0034	Student transportation	1,941,611	2,282,907	2,184,636	98,271
0036	Extracurricular activities	2,489,238	2,570,109	2,518,378	51,731
0041	General administration	2,303,089	2,330,161	1,958,651	371,510
0051	Facilities maintenance and operations	5,623,158	6,113,248	6,082,200	31,048
0052	Security and monitoring services	945,909	974,286	933,508	40,778
0053	Data processing services	1,397,697	1,960,731	1,902,290	58,441
0061	Community services	9,956	18,588	14,276	4,312
Debt service					
0071	Principal on long-term debt	118,877	118,877	279,076	(160,199)
0072	Interest on long-term debt	10,723	10,723	10,723	-
0073	Bond issuance cost and fees	-	440,049	-	440,049
0081	Facilities acquisition and construction	-	6,847,122	6,201,110	646,012
Intergovernmental					
0095	Payments to juvenile justice alternative ed.prg.	55,000	66,650	56,968	9,682
0099	Other intergovernmental charges	184,991	261,901	210,584	51,317
6030	Total expenditures	52,976,550	56,782,079	52,142,439	4,639,640
1100	Excess (Deficiency) of revenues over (under) expenditures	-	(3,805,529)	(1,853,225)	1,952,304
1200	Net change in fund balances	-	(3,805,529)	(1,853,225)	1,952,304
0100	Fund balance, beginning	34,186,168	34,186,168	34,186,168	-
3000	Fund balance, ending	\$34,186,168	\$30,380,639	\$ 32,332,943	\$ 1,952,304



**Plainview Independent School District**  
**Schedule of District's Proportionate Share of the Net Pension Liability – Teacher Retirement System of Texas (Exhibit G-2)**  
**August 31, 2022**

	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.02199636%	0.02153090%	0.02531253%	0.02674846%	0.02649965%	0.02806497%	0.03041740%	0.01727510%
District's proportionate share of net pension liability	\$ 5,601,694	\$11,531,513	\$ 13,158,244	\$ 14,723,002	\$ 8,473,162	\$ 10,605,333	\$ 10,752,146	\$ 4,614,417
State's proportionate share of the net pension liability associated with the District	12,337,868	25,529,625	24,140,615	26,180,851	16,277,143	19,463,189	18,923,122	16,523,251
<b>Total</b>	<b>\$ 17,939,562</b>	<b>\$37,061,138</b>	<b>\$ 37,298,859</b>	<b>\$ 40,903,853</b>	<b>\$ 24,750,305</b>	<b>\$ 30,068,522</b>	<b>\$ 29,675,268</b>	<b>\$ 21,137,668</b>
District's covered payroll	\$ 33,609,288	\$ 32,191,202	\$ 31,348,382	\$ 30,756,574	\$ 30,771,811	\$ 30,640,304	\$ 30,342,392	\$ 28,785,298
District's proportionate share of net pension liability as a percentage of its covered payroll	16.67%	35.82%	41.97%	47.87%	27.54%	34.61%	35.44%	16.03%
Plan fiduciary net position as a percentage of the total pension liability	88.79%	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

Note: The information disclosed for each fiscal year is reported as of the measurement date of the net pension liability which is August 31 of the preceding fiscal year.

Note: Plan information was unavailable prior to 2015.

**Plainview Independent School District**  
 Schedule of District's Contributions – Teacher Retirement System of Texas (Exhibit G-3)  
 Year Ended August 31, 2022

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 1,470,270	\$ 939,390	\$ 888,656	\$ 882,733	\$ 901,088	\$ 868,504	\$ 891,696	\$ 900,671
Contribution in relation to the contractually required contribution	(1,470,270)	(939,390)	(888,656)	(882,733)	(901,088)	(868,504)	(891,696)	(900,671)
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$32,997,130	\$33,609,288	\$32,191,202	\$31,348,382	\$30,756,574	\$30,771,811	\$30,640,304	\$30,342,392
Contributions as a percentage of covered payroll	4.46%	2.80%	2.76%	2.82%	2.93%	2.82%	2.91%	2.97%

Note: The information disclosed for each fiscal year is reported as of the District's fiscal year-end date.

Note 2: Plan information was unavailable prior to 2015.

**Plainview Independent School District**  
 Schedule of District's Proportionate Share of the Net OPEB Liability (Exhibit G-4)  
 Year Ended August 31, 2022

	2022	2021	2020	2019	2018
District's proportion of the net OPEB liability	0.0352858%	0.0355500%	0.0382691%	0.0400053%	0.0402278%
District's proportionate share of net OPEB liability	\$ 13,611,298	\$ 13,514,168	\$ 18,097,948	\$ 19,975,057	\$ 17,493,579
State's proportionate share of the net OPEB liability associated with the District	<u>18,236,106</u>	<u>18,159,803</u>	<u>24,048,124</u>	<u>25,798,888</u>	<u>23,816,973</u>
Total	<u>\$ 31,847,404</u>	<u>\$ 31,673,971</u>	<u>\$ 42,146,072</u>	<u>\$ 45,773,945</u>	<u>\$ 41,310,552</u>
District's covered payroll	\$ 33,609,288	\$ 32,191,202	\$ 31,348,382	\$ 30,756,574	\$ 30,771,811
District's proportionate share of Net OPEB liability as a percentage of its covered payroll	40.50%	41.98%	57.73%	64.95%	56.85%
Plan fiduciary net position as a percentage of the total OPEB liability	6.18%	4.99%	2.66%	1.57%	0.91%

Note: The information disclosed for each fiscal year is reported as of the measurement date of the net OPEB liability which is August 31 of the preceding fiscal year.

Note 2: Plan information was unavailable prior to 2018.

Plainview Independent School District  
Schedule of District's Contributions to the OPEB Plan (Exhibit G-5)  
Year Ended August 31, 2022

	2022	2021	2020	2019	2018
Contractually required contribution	\$ 355,415	\$ 275,913	\$ 269,180	\$ 271,775	\$ 276,571
Contribution in relation to the contractually required contribution	<u>(355,415)</u>	<u>(275,913)</u>	<u>(269,180)</u>	<u>(271,775)</u>	<u>(276,571)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 32,997,130	\$ 33,609,288	\$ 32,191,202	\$ 31,348,382	\$ 30,756,574
Contributions as a percentage of covered payroll	1.08%	0.82%	0.84%	0.87%	0.90%

Note: The information disclosed for each fiscal year is reported as of the District's fiscal year-end date.

Note 2: Plan information was unavailable prior to 2018.

## **Note 1 - Budget**

### **Budgetary Information**

Each school district in Texas is required by law to prepare annually a budget of anticipated revenues and expenditures for the general fund, debt service fund, and the National School Breakfast and Lunch Program special revenue fund. The Texas Education Code requires the budget to be prepared not later than August 20 and adopted by August 31 of each year. The budgets are prepared on a basis of accounting that is used for reporting in accordance with generally accepted accounting principles.

The following procedures are followed in establishing the budgetary data reflected in the fund financial schedules:

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

Once a budget is approved, it can be amended by function and fund level only by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end as required by law. Each amendment is controlled by the budget coordinator at the revenue and expenditure function/object level. Budget amounts are as amended by the Board. All budget appropriations lapse at year end.

## **Note 2 - Pension**

### **Changes of Benefit Terms**

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

### **Changes in the Size or Composition of the Population Covered by the Benefit Terms**

There are no changes in the size or composition of the population covered by the benefit terms during the measurement period.

**Changes of Assumptions**

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

**Note 3 - OPEB**

**Changes of Benefit Terms**

There were minor benefit revisions have been adopted since the prior measurement date. These changes are not expected to have a significant impact on plan costs.

**Changes in the Size or Composition of the Population Covered by the Benefit Terms**

There were no changes in the size or composition of the population covered by the benefit terms during the measurement period.

**Changes of Assumptions**

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



Other Supplementary Information  
August 31, 2022

**Plainview Independent School District**

Data Control Codes	211  ESEA Title I Improving Basic Programs	212  ESEA Title I Part C Migrant	224  IDEA-B Formula	
<b>Assets</b>				
1110	Cash and cash equivalents	\$ -	\$ -	\$ -
1220	Property taxes - delinquent	-	-	-
1230	Allowance for uncollectible taxes (credit)	-	-	-
1240	Due from other governments	1,481,802	59,167	806,192
1260	Due from other funds	-	-	-
1290	Other receivables	-	-	-
1000	<b>Total assets</b>	<b>\$ 1,481,802</b>	<b>\$ 59,167</b>	<b>\$ 806,192</b>
<b>Liabilities</b>				
2110	Accounts payable	\$ -	\$ 40	\$ -
2160	Accrued wages payable	123,795	-	76,448
2170	Due to other funds	1,358,007	59,127	729,744
2300	Unearned revenues	-	-	-
2000	<b>Total liabilities</b>	<b>1,481,802</b>	<b>59,167</b>	<b>806,192</b>
<b>Deferred Inflows of Resources</b>				
2600	Unavailable revenue - property taxes	-	-	-
	<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances</b>				
3450	Restricted - federal or state funds grant	-	-	-
3480	Restricted - debt service	-	-	-
3590	Assigned - other	-	-	-
3000	<b>Total fund balances</b>	<b>-</b>	<b>-</b>	<b>-</b>
4000	<b>Total liabilities, deferred inflows and fund balances</b>	<b>\$ 1,481,802</b>	<b>\$ 59,167</b>	<b>\$ 806,192</b>



Plainview Independent School District  
Combining Balance Sheet – Nonmajor Governmental Funds (Exhibit H-1)  
August 31, 2022

225	240	244	255	263
IDEA - Part B Preschool	National Breakfast and Lunch Program	Career & Technical - Basic Grant	ESEA II, A Training and Recruiting	Title III, A English Lang. Acquisition
\$ -	\$ 1,720,292	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
9,383	-	76,339	93,634	52,912
-	40,912	-	-	-
-	1,128	-	-	-
<u>\$ 9,383</u>	<u>\$ 1,762,332</u>	<u>\$ 76,339</u>	<u>\$ 93,634</u>	<u>\$ 52,912</u>
\$ -	\$ 122,633	\$ -	\$ 119	\$ -
-	-	-	-	-
9,383	-	76,339	93,515	52,912
-	-	-	-	-
<u>9,383</u>	<u>122,633</u>	<u>76,339</u>	<u>93,634</u>	<u>52,912</u>
-	-	-	-	-
-	-	-	-	-
-	1,639,699	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>1,639,699</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 9,383</u>	<u>\$ 1,762,332</u>	<u>\$ 76,339</u>	<u>\$ 93,634</u>	<u>\$ 52,912</u>

Data Control Codes		265 Twenty-First Century Community Learning Centers	266 ESSER I	270 ESEA VI, Pt B Rural & Low Income
Assets				
1110	Cash and cash equivalents	\$ -	\$ -	\$ -
1220	Property taxes - delinquent	-	-	-
1230	Allowance for uncollectible taxes (credit)	-	-	-
1240	Due from other governments	-	9,834	25,470
1260	Due from other funds	-	-	-
1290	Other receivables	-	-	-
1000	Total assets	<u>\$ -</u>	<u>\$ 9,834</u>	<u>\$ 25,470</u>
Liabilities				
2110	Accounts payable	\$ -	\$ -	\$ 1,468
2160	Accrued wages payable	-	-	-
2170	Due to other funds	-	9,834	24,002
2300	Unearned revenues	-	-	-
2000	Total liabilities	<u>-</u>	<u>9,834</u>	<u>25,470</u>
Deferred Inflows of Resources				
2600	Unavailable revenue - property taxes	-	-	-
	Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances				
3450	Restricted - federal or state funds grant	-	-	-
3480	Restricted - debt service	-	-	-
3590	Assigned - other	-	-	-
3000	Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total liabilities, deferred inflows and fund balances	<u>\$ -</u>	<u>\$ 9,834</u>	<u>\$ 25,470</u>

Plainview Independent School District  
 Combining Balance Sheet – Nonmajor Governmental Funds (Exhibit H-1)  
 August 31, 2022

280 American Rescue Plan Act Homeless II	281 ESSER II	289 Other Federal Special Revenue Funds	397 Advanced Placement Initiative	410 Textbook & Kindergarten Material
\$ -	\$ -	\$ -	\$ -	\$ 146,583
-	-	-	-	-
200	-	373,247	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 200</u>	<u>\$ -</u>	<u>\$ 373,247</u>	<u>\$ -</u>	<u>\$ 146,583</u>
\$ -	\$ -	\$ -	\$ -	\$ 40,821
-	-	7,457	-	-
200	-	363,772	-	-
-	-	2,018	-	105,762
<u>200</u>	<u>-</u>	<u>373,247</u>	<u>-</u>	<u>146,583</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 200</u>	<u>\$ -</u>	<u>\$ 373,247</u>	<u>\$ -</u>	<u>\$ 146,583</u>

Data Control Codes		429 TEA Academy Other State Revenue	461 Campus Activity Revenue Funds	499 Other Local Special Revenue Funds
	Assets			
1110	Cash and cash equivalents	\$ -	\$ 229,344	\$ 18,727
1220	Property taxes - delinquent	-	-	-
1230	Allowance for uncollectible taxes (credit)	-	-	-
1240	Due from other governments	-	-	-
1260	Due from other funds	-	-	-
1290	Other receivables	-	-	-
1000	Total assets	\$ -	\$ 229,344	\$ 18,727
	Liabilities			
2110	Accounts payable	\$ -	\$ 5,096	\$ 825
2160	Accrued wages payable	-	-	-
2170	Due to other funds	-	-	-
2300	Unearned revenues	-	-	5,769
2000	Total liabilities	-	5,096	6,594
	Deferred Inflows of Resources			
2600	Unavailable revenue - property taxes	-	-	-
	Total deferred inflows of resources	-	-	-
	Fund Balances			
3450	Restricted - federal or state funds grant	-	-	-
3480	Restricted - debt service	-	-	-
3590	Assigned - other	-	224,248	12,133
3000	Total fund balances	-	224,248	12,133
4000	Total liabilities, deferred inflows and fund balances	\$ -	\$ 229,344	\$ 18,727

Plainview Independent School District  
Combining Balance Sheet – Nonmajor Governmental Funds (Exhibit H-1)  
August 31, 2022

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Debt Service Fund	Total Nonmajor Funds
\$ 1,151,953	\$ 3,266,899
63,146	63,146
(2,529)	(2,529)
-	2,988,180
-	40,912
-	1,128
<u>\$ 1,212,570</u>	<u>\$ 6,357,736</u>
-	\$ 171,002
-	207,700
-	2,776,835
-	113,549
<u>-</u>	<u>3,269,086</u>
<u>217,306</u>	<u>217,306</u>
<u>217,306</u>	<u>217,306</u>
-	1,639,699
995,264	995,264
-	236,381
<u>995,264</u>	<u>2,871,344</u>
<u>\$ 1,212,570</u>	<u>\$ 6,357,736</u>

		211	212	224
Data Control Codes		ESEA Title I Improving Basic Programs	ESEA Title I Part C Migrant	IDEA-B Formula
Revenues				
5700	Local and intermediate sources	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-
5900	Federal program revenues	1,784,726	69,049	931,984
5020	Total revenues	1,784,726	69,049	931,984
Expenditures				
Current				
0011	Instruction	1,015,815	5,942	585,849
0013	Curriculum and instructional staff development	654,154	-	15,530
0021	Instructional leadership	38,767	62,145	-
0023	School leadership	20,108	-	-
0031	Guidance, counseling, and evaluation services	-	-	330,005
0032	Social work services	-	-	-
0033	Health services	-	-	600
0035	Food services	-	-	-
0036	Extracurricular activities	-	-	-
0041	General administration	-	-	-
0051	Facilities maintenance and operations	-	-	-
0052	Security and monitoring services	-	-	-
0053	Data processing services	-	-	-
0061	Community services	55,882	962	-
Debt service				
0071	Principal on long-term debt	-	-	-
0072	Interest on long-term debt	-	-	-
0073	Bond issuance costs and fees	-	-	-
6030	Total expenditures	1,784,726	69,049	931,984
1100	Excess (Deficiency) of revenues over (under) expenditures	-	-	-
1200	Net change in fund balance	-	-	-
0100	Fund balance, beginning	-	-	-
3000	Fund balance, ending	\$ -	\$ -	\$ -

Plainview Independent School District  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental  
Funds (Exhibit H-2)  
Year Ended August 31, 2022

225	240	244	255	263
IDEA - Part B Preschool	National Breakfast and Lunch Program	Career & Technical - Basic Grant	ESEA II, A Training and Recruiting	Title III, A English Lang. Acquisition
\$ -	\$ 141,523	\$ -	\$ -	\$ -
-	56,847	-	-	-
19,330	2,386,575	76,339	106,802	52,912
19,330	2,584,945	76,339	106,802	52,912
19,330	-	73,812	4,031	50,190
-	-	-	57,286	2,592
-	-	2,527	20,809	130
-	-	-	16,533	-
-	-	-	6,200	-
-	-	-	-	-
-	2,446,370	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	1,943	-
-	-	-	-	-
-	2,889	-	-	-
-	-	-	-	-
-	-	-	-	-
19,330	2,449,259	76,339	106,802	52,912
-	135,686	-	-	-
-	135,686	-	-	-
-	1,504,013	-	-	-
\$ -	\$ 1,639,699	\$ -	\$ -	\$ -

Data Control Codes		265 Twenty-First Century Community Learning Centers	266 ESSER I	270 ESEA VI, Pt B Rural & Low Income
	Revenues			
5700	Local and intermediate sources	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-
5900	Federal program revenues	93,049	9,834	24,269
5020	Total revenues	<u>93,049</u>	<u>9,834</u>	<u>24,269</u>
	Expenditures			
	Current			
0011	Instruction	93,049	9,834	1,468
0013	Curriculum and instructional staff development	-	-	443
0021	Instructional leadership	-	-	2,133
0023	School leadership	-	-	-
0031	Guidance, counseling, and evaluation services	-	-	-
0032	Social work services	-	-	-
0033	Health services	-	-	-
0035	Food services	-	-	-
0036	Extracurricular activities	-	-	-
0041	General administration	-	-	18,038
0051	Facilities maintenance and operations	-	-	-
0052	Security and monitoring services	-	-	-
0053	Data processing services	-	-	1,466
0061	Community services	-	-	721
	Debt service			
0071	Principal on long-term debt	-	-	-
0072	Interest on long-term debt	-	-	-
0073	Bond issuance costs and fees	-	-	-
6030	Total expenditures	<u>93,049</u>	<u>9,834</u>	<u>24,269</u>
1100	Excess (Deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>
1200	Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>
0100	Fund balance, beginning	<u>-</u>	<u>-</u>	<u>-</u>
3000	Fund balance, ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>



Plainview Independent School District  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental  
Funds (Exhibit H-2)  
Year Ended August 31, 2022

280	281	289	397	410
American Rescue Plan Act Homeless II	ESSER II	Other Federal Special Revenue Funds	Advanced Placement Initiative	Textbook & Kindergarten Material
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	382	361,329
200	3,704,896	1,191,315	-	-
200	3,704,896	1,191,315	382	361,329
-	2,661,621	874,519	-	326,349
-	142,670	-	-	34,980
100	-	-	-	-
-	-	220	-	-
-	214,635	24,443	382	-
-	5,688	-	-	-
-	75,805	7,925	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	460,290	186,136	-	-
-	74,733	8,072	-	-
100	69,454	90,000	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
200	3,704,896	1,191,315	382	361,329
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -

		429	461	499
		TEA Academy Other State Revenue	Campus Activity Revenue Funds	Other Local Special Revenue Funds
Data Control Codes				
Revenues				
5700	Local and intermediate sources	\$ -	\$ 152,680	\$ 24,501
5800	State program revenues	1,750	-	-
5900	Federal program revenues	-	-	-
5020	Total revenues	1,750	152,680	24,501
Expenditures				
Current				
0011	Instruction	-	-	8,271
0013	Curriculum and instructional staff development	1,750	-	1,230
0021	Instructional leadership	-	-	-
0023	School leadership	-	-	759
0031	Guidance, counseling, and evaluation services	-	-	-
0032	Social work services	-	-	-
0033	Health services	-	-	-
0035	Food services	-	-	-
0036	Extracurricular activities	-	164,727	-
0041	General administration	-	50,075	-
0051	Facilities maintenance and operations	-	-	-
0052	Security and monitoring services	-	-	2,861
0053	Data processing services	-	-	-
0061	Community services	-	-	16,028
Debt service				
0071	Principal on long-term debt	-	-	-
0072	Interest on long-term debt	-	-	-
0073	Bond issuance costs and fees	-	-	-
6030	Total expenditures	1,750	214,802	29,149
1100	Excess (Deficiency) of revenues over (under) expenditures	-	(62,122)	(4,648)
1200	Net change in fund balance	-	(62,122)	(4,648)
0100	Fund balance, beginning	-	286,370	16,781
3000	Fund balance, ending	\$ -	\$ 224,248	\$ 12,133

Plainview Independent School District  
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental  
 Funds (Exhibit H-2)  
 Year Ended August 31, 2022

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599

Debt Service Fund	Total Nonmajor Funds
\$ 3,700,597	\$ 4,019,301
1,200,279	1,620,587
-	10,451,280
4,900,876	16,091,168
-	5,730,080
-	910,635
-	126,611
-	37,620
-	575,665
-	5,688
-	84,330
-	2,446,370
-	164,727
-	68,113
-	646,426
-	85,666
-	162,963
-	73,593
1,725,000	1,727,889
2,584,575	2,584,575
3,750	3,750
4,313,325	15,434,701
587,551	656,467
587,551	656,467
407,713	2,214,877
\$ 995,264	\$ 2,871,344



Required TEA Schedules  
August 31, 2022

# Plainview Independent School District

Year Ended August 31,	1	2	3
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2013 and prior years	\$ Various	\$ Various	\$ Various
2014	1.040000	0.000000	1,212,650,298
2015	1.040000	0.000000	1,116,170,192
2016	1.040000	0.000000	1,109,103,365
2017	1.040000	0.000000	1,231,732,735
2018	1.170000	0.000000	1,249,888,547
2019	1.170000	0.000000	1,321,702,906
2020	1.068350	0.000000	1,351,725,184
2021	1.054700	0.300000	1,256,674,409
2022 (school year under audit)	1.051700	0.303000	1,234,380,010
1000 Totals			

Plainview Independent School District  
Schedule of Delinquent Taxes Receivable (Exhibit J-1)  
Year Ended August 31, 2022

10 Beginning Balance September 1, 2021	20 Current Year's Total Levy	31 Maintenance Collections net of Refunds	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance August 31, 2022
\$ 153,494	\$ -	\$ 3,446	\$ -	\$ (183)	\$ 149,865
17,307	-	3,138	-	(65)	14,104
21,074	-	4,648	-	(65)	16,361
24,462	-	6,014	-	(65)	18,383
39,947	-	9,257	-	(172)	30,518
47,664	-	9,964	-	74	37,774
71,992	-	16,480	-	504	56,016
99,706	-	(27,705)	-	(57,758)	69,653
212,147	-	(67,371)	(19,163)	(184,480)	114,201
-	16,722,146	12,763,661	3,669,160	(54,097)	235,228
<u>\$ 687,793</u>	<u>\$ 16,722,146</u>	<u>\$ 12,721,532</u>	<u>\$ 3,649,997</u>	<u>\$ (296,307)</u>	<u>\$ 742,103</u>

Plainview Independent School District

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – National School  
Breakfast and Lunch Program (Exhibit J-2)  
Year Ended August 31, 2022

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance with Final Budget Positive or (Negative)
		Original	Final		
Revenues					
5700	Local and intermediate sources	\$ 311,277	\$ 311,277	\$ 141,523	\$ (169,754)
5800	State program revenues	13,000	13,000	56,847	43,847
5900	Federal program revenues	2,836,987	2,836,987	2,386,575	(450,412)
5020	Total revenues	<u>3,161,264</u>	<u>3,161,264</u>	<u>2,584,945</u>	<u>(576,319)</u>
Expenditures					
Current					
0035	Food service	3,157,264	3,503,179	2,446,370	1,056,809
0071	Principal on long-term debt	4,000	4,000	2,889	1,111
6030	Total expenditures	<u>3,161,264</u>	<u>3,507,179</u>	<u>2,449,259</u>	<u>1,057,920</u>
1200	Change in fund balance	-	(345,915)	135,686	481,601
0100	Fund balance, beginning	<u>1,504,013</u>	<u>1,504,013</u>	<u>1,504,013</u>	-
3000	Fund balance, ending	<u>\$ 1,504,013</u>	<u>\$ 1,158,098</u>	<u>\$ 1,639,699</u>	<u>\$ 481,601</u>

Plainview Independent School District

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Debt Service Fund  
 (Exhibit J-3)  
 Year Ended August 31, 2022

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
Revenues					
5700	Local and intermediate sources	\$ 4,359,575	\$ 4,359,575	\$ 3,700,597	\$ (658,978)
5800	State program revenues	-	-	1,200,279	1,200,279
5020	Total revenues	<u>4,359,575</u>	<u>4,359,575</u>	<u>4,900,876</u>	<u>541,301</u>
Expenditures					
Debt service					
0071	Principal on long term debt	1,725,000	1,725,000	1,725,000	-
0072	Interest on long term debt	2,584,575	2,584,575	2,584,575	-
0073	Bond issuance cost and fees	50,000	50,000	3,750	46,250
6030	Total expenditures	<u>4,359,575</u>	<u>4,359,575</u>	<u>4,313,325</u>	<u>46,250</u>
1200	Net change in fund balances	-	-	587,551	587,551
0100	Fund balances, beginning	<u>407,713</u>	<u>407,713</u>	<u>407,713</u>	-
3000	Fund balances, ending	<u>\$ 407,713</u>	<u>\$ 407,713</u>	<u>\$ 995,264</u>	<u>\$ 587,551</u>



<u>Data Control Codes</u>		<u>Responses</u>
<u>Section A: Compensatory Education Programs</u>		
AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the LEA's fiscal year.	\$6,241,474
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 26, 28, 29, 30, 34)	\$4,712,522
<u>Section B: Bilingual Education Programs</u>		
AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	\$ 266,312
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25, 35)	\$ 221,265



Federal Award Section  
August 31, 2022

Plainview Independent School District



**Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

The Board of Trustees  
Plainview Independent School District  
Plainview, Texas

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Plainview Independent School District (the District) as of and for the year ended August 31, 2022, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated January 12, 2023.

**Report on Internal Control over Financial Reporting**

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

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

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

## **Report on Compliance and Other Matters**

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

### **Purpose of this Report**

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

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Abilene, Texas  
January 12, 2023



## **Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance Required by the Uniform Guidance**

The Board of Trustees  
Plainview Independent School District  
Plainview, Texas

### **Report on Compliance for Each Major Federal Program**

#### ***Opinion on Each Major Federal Program***

We have audited Plainview Independent School District’s (the District) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District’s major federal programs for the year ended August 31, 2022. The District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2022.

#### ***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District’s compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses or significant deficiencies, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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



Abilene, Texas  
January 12, 2023

Plainview Independent School District  
Schedule of Expenditures of Federal Awards (Exhibit K-1)  
Year Ended August 31, 2022

Fund Number	Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Financial Assistance Listing Number	Pass-Through Entity Identifying Number	Expenditures
U.S. Department of Education				
Passed through Texas Education Agency				
211	ESEA, Title I, Part A - Improving Basic Programs	84.010A	21610101095905	\$ 1,440,610
211	ESEA, Title I, Part A - Improving Basic Programs	84.010A	22610101095905	426,926
Total ALN 84.010A				1,867,536
212	ESEA, Title I, Part C - Migratory Children	84.011A	216150010195905	65,962
212	ESEA, Title I, Part C - Migratory Children	84.011A	226150010195905	6,002
Total ALN 84.011A				71,964
Special Education Cluster				
224	IDEA - Part B, Formula	84.027A	216600010959056000	719,192
224	IDEA - Part B, Formula	84.027A	226600010959056000	259,457
Total ALN 84.027A				978,649
225	IDEA - Part B Preschool	84.173	216610010959056610	6,765
225	IDEA - Part B Preschool	84.173	226610010959056610	12,565
Total ALN 84.173				19,330
Total Special Education Cluster				997,979
244	Career and Technical - Basic Grant	84.048	21420006095905	76,339
265	Twenty-First Century Community Learning Centers	84.287	21695024711004	93,049
270	ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	21696001095905	25,471
263	Title III, Part A - English Language Acquisition	84.365A	21671001095905	52,912
255	ESEA, Title II, Part A - Teacher/Principal Training	84.367A	20694501095905	100,532
255	ESEA, Title II, Part A - Teacher/Principal Training	84.367A	21694501095905	10,687
Total ALN 84.367A				111,219
289	Title IV, Part A	84.424A	21680101095905	67,989
289	LEP Summer School	84.369A	69552002	1,475
289	ELC Reopening Schools	93.323	39352201	186,136
266	COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	21521001095905	9,834
281	COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	21521001095905	3,704,896
282	COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425U	21528001095905	5,600,693
280	Covid-19 American Rescue Plan Act Homeless II	84.425W	Not available	200
Total ALN 84.425				9,315,623
Total passed through Texas Education Agency				12,867,692
Total U.S. Department of Education				12,867,692



Plainview Independent School District  
Schedule of Expenditures of Federal Awards (Exhibit K-1)  
Year Ended August 31, 2022

	Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Financial Assistance Listing Number	Pass-Through Entity Identifying Number	Expenditures
	Department of Labor			
289	Passed through Workforce Solutions South Plains WIA/WIOA Adult Program	17.258	75-6050019	\$ 9,465
	Total WIOA Cluster			<u>9,465</u>
	U.S. Department of Agriculture			
	Child Nutrition Cluster			
	Passed through Texas Education Agency			
240	National School Lunch Program - cash assistance *	10.555	71302001	1,482,959
240	National School Lunch Program - noncash assistance *	10.555	71302001	248,140
240	School Breakfast Program	10.553	71402001	598,681
	COVID-19 Emergency Operational Cost Reimbursement*	10.555	00456	<u>56,795</u>
	Total passed through Texas Education Agency			2,386,575
	Total Child Nutrition Cluster			<u>2,386,575</u>
	Total Department of Agriculture			<u>2,386,575</u>
	U.S. Department of Defense			
	Direct Programs			
199	Navy Junior ROTC	12.000	N3358121MJRTC	<u>51,818</u>
	Total U.S. Department of Defense			<u>51,818</u>
	Federal Communications Commission			
	Direct Programs			
199	COVID-19 Emergency Connectivity Fund**/**	32.009	Not available	34,000
289	COVID-19 Emergency Connectivity Fund**	32.009	Not available	<u>926,250</u>
	Total Federal Communications Commission			<u>960,250</u>
	Total Federal Financial Assistance			<u>\$ 16,275,800</u>
	* Total National School Lunch Program (ALN 10.555)			\$ 1,787,894
	** Total ALN 32.009			960,250
	***Expenditures were recorded in the general fund in fiscal year 2021; however, the award was finalized and reimbursement was received in fiscal year 2022. Accordingly, the expenditures had previously been recorded.			

**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the District under programs of the federal government for the year ended August 31, 2022. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

**Note 2 - Summary of Significant Accounting Policies**

Expenditures reported in the schedule are reported on the modified accrual basis of accounting.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All federal expenditures were accounted for in the General Fund and Special Revenue Funds, components of the Governmental Fund type. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Federal grants are considered to be earned to the extent of expenditures made under the provisions of the grant.

School health and related services revenues are considered earned income at the local government level and thus are not included in the Schedule of Expenditures of Federal Awards. The following is a reconciliation of Federal Revenues on Exhibit C-2 to the Schedule of Expenditures of Federal Awards:

Total expenditures of federal awards per Exhibit K-1	\$ 16,275,800
School Health and Related Services	1,414,340
Universal Service Fund Schools and Libraries (E-rate)	38,092
Total federal revenues per Exhibit C-2	\$ 17,728,232

**Note 3 - Indirect Cost Rate**

The District is not eligible to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance because the District has previously received a negotiated indirect cost rate for its federal awards.

**Note 4 - Food Donation**

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. At August 31, 2022, the District had food commodities totaling \$0 in inventory.

**Section I - Summary of Auditor's Results**

**FINANCIAL STATEMENTS**

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

**FEDERAL AWARDS**

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	No

**Identification of major programs:**

<u>Name of Federal Program</u>	<u>Federal Financial Assistance Listing</u>
Title I, Part A - Improving Basic Programs	84.010A
COVID-19 - Emergency Connectivity Fund Program	32.009
COVID-19 - Elementary and Secondary School Emergency Relief Fund (ESSER I, II, III)	84.425D; 84.425U; 84.425W
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

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**Section II – Financial Statement Findings**

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The audit disclosed no findings required to be reported.

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**Section III – Federal Award Findings and Questioned Costs**

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The audit disclosed no findings and questioned costs required to be reported.

Plainview Independent School District  
 Schedule of Required Responses to Selected School First Indicators (Exhibit L-1)  
 August 31, 2022

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Data Control Codes		Responses
SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year-end?	No
SF3	Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF4	Was the school district issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the school district is considered to have been issued a warrant hold.	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the school district's fiscal year end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end	\$ -

**APPENDIX E**

**THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM**

## THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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

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

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

The regular session of the 88th Texas Legislature (the "Legislature") is scheduled from January 10, 2023 to May 29, 2023. Thereafter, the Texas Governor may call one or more additional special sessions. During this time, the Legislature may enact laws that materially change current law as it relates to the Guarantee Program, the TEA, the SBOE, the Act, the PSF Corporation, and Texas school finance generally. No representation is made regarding any actions the Legislature may take, but the TEA, SBOE, and PSF Corporation intend to monitor proposed legislation for any developments applicable thereto.

### History and Purpose

The PSF supports the State's public school system in two major ways: distributions to the constitutionally established Available School Fund (the "ASF"), as described below, and the guarantee of school district and charter district issued bonds through the Guarantee Program. The PSF was created in 1845 and received its first significant funding with a \$2,000,000 appropriation by the Legislature in 1854 expressly for the benefit of the public schools of Texas, with the sole purpose of assisting in the funding of public education for present and future generations. The Constitution of 1876 described that the PSF would be "permanent," and stipulated that certain lands and all proceeds from the sale of these lands should also constitute the PSF. Additional acts later gave more public domain land and rights to the PSF. In 1953, the U.S. Congress passed the Submerged Lands Act that relinquished to coastal states all rights of the U.S. navigable waters within state boundaries. If the State, by law, had set a larger boundary prior to or at the time of admission to the Union, or if the boundary had been approved by Congress, then the larger boundary applied. After three years of litigation (1957-1960), the U.S. Supreme Court on May 31, 1960, affirmed Texas' historic three marine leagues (10.35 miles) seaward boundary. Texas proved its submerged lands property rights to three leagues into the Gulf of Mexico by citing historic laws and treaties dating back to 1836. All lands lying within that limit belong to the PSF. The proceeds from the sale and the mineral-related rental of these lands, including bonuses, delay rentals and royalty payments, become the corpus of the Fund. Prior to the approval by the voters of the State of an amendment to the constitutional provision under which the Fund is established and administered, which occurred on September 13, 2003 (the "Total Return Constitutional Amendment"), and which is further described below, only the income produced by the PSF could be used to complement taxes in financing public education, which primarily consisted of income from securities, capital gains from securities transactions and royalties from the sale of oil and natural gas. The Total Return Constitutional Amendment provides that interest and dividends produced by Fund investments will be additional revenue to the PSF.

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

In 2011, legislation was enacted that established the Charter District Bond Guarantee Program as a new component of the Guarantee Program. That legislation authorized the use of the PSF to guarantee revenue bonds issued by or for the benefit of certain open-enrollment charter schools that are designated as "charter districts" by the Education Commissioner. On approval by the Education Commissioner,

bonds properly issued by a charter district participating in the Guarantee Program are fully guaranteed by the PSF. The Charter District Bond Guarantee Program became effective on March 3, 2014. See “The Charter District Bond Guarantee Program.”

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

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

Audited financial information for the PSF is provided annually through the PSF Comprehensive Annual Financial Report (the “Annual Report”), which is filed with the Municipal Securities Rulemaking Board (“MSRB”). The SLB’s land and real assets investment operations, which are part of the PSF as described below, are also included in the annual financial report of the Texas General Land Office (the “GLO”) that is included in the comprehensive annual report of the State of Texas. The Annual Report includes the Message of the Executive Administrator of the Fund (the “Message”) and the Management’s Discussion and Analysis (“MD&A”). The Annual Report for the year ended August 31, 2022, as filed with the MSRB in accordance with the PSF undertaking and agreement made in accordance with Rule 15c2-12 (“Rule 15c2-12”) of the federal Securities and Exchange Commission (the “SEC”), as described below, is hereby incorporated by reference into this disclosure. Information included herein for the year ended August 31, 2022 is derived from the audited financial statements of the PSF, which are included in the Annual Report as it is filed and posted. Reference is made to the Annual Report for the complete Message and MD&A for the year ended August 31, 2022 and for a description of the financial results of the PSF for the year ended August 31, 2022, the most recent year for which audited financial information regarding the Fund is available. The 2022 Annual Report speaks only as of its date and the TEA has not obligated itself to update the 2022 Annual Report or any other Annual Report. The TEA posts (i) each Annual Report, which includes statistical data regarding the Fund as of the close of each fiscal year, (ii) the most recent disclosure for the Guarantee Program, (iii) the PSF Corporation’s Investment Policy Statement (the “IPS”), and (iv) monthly updates with respect to the capacity of the Guarantee Program (collectively, the “Web Site Materials”) on the TEA web site at [http://tea.texas.gov/Finance\\_and\\_Grants/Permanent\\_School\\_Fund/](http://tea.texas.gov/Finance_and_Grants/Permanent_School_Fund/) and with the MSRB at [www.emma.msrb.org](http://www.emma.msrb.org). Such monthly updates regarding the Guarantee Program are also incorporated herein and made a part hereof for all purposes. In addition to the Web Site Materials, the Fund is required to make quarterly filings with the SEC under Section 13(f) of the Securities Exchange Act of 1934. Such filings, which consist of a list of the Fund’s holdings of securities specified in Section 13(f), including exchange-traded (e.g., NYSE) or NASDAQ-quoted stocks, equity options and warrants, shares of closed-end investment companies and certain convertible debt securities, is available from the SEC at [www.sec.gov/edgar](http://www.sec.gov/edgar). A list of the Fund’s equity and fixed income holdings as of August 31 of each year is posted to the TEA web site and filed with the MSRB. Such list excludes holdings in the Fund’s securities lending program. Such list, as filed, is incorporated herein and made a part hereof for all purposes. See “Management Transition to the PSF Corporation” for a discussion of the PSF Corporation audit. At its November 2022 quarterly board meeting, the SBOE considered new regulations for the administration of the Bond Guarantee Program. Two readings and a publication period are required for modifications to the Texas Administrative Code, and such process (the “Regulatory Recodification”) was completed in February 2023, with the new regulations becoming effective March 1, 2023. The Regulatory Recodification was taken as an acknowledgment of the new role and powers that are delegated to the PSF Corporation. Among other regulations affecting the Fund that were restructured include the Statement of Investment Objectives, Policies and Guidelines of the Texas Permanent School Fund, which is codified at 19 Texas Administrative Code, Chapter 33 (recodified in part and replaced in part by the IPS).

## **Management and Administration of the Fund**

*The following discussion describes some legal and management aspects of the structure of the Fund prior to full implementation of SB 1232. SB 1232 is being implemented in phases. See “Management Transition to the PSF Corporation” for summaries of certain laws applicable to the Fund pursuant to the Texas Constitution and SB 1232 as well as certain prior actions and the ongoing changes in the management structure of the Fund.*

The Texas Constitution and applicable statutes delegate to the SBOE the authority and responsibility for investment of the PSF’s financial assets, but SB 1232 authorized the SBOE to delegate management of the Fund to the Corporation, which, as noted above, has been done. The SBOE consists of 15 members who are elected by territorial districts in the State to four year terms of office.

The Texas Constitution provides that the Fund shall be managed though the exercise of the judgment and care under the circumstances then prevailing which persons of ordinary prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income therefrom as well as the probable safety of their capital (the “Prudent Person Standard”).



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

By law, the Education Commissioner is appointed by the Governor, with Senate confirmation, and assists the SBOE, but the Education Commissioner can neither be hired nor dismissed by the SBOE. The PSF Corporation has also engaged outside counsel to advise it as to its duties with respect to the Fund, including specific actions regarding the investment of the PSF to ensure compliance with fiduciary standards, and to provide transactional advice in connection with the investment of Fund assets in non-traditional investments. TEA's General Counsel provides legal advice to the SBOE but will not provide legal advice directly to the PSF Corporation.

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

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

Prior to the enactment of SB 1232, Texas law assigned to the SLB control of the Fund's land and mineral rights and authority to invest in certain real assets. Administrative duties related to these assets have in the past resided with the GLO, which is under the guidance of the elected commissioner of the GLO (the "Land Commissioner").

In 2019, the Texas Legislature enacted legislation that created a "permanent school fund liquid account" (the "Liquid Account") in the PSF for the purpose of the SBOE receiving, administering, and investing funds transferred from the SLB on a quarterly basis that are not then invested by the SLB or needed within the forthcoming quarter. On January 1, 2023, management of the Liquid Account transferred from the SBOE to the PSF Corporation. The bill grants the PSF Corporation authority and discretion to abolish the Liquid Account when its purpose has been resolved and transfer any remaining balance to the Fund.

### **Management Transition to the PSF Corporation**

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

The description of SB 1232 that follows summarizes some key provisions of the bill. The full text of the bill can be found at <https://capitol.texas.gov/BillLookup/Text.aspx?LegSess=87R&Bill=SB1232>. SB 1232 provides for various transition dates relating to implementation of the bill, with the latest dates generally occurring in calendar year 2023. As noted above, on January 1, 2023 the investment management responsibilities for the Fund transferred to the PSF Corporation and the merger of Fund assets previously managed by the SLB with those previously managed by the SBOE.

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

At the inaugural meeting of the PSFC Board in January 2022, the PSFC Board appointed the Executive Administrator of the Fund as the interim chief executive officer of the PSF Corporation and in April 2022 the Executive Administrator of the Fund was confirmed as the chief executive officer of the PSF Corporation. The PSFC Board adopted bylaws governing how it will manage its affairs and conduct business. The chief executive officer reports to the PSFC Board. Any amendments to the PSF Corporation's articles of formation and bylaws will be adopted by the PSFC Board but are subject to approval by the SBOE. At its March 2023 meeting, the PSFC Board approved its securities lending policy.

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

The SLB's investments in real estate investment funds and real asset investment funds will transfer to the PSF Corporation. Beginning December 31, 2022, the SLB is no longer authorized to make investments into funds; however, the SLB will still be able to invest in land, mineral and royalty interests, and individual real estate holdings; the SLB will also be required to send PSF mineral revenue to the PSF Corporation for investment, subject to designation via the appropriations process to cover GLO expenses of managing the minerals.

Not less than once each year, the PSFC Board must submit an audit report to the Legislative Budget Board ("LBB") regarding the operations of the PSF Corporation. The PSF Corporation may contract with a certified public accountant or the State Auditor to conduct an independent audit of the operations of the PSF Corporation, but such authorization does not affect the State Auditor's authority to conduct an audit of the PSF Corporation in accordance with other State laws. The first audit of the PSF Corporation will be conducted following the close of the 2022-2023 fiscal year on August 31, 2023.

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

With respect to the 2024-2025 State biennium, and for subsequent biennia, the PSF Corporation is required to submit a legislative appropriations request ("LAR") to the LBB and the Office of the Governor that details a request for appropriation of funds to enable the PSF Corporation to carry out its responsibilities for the investment management of the Fund. The requested funding, budget structure, and riders are sufficient to fully support all operations of the PSF Corporation in state fiscal years 2024 and 2025. As described therein, the LAR is designed to provide the PSF Corporation with the ability to operate as a stand-alone state entity in the State budget while retaining the flexibility to fulfill its fiduciary duty and provide oversight and transparency to the Legislature and Governor.

### **The Total Return Constitutional Amendment**

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

In determining the Distribution Rate, the SBOE has adopted the goal of maximizing the amount distributed from the Fund in a manner designed to preserve "intergenerational equity." The definition of intergenerational equity that the SBOE has generally followed is the

maintenance of purchasing power to ensure that endowment spending keeps pace with inflation, with the ultimate goal being to ensure that current and future generations are given equal levels of purchasing power in real terms. In making this determination, the SBOE takes into account various considerations, and relies upon PSF Corporation and TEA staff and external investment consultants, which undertake analysis for long-term projection periods that includes certain assumptions. Among the assumptions used in the analysis are a projected rate of growth of student enrollment State-wide, the projected contributions and expenses of the Fund, projected returns in the capital markets and a projected inflation rate.

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

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

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

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

**Annual Distributions to the Available School Fund<sup>1</sup>**

<u>Fiscal Year Ending</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
				\$1,05						
PSF(SBOE) Distribution	\$1,021	\$839	\$839	6	\$1,056	\$1,236	\$1,236	\$1,102	\$1,102	\$1,731
PSF(SLB) Distribution	\$300	\$0	\$0	\$0	\$0	\$0	\$300	\$600	\$600 <sup>2</sup>	\$415
Per Student Distribution	\$281	\$175	\$173	\$215	\$212	\$247	\$306	\$347	\$341	\$432

<sup>1</sup> In millions of dollars. Source: PSF Annual Report for year ended August 31, 2022.

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

In November 2022, the SBOE approved a \$3.1 billion distribution to the ASF for State fiscal biennium 2024-2025. In making its determination of the 2024-2025 Distribution Rate, the SBOE took into account the announced planned distribution to the ASF by the SLB of \$1.2 billion for the biennium.

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

<u>State Fiscal Biennium</u>	<u>2008-09</u>	<u>2010-11</u>	<u>2012-13</u>	<u>2014-15</u>	<u>2016-17</u>	<u>2018-19</u>	<u>2020-21</u>	<u>2022-23</u>	<u>2024-25</u>
<u>SBOE Distribution Rate<sup>1</sup></u>	3.5%	2.5%	4.2%	3.3%	3.5%	3.7%	2.974%	4.18%	3.32% <sup>2</sup>

<sup>1</sup> Includes only distributions made to the ASF by the SBOE; see the immediately preceding table for amounts of direct SLB distributions to the ASF. In addition, the SLB approved transfers of \$600 million per year directly to the ASF for fiscal biennium 2024-25.

<sup>2</sup> The distribution rate approved by the SBOE for fiscal biennium 2024-25 was based on a number of assumptions, including a mid- to long-term expected return rate for the Fund of 6.35% and a rate of inflation measured by the consumer price index of 2.70% according to the policy adopted by the SBOE in June 2022.

### Asset Allocation of Fund Portfolios

With respect to the management of the Fund’s financial assets portfolio, the single most significant change made to date as a result of the Total Return Constitutional Amendment has been new asset allocation policies adopted from time to time by the SBOE. The SBOE historically reviewed the asset allocations during its summer meeting in even-numbered years. The first asset allocation policy adopted by the SBOE following the Total Return Constitutional Amendment was in February 2004, and the policy was reviewed and modified or reaffirmed in the summers of each even-numbered year, most recently in June 2022. The IPS (effective January 1, 2023) provides for minimum and maximum ranges among the components of each of the asset classifications: equities, fixed income, and alternatives. The alternatives category includes absolute return, private equity, real estate, emerging manager program, real return, natural resources, and infrastructure components. Alternative asset classes diversify the managed assets of the PSF and are not as correlated to traditional asset classes, which is intended to increase investment returns over the long run while reducing risk and return volatility of the portfolio. Given the greater weighting in the overall portfolio of traditional investments, it is expected that the Fund will reflect the general performance returns of the markets in which the Fund is invested.

Prior to the effective date of the IPS, the most recent asset allocation of the PSF(SBOE), was approved by the SBOE in June 2022, and is set forth below, along with the asset allocations of the PSF(SLB) and Liquid Account that were effective June 2022.

### PSF 2022 Strategic Asset Allocations

	<u>PSF(SBOE)</u>	<u>PSF(SLB)</u>	<u>Liquid Account</u>
<b>Equity Total</b>	55%	0%	77%
<b>Public Equity Total</b>	37%	0%	77%
Large Cap US Equity	14%	0%	38%
Small/Mid Cap US Equity	6%	0%	10%
International Equities	14%	0%	29%
Emerging Markets Equity	3%	0%	0%
<b>Private Equity</b>	18%	0%	0%
<b>Fixed Income Total</b>	22%	0%	21%
Core Bonds	12%	0%	16%
Non-Core Bonds (High Yield & Bank Loans)	4%	0%	0%
Emerging Markets Debt	3%	0%	0%
Treasuries	3%	0%	0%
TIPS	0%	0%	5%
Short Duration	0%	0%	0%
<b>Alternative Investments Total</b>	22%	100%	0%

Absolute Return	7%	0%	0%
Real Estate	11%	33%	0%
Real Return	4%	0%	0%
Energy	0%	31%	0%
Infrastructure	0%	36%	0%
<b>Emerging Manager Program</b>	1%	0%	0%
<b>Cash</b>	0%	0%	2%

### PSF Corporation 2023 Strategic Asset Allocation

Effective January 1, 2023, the IPS includes a combined asset allocation for all Fund assets (consisting of assets transferred for management to the PSF Corporation from the SBOE, the SLB and the Liquid Account). The IPS provides that the Fund's investment objectives are as follows:

- Generate distributions for the benefit of public schools in Texas;
- Maintain the purchasing power of the Fund, after spending and inflation, in order to maintain intergenerational equity with respect to distributions from the Fund;
- Provide a maximum level of return consistent with prudent risk levels, while maintaining sufficient liquidity needed to support Fund obligations; and
- Maintain a AAA credit rating, as assigned by a nationally recognized securities rating organization.

The table below sets forth the asset allocation of the Fund beginning January 1, 2023.

Asset Class	Strategic Asset Allocation	Range
<b>Equities</b>		
Large Cap US Equity	15%	+/- 3.0%
Small/Mid-Cap US Equity	6%	+/- 1.0%
Non-US Developed Equity	10%	+/- 3.0%
Emerging Market Equity	6%	+/- 1.0%
<i>Total Equity</i>	37%	
<b>Fixed Income</b>		
Core Bonds	11%	+/- 2.0%
Non-Core Bonds (High Yield & Bank Loans)	3%	+/- 3.0%
Emerging Market Debt (Local Currency)	2%	+/- 2.0%
U.S. Treasuries	2%	+/- 2.0%
<i>Total Fixed Income</i>	18%	
<b>Cash Equivalents</b>	0%	
<b>Alternatives</b>		
Absolute Return	6%	+/- 1.0%
Private Equity	15%	+/- 4.0%
Real Estate	12%	+/- 4.0%
Emerging Manager Program (Private Equity/Real Estate)	1%	+/- 1.0%

Real Return (Commodities & U.S. Treasury Inflation Protected Securities (TIPS))	4%	+/- 1.5%
Private Real Assets – Natural Resources	3%	+/- 2.0%
Private Real Assets - Infrastructure	4%	+/- 2.0%
<i>Total Alternatives</i>	45%	

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

The table below sets forth the comparative investments of the PSF(SBOE) for the years ending August 31, 2021 and 2022, as set forth in the PSF Annual Reports for those years. As of January 1, 2023, the assets of the PSF(SBOE) and the PSF (SLB) were generally combined for investment management and accounting purposes.

### Comparative Investment Schedule - PSF(SBOE)<sup>1</sup>

Fair Value (in millions) August 31, 2022 and 2021				
ASSET CLASS	August 31, 2022	August 31, 2021	Amount of Increase (Decrease)	Percent Change
<b>EQUITY</b>				
Domestic Small Cap	\$ 2,358.4	\$ 2,597.3	\$ (238.9)	-9.2%
Domestic Large Cap	<u>4,730.4</u>	<u>6,218.7</u>	<u>(1,488.3)</u>	<u>-23.9%</u>
Total Domestic Equity	7,088.8	8,816.0	(1,727.2)	-19.6%
International Equity	<u>5,972.5</u>	<u>8,062.1</u>	<u>(2,089.6)</u>	<u>-25.9%</u>
<b>TOTAL EQUITY</b>	<b>13,061.3</b>	<b>16,878.1</b>	<b>(3,816.8)</b>	<b>-22.6%</b>
<b>FIXED INCOME</b>				
Domestic Fixed Income	4,563.3	4,853.1	(289.8)	-6.0%
U.S. Treasuries	1,140.2	1,243.3	(103.1)	-8.3%
High Yield Bonds	1,142.5	-	<u>1,142.5</u>	<u>N/A</u>
Emerging Market Debt	<u>1,142.5</u>	<u>2,683.7</u>	<u>(1,492.8)</u>	<u>-55.6%</u>
<b>TOTAL FIXED INCOME</b>	<b>8,036.9</b>	<b>8,780.1</b>	<b>(743.2)</b>	<b>-8.5%</b>
<b>ALTERNATIVE INVESTMENTS</b>				
Absolute Return	2,932.3	3,546.0	(613.7)	-17.3%
Real Estate	4,365.7	3,706.0	659.7	17.8%
Private Equity	7,933.1	7,724.6	208.5	2.7%
Emerging Manager Program	29.9	-	29.9	N/A
Real Return	<u>1,412.0</u>	<u>1,675.5</u>	<u>(263.5)</u>	<u>-15.7%</u>
<b>TOTAL ALTERNATIVE INVESTMENTS</b>	<b>16,673.0</b>	<b>16,652.1</b>	<b>20.9</b>	<b>0.1%</b>
UNALLOCATED CASH	<u>196.5</u>	<u>262.9</u>	<u>(66.4)</u>	<u>-25.3%</u>
<b>TOTAL PSF(SBOE) INVESTMENTS</b>	<b>\$ 37,967.7</b>	<b>\$ 42,573.2</b>	<b>\$ (4,605.5)</b>	<b>-10.8%</b>

Source: PSF Annual Report for year ended August 31, 2022.

<sup>1</sup>The investments shown in the table above at August 31, 2022 do not fully reflect the changes made to the PSF Strategic Asset Allocation in June 2022, as those changes were still being phased in at the end of the fiscal year.

The table below sets forth the investments of the Liquid Account for the year ended August 31, 2022.

### Liquid Account Fair Value at August 31, 2022<sup>1</sup>

Fair Value (in millions) August 31, 2022 and 2021

<u>ASSET CLASS</u>	<u>August 31, 2022</u>	<u>August 31, 2021</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent Change</u>
Equity				
Domestic Small/Mid Cap	\$ 500.0	\$228.3	\$271.7	119.0%
Domestic Large Cap	<u>1,671.7</u>	<u>578.6</u>	<u>1,093.1</u>	188.9%
Total Domestic Equity	2,171.7	806.9	1,364.8	169.1%
International Equity	<u>1,225.5</u>	<u>392.6</u>	<u>832.9</u>	212.1%
TOTAL EQUITY	3,397.2	1,199.5	2,197.7	183.2%
Fixed Income				
Short-Term Fixed Income	797.4	1,074.8	(277.4)	-25.8%
Core Bonds	506.8	413.1	93.7	22.7%
TIPS	<u>208.2</u>	<u>213.9</u>	<u>(5.7)</u>	-2.7%
TOTAL FIXED INCOME	1,512.4	1,701.8	(189.4)	-11.1%
Unallocated Cash	<u>35.2</u>	<u>1,420.5</u>	<u>(1,385.3)</u>	-97.5%
Total Liquid Account Investments	\$4,944.8	\$4,321.8	\$623.0	14.4%

<sup>1</sup> In millions of dollars.

Source: PSF Annual Report for year ended August 31, 2022.

The table below sets forth the comparative investments of the PSF(SLB) for the years ending August 31, 2022 and 2021.

### Comparative Investment Schedule - PSF(SLB)

Fair Value (in millions) August 31, 2022 and 2021

<u>Asset Class</u>	<u>As of 8-31-22</u>	<u>As of 8-31-21</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Discretionary Real Assets Investments				
Externally Managed				
Real Assets Investment Funds <sup>1</sup>				
Energy/Minerals	\$2,718.6	\$1,707.5	\$1,011.1	59.2%
Infrastructure	1,622.7	1,652.3	(29.6)	-1.8%
Real Estate	<u>1,921.2</u>	<u>1,276.8</u>	<u>644.4</u>	50.5%
Internally Managed Direct				
Real Estate Investments	271.5	223.9	47.6	21.3%
Total Discretionary Real Assets Investments	6,534.0	4,860.5	1,673.5	34.4%
Dom. Equity Rec'd as In-Kind Distribution	-	1.7	(1.7)	-100.0%
Sovereign and Other Lands	428.3	405.4	22.9	5.6%
Mineral Interests	5,622.2	2,720.4	2,901.8	106.7%
Cash at State Treasury <sup>2</sup>	<u>1,257.5</u>	<u>699.2</u>	<u>558.3</u>	79.8%

Total PSF(SLB) Investments	\$13,842.0	\$8,687.2	\$5,154.8	59.3%
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<sup>1</sup> The fair values of externally managed real assets investment funds, separate accounts, and co-investment vehicles are estimated using the most recent valuations available, adjusted for subsequent contributions and withdrawals.

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

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

### **The School District Bond Guarantee Program**

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

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

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

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

Generally, the regulations that govern the School District Bond Guarantee Program (the "SDBGP Rules") limit guarantees to certain types of notes and bonds, including, with respect to refunding bonds issued by school districts, a requirement that the bonds produce debt service savings, and that bonds issued for capital facilities of school districts must have been voted as unlimited tax debt of the issuing



district. The Guarantee Program Rules include certain accreditation criteria for districts applying for a guarantee of their bonds, and limit guarantees to districts that have less than the amount of annual debt service per average daily attendance that represents the 90th percentile of annual debt service per average daily attendance for all school districts, but such limitation will not apply to school districts that have enrollment growth of at least 25% over the previous five school years. As noted, above, in connection with the Regulatory Recodification, the SDBGP Rules are now codified in the Texas Administrative Code at 19 TAC section 33.6 and are available at <https://tea.texas.gov/sites/default/files/ch033a.pdf>.

### **The Charter District Bond Guarantee Program**

The Charter District Bond Guarantee Program became effective March 3, 2014. The SBOE published final regulations in the Texas Register that provide for the administration of the Charter District Bond Guarantee Program (the "CDBGP Rules"). As noted, above, in connection with the Regulatory Recodification, the CDBGP Rules are now codified at 19 TAC section 33.7 and are available at <https://tea.texas.gov/sites/default/files/ch033a.pdf>.

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

As of March 2023 (the most recent date for which data is available), the percentage of students enrolled in open-enrollment charter schools (excluding charter schools authorized by school districts) to the total State scholastic census was approximately 7.36%. At March 20, 2023, there were 188 active open-enrollment charter schools in the State and there were 1,095 charter school campuses authorized under such charters, though as of such date, 190 of such campuses are not currently serving students for various reasons; therefore, there are 905 charter school campuses actively serving students in Texas. Section 12.101, Texas Education Code, limits the number of charters that the Education Commissioner may grant to a total number of 305 charters. While legislation limits the number of charters that may be granted, it does not limit the number of campuses that may operate under a particular charter. For information regarding the capacity of the Guarantee Program, see "Capacity Limits for the Guarantee Program." The Act provides that the Education Commissioner may not approve the guarantee of refunding or refinanced bonds under the Charter District Bond Guarantee Program in a total amount that exceeds one-half of the total amount available for the guarantee of charter district bonds under the Charter District Bond Guarantee Program.

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

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

In the event of default, holders of guaranteed charter district bonds will receive all payments due from the corpus of the PSF. Following a determination that a charter district will be or is unable to pay maturing or matured principal or interest on any guaranteed bond, the Act requires a charter district to notify the Education Commissioner not later than the fifth day before the stated maturity date of such bond or interest payment and provides that immediately following receipt of notice that a charter district will be or is unable to pay maturing or matured principal or interest on a guaranteed bond, the Education Commissioner is required to instruct the Comptroller to transfer from the Charter District Reserve Fund to the district's paying agent an amount necessary to pay the maturing or matured principal or interest. If money in the Charter District Reserve Fund is insufficient to pay the amount due on a bond for which a notice of default has been received, the Education Commissioner is required to instruct the Comptroller to transfer from the PSF to the district's paying agent the amount necessary to pay the balance of the unpaid maturing or matured principal or interest. If a total of two or more payments are made under the Charter District Bond Guarantee Program on charter district bonds and the Education Commissioner determines that the charter district is acting in bad faith under the program, the Education Commissioner may request the Attorney General to institute appropriate legal action to compel the charter district and its officers, agents, and employees to comply with the duties required of them by law in regard to the guaranteed bonds. As is the case with the School District Bond Guarantee Program, the Act provides a funding "intercept" feature that obligates the Education Commissioner to instruct the Comptroller to withhold the amount paid with respect to the Charter District Bond Guarantee Program, plus interest, from the first State money payable to a charter district that fails to make a guaranteed payment on its bonds. The amount withheld will be deposited, first, to the credit of the PSF, and then to restore any amount drawn from the Charter District Reserve Fund as a result of the non-payment.

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

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

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

### **Capacity Limits for the Guarantee Program**

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

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

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

<u>Changes in SBOE-determined multiplier for State Capacity Limit</u>	
<u>Date</u>	<u>Multiplier</u>
Prior to May 2010	2.50
May 2010	3.00
September 2015	3.25
February 2017	3.50
September 2017	3.75
February 2018 (current)	3.50

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

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

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

The State Capacity Limit increased from \$135,449,634,408 on August 31, 2021 to \$148,789,725,175 on August 31, 2022 (but at such date the IRS Limit (\$117,318,653,038) remained the lower of the two, so it is the current Capacity Limit for the Fund).

Since July 1991, when the SBOE amended the Guarantee Program Rules to broaden the range of bonds that are eligible for guarantee under the Guarantee Program to encompass most Texas school district bonds, the principal amount of bonds guaranteed under the Guarantee Program has increased sharply. In addition, in recent years a number of factors have caused an increase in the amount of bonds issued by school districts in the State. See the table "Permanent School Fund Guaranteed Bonds" below. Effective March 1, 2023, the Act, as amended through the Regulatory Recodification, provides that the SBOE may establish a percentage of the Capacity Limit to be reserved from use in guaranteeing bonds (the "Capacity Reserve"). The SDBGP Rules provide for a maximum Capacity Reserve for the overall Guarantee Program of 5% and provide that the amount of the Capacity Reserve may be increased or decreased by a majority vote of the SBOE based on changes in the cost value, asset allocation, and risk in the portfolio, or may be increased or decreased by the Education Commissioner as necessary to prudently manage fund capacity and preserve the AAA credit rating of the Guarantee Program (subject to ratification or rejection by the SBOE at the next meeting for which an item can be posted). The CDBGP Rules provide for an additional reserve of CDBGP Capacity determined by calculating an equal percentage as established by the SBOE for the Capacity Reserve, applied to the CDBGP Capacity. Effective March 1, 2023, the Capacity Reserve is 0.25%. The Capacity Reserve is noted in the monthly updates with respect to the capacity of the Guarantee Program on the TEA web site at [http://tea.texas.gov/Finance\\_and\\_Grants/Permanent\\_School\\_Fund/](http://tea.texas.gov/Finance_and_Grants/Permanent_School_Fund/), which are also filed with the MSRB.

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

As of January 2023, the monthly updates with respect to the capacity of the Guarantee Program on the TEA web site projected a remaining capacity under the IRS Limit of \$194.1 million out of the approximately \$117.3 billion of authorized capacity. Effective March 1, 2023, the change in the Capacity Reserve from 5% to 0.25%, as discussed above, freed up approximately \$5.9 billion in Guarantee Program

capacity. No representation is made as to how quickly the additional capacity from changing the Capacity Reserve will remain available, and the capacity of the Guarantee Program is subject to change due to a number of factors, including changes in bond issuance volume throughout the State and some bonds receiving guarantee approvals may not close. Additional capacity could become available for new applicants from time to time, through, among other measures, the principal retirement of outstanding guaranteed bonds. As the amount of guaranteed bonds approaches the IRS Limit, the SBOE continues to seek changes to the existing federal tax law requirements regarding the Guarantee Program with the objective of obtaining an increase in the IRS Limit. Such changes include regulatory modifications and implementation of federal legislation, and no assurances can be given as to the timing of the foregoing or the SBOE's success in that undertaking.

### **2017 Legislative Changes to the Charter District Bond Guarantee Program**

The CDBGP Capacity is established by the Act. During the 85th Texas Legislature, which concluded on May 29, 2017, Senate Bill 1480 ("SB 1480") was enacted. SB 1480 amended the Act to modify how the CDBGP Capacity is established effective as of September 1, 2017 and made other substantive changes to the Charter District Bond Guarantee Program. Prior to the enactment of SB 1480, the CDBGP Capacity was calculated as the Capacity Limit less the amount of outstanding bond guarantees under the Guarantee Program multiplied by the percentage of charter district scholastic population relative to the total public school scholastic population. SB 1480 amended the CDBGP Capacity calculation so that the Capacity Limit is multiplied by the percentage of charter district scholastic population relative to the total public school scholastic population prior to the subtraction of the outstanding bond guarantees, thereby increasing the CDBGP Capacity.

The percentage of the charter district scholastic population to the overall public school scholastic population has grown from 3.53% in September 2012 to 7.36% in March 2023. TEA is unable to predict how the ratio of charter district students to the total State scholastic population will change over time.

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

Since the initial authorization of the Charter District Bond Guarantee Program, the Act has established a bond guarantee reserve fund in the State treasury (the "Charter District Reserve Fund"). Formerly, the Act provided that each charter district that has a bond guaranteed must annually remit to the Education Commissioner, for deposit in the Charter District Reserve Fund, an amount equal to 10% of the savings to the charter district that is a result of the lower interest rate on its bonds due to the guarantee by the PSF. SB 1480 modified the Act insofar as it pertains to the Charter District Reserve Fund. Effective September 1, 2017, the Act provides that a charter district that has a bond guaranteed must remit to the Education Commissioner, for deposit in the Charter District Reserve Fund, an amount equal to 20% of the savings to the charter district that is a result of the lower interest rate on the bond due to the guarantee by the PSF. The amount due shall be paid on receipt by the charter district of the bond proceeds. However, the deposit requirement will not apply if the balance of the Charter District Reserve Fund is at least equal to 3.00% of the total amount of outstanding guaranteed bonds issued by charter districts. At March 17, 2023, the Charter District Reserve Fund contained \$85,259,403, which represented approximately 2.18% of the guaranteed charter district bonds. The Reserve Fund is held and invested as a non-commingled fund under the administration of the PSF Corporation staff.

### **Charter District Risk Factors**

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

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

although other existing debts of such charter districts that are not guaranteed under the Charter District Bond Guarantee Program may be secured by real property that could be foreclosed on in the event of a bond default.

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

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

### Infectious Disease Outbreak

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

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

TEA cannot predict whether any school or charter district may experience short- or longer-term cash flow emergencies as a direct or indirect effect of COVID-19 that would require a payment from the PSF to be made to a paying agent for a guaranteed bond. However, through the end of February 2023, no school district or charter district had failed to perform with respect to making required payments on their guaranteed bonds. Information regarding the respective financial operations of the issuer of bonds guaranteed, or to be guaranteed, by the PSF is provided by such issuers in their respective bond offering documents and the TEA takes no responsibility for the respective information, as it is provided by the respective issuers.

### Ratings of Bonds Guaranteed Under the Guarantee Program

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

### Valuation of the PSF and Guaranteed Bonds

#### Permanent School Fund Valuations

Fiscal Year Ended 8/31	Book Value <sup>(1)</sup>	Market Value <sup>(1)</sup>
2018	\$ 33,860,358,647	\$ 44,074,197,940
2019	35,288,344,219	46,464,447,981
2020	36,642,000,738	46,764,059,745
2021	38,699,895,545	55,582,252,097
2022 <sup>(2)</sup>	42,511,350,050	56,754,515,757

<sup>(1)</sup>SLB managed assets are included in the market value and book value of the Fund. In determining the market value of the PSF from time to time during a fiscal year, the current, unaudited values for PSF investment portfolios and cash held by the SLB are used. With respect to SLB managed assets shown in the table above, market values of land and mineral interests, internally managed real estate, investments in externally managed real estate funds and cash are based upon information reported to the PSF Corporation by the SLB.

The SLB reports that information to the PSF Corporation on a quarterly basis. The valuation of such assets at any point in time is dependent upon a variety of factors, including economic conditions in the State and nation in general, and the values of these assets, and, in particular, the valuation of mineral holdings administered by the SLB, can be volatile and subject to material changes from period to period.

(2) At August 31, 2022, mineral assets, sovereign and other lands and discretionary internal investments, investments with external managers, and cash managed by the SLB had book values of approximately \$13.4 million, \$180.6 million, \$5,433.0 million, and \$1,257.5 million, respectively, and market values of approximately \$5,622.2 million, \$699.8 million, \$6,262.5 million, and \$1,257.52 million, respectively.

<b>Permanent School Fund Guaranteed Bonds</b>	
<u>At 8/31</u>	<u>Principal Amount<sup>(1)</sup></u>
2018	\$79,080,901,069
2019	84,397,900,203
2020	90,336,680,245
2021	95,259,161,922
2022	103,239,495,929 <sup>(2)</sup>

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

(2) At August 31, 2022 (the most recent date for which such data is available), the TEA expected that the principal and interest to be paid by school districts and charter districts over the remaining life of the bonds guaranteed by the Guarantee Program was \$156,825,227,335, of which \$53,585,731,406 represents interest to be paid. As shown in the table above, at August 31, 2022, there were \$103,239,495,929 in principal amount of bonds guaranteed under the Guarantee Program. Using the IRS Limit of \$117,318,653,038 (the IRS Limit is currently the Capacity Limit), net of the Capacity Reserve, as of March 17, 2023, 7.36% of the Guarantee Program's capacity was available to the Charter District Bond Guarantee Program. As of March 17, 2023, the amount of outstanding bond guarantees represented 89.46% of the Capacity Limit (which is currently the IRS Limit). March 17, 2023 values are based on unaudited data, which is subject to adjustment.

#### **Permanent School Fund Guaranteed Bonds by Category<sup>(1)</sup>**

Fiscal Year Ended	<u>School District Bonds</u>		<u>Charter District Bonds</u>		<u>Totals</u>	
	<u>No. of Issues</u>	<u>Principal Amount (\$)</u>	<u>No. of Issues</u>	<u>Principal Amount (\$)</u>	<u>No. of Issues</u>	<u>Principal Amount (\$)</u>
<u>8/31</u>						
2018	3,249	77,647,966,069	44	1,432,935,000	3,293	79,080,901,069
2019	3,297	82,537,755,203	49	1,860,145,000	3,346	84,397,900,203
2020	3,296	87,800,478,245	64	2,536,202,000	3,360	90,336,680,245
2021	3,346	91,951,175,922	83	3,307,986,000	3,429	95,259,161,922
2022 <sup>(2)</sup>	3,348	99,528,099,929	94	3,711,396,000	3,442	103,239,495,929

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

(2) At March 17, 2023 (based on unaudited data, which is subject to adjustment), there were \$104,953,879,666 in principal amount of bonds guaranteed under the Guarantee Program, representing 3,296 school district issues, aggregating \$101,038,728,666 in principal amount and 99 charter district issues, aggregating \$3,915,151,000 in principal amount. At March 17, 2023 the projected guarantee capacity available was \$5,413,975,055 (based on unaudited data, which is subject to adjustment).

#### **Discussion and Analysis Pertaining to Fiscal Year Ended August 31, 2022**

The following discussion is derived from the Annual Report for the year ended August 31, 2022, including the Message of the Executive Administrator of the Fund and the Management's Discussion and Analysis contained therein. Reference is made to the Annual Report, as filed with the MSRB, for the complete Message and MD&A. Investment assets managed by the fifteen member SBOE are referred to throughout this MD&A as the PSF(SBOE) and, with respect to the Liquid Account, Liquid(SBOE) assets. As of August 31, 2022, the Fund's land, mineral rights and certain real assets are managed by the five-member SLB and these assets are referred to throughout as the PSF(SLB) assets. The current PSF(SBOE) asset allocation policy includes an allocation for real estate investments, and as such investments are made, and become a part of the PSF(SBOE) investment portfolio, those investments will be managed by the SBOE and not the SLB.

At the end of fiscal 2022, the Fund balance was \$56.8 billion, an increase of \$1.2 billion from the prior year. This increase is primarily due to overall net increases in value of the various asset classes in which the Fund is invested. During the year, the SBOE continued

implementing the long-term strategic asset allocation, diversifying the PSF(SBOE) to strengthen the Fund. The asset allocation is projected to increase returns over the long run while reducing risk and portfolio return volatility. The PSF(SBOE) annual rates of return for the one-year, five-year, and ten-year periods ending August 31, 2022, net of fees, were -6.80%, 6.54% and 7.33%, respectively, and the Liquid(SBOE) annual rate of return for the one-year and three-year periods ending August 31, 2022, net of fees, was -10.24% and -1.23% (total return takes into consideration the change in the market value of the Fund during the year as well as the interest and dividend income generated by the Fund's investments). In addition, the SLB continued its shift into externally managed real asset investment funds, and the one-year, five-year, and ten-year annualized total returns for the PSF(SLB) externally managed real assets, net of fees and including cash, were 32.29%, 8.42%, and 7.40%, respectively.

The Fund is invested in global markets and experiences volatility commensurate with the related indices. The Fund is broadly diversified and benefits from the cost structure of its investment program. Changes continue to be researched, crafted and implemented to make the cost structure more effective and efficient. See "Comparative Investment Schedule - PSF(SBOE)" for the PSF(SBOE) holdings as of August 31, 2022.

As of August 31, 2022, the SBOE has approved, and the Fund made capital commitments to, externally managed real estate investment funds in a total amount of \$7.3 billion and capital commitments to private equity limited partnerships for a total of \$10.1 billion. Unfunded commitments at August 31, 2022, totaled \$2.4 billion in real estate investments and \$2.9 billion in private equity investments.

#### PSF Returns Fiscal Year Ended 8-31-2022<sup>1</sup>

Portfolio	Return	Benchmark Return <sup>2</sup>
Total PSF(SBOE) Portfolio	(6.80)%	(6.37)%
Domestic Large Cap Equities(SBOE)	(11.08)	(11.23)
Domestic Small/Mid Cap Equities(SBOE)	(10.96)	(10.90)
International Equities(SBOE)	(19.72)	(19.52)
Emerging Market Equity(SBOE)	(22.85)	(21.80)
Fixed Income(SBOE)	(12.16)	(11.52)
Treasuries	(22.82)	(22.64)
Absolute Return(SBOE)	(0.55)	(5.66)
Real Estate(SBOE)	23.31	20.56
Private Equity(SBOE)	3.17	8.43
Real Return(SBOE)	2.98	3.09
Emerging Market Debt(SBOE)	(17.95)	(19.43)
Liquid Large Cap Equity(SBOE)	(10.39)	(11.23)
Liquid Small Cap Equity(SBOE)	(10.63)	(10.90)
Liquid International Equity(SBOE)	(19.34)	(19.52)
Liquid Short-Term Fixed Income(SBOE)	(4.27)	(4.01)
Liquid Core Bonds(SBOE)	(11.30)	(11.52)
Liquid TIPS(SBOE)	(5.78)	(5.98)
Liquid Transition Cash Reserves(SBOE)	1.65	0.38
Liquid Combined(SBOE)	(10.24)	(10.88)
PSF(SLB)	(32.29)	N/A

<sup>1</sup> Time weighted rates of return adjusted for cash flows for the PSF(SBOE) investment assets. Does not include GLO managed real estate or real assets. Returns are net of fees. Source: PSF Annual Report for year ended August 31, 2022.

<sup>2</sup> Benchmarks are as set forth in the PSF Annual Report for year ended August 31, 2022.

The PSF(SLB) portfolio is generally characterized by three broad categories: (1) discretionary real assets investments, (2) sovereign and other lands, and (3) mineral interests. Discretionary real assets investments consist of externally managed real estate, infrastructure, and energy/minerals investment funds; internally managed direct real estate investments, and cash. Sovereign and other lands consist primarily of the lands set aside to the PSF when it was created. Mineral interests consist of all of the minerals that are associated with PSF lands. The investment focus of PSF(SLB) discretionary real assets investments has shifted from internally managed direct real estate investments to externally managed real assets investment funds. The PSF(SLB) makes investments in certain limited partnerships that legally commit it to possible future capital contributions. At August 31, 2022, the remaining commitments totaled approximately \$1.94 billion.

For fiscal year 2022, total revenues, inclusive of unrealized gains and losses and net of security lending rebates and fees, totaled \$3.5 billion, a decrease of \$7.3 billion from fiscal year 2021 earnings of \$10.8 billion. The total change in the fair value of the Fund investments is consistent with the change in value of the markets in which those investments were made. In fiscal year 2022, revenues earned by the Fund included gains realized on the sale of land and real estate owned by the Fund; lease payments, bonuses and royalty income received from oil, gas and mineral leases; lease payments from commercial real estate; surface lease and easement revenues; revenues from the resale of natural and liquid gas supplies; dividends, interest, and securities lending revenues; the net change in the fair value of the investment portfolio and externally managed real assets investment funds; and other miscellaneous fees and income.

Expenditures are paid from the Fund before distributions are made under the total return formula. Such expenditures include the costs incurred by the SLB to manage the land endowment, as well as operational costs of the Fund, including external management fees paid from appropriated funds. Total operating expenditures, net of security lending rebates and fees, increased 3.0% for the fiscal year ending August 31, 2022. This increase is primarily attributable to an increase in PSF(SLB) quantities of purchased gas for resale in the State Energy Management Program, which is administered by the SLB as part of the Fund, as well as increases in operational costs.

The Fund directly supports the public school system in the State by distributing a predetermined percentage of its asset value to the ASF. For fiscal years 2021 and 2022, the distribution from the SBOE to the ASF totaled \$1.1 billion and \$1.7 billion, respectively. Distributions from the SLB to the ASF for fiscal years 2021 and 2022 totaled \$600 and \$415 million, respectively.

At the end of the 2022 fiscal year, PSF assets guaranteed \$103.2 billion in bonds issued by 898 local school districts and charter districts, the latter of which entered into the Guarantee Program during the 2014 fiscal year. Since its inception in 1983, the Fund has guaranteed 8,554 school district and charter district bond issues totaling \$239.7 billion in principal amount. During the 2022 fiscal year, the number of outstanding issues guaranteed under the Guarantee Program totaled 3,442. The dollar amount of guaranteed school and charter bond issues outstanding increased by \$7.98 billion or 8.4%. The State Capacity Limit increased by \$13.3 billion, or 9.8%, during fiscal year 2022 due to continued growth in the cost basis of the Fund used to calculate that Program capacity limit. The effective capacity of the Guarantee Program did not increase during fiscal year 2022 as the IRS Limit was reached in a prior fiscal year, and it is the lower of the two capacity limits for the Guarantee Program.

### **Other Events and Disclosures**

The State Investment Ethics Code governs the ethics and disclosure requirements for financial advisors and other service providers who advise certain State governmental entities, including the PSF. The SBOE code of ethics provides ethical standards for SBOE members, the Education Commissioner, TEA staff, and persons who provide services to the SBOE relating to the Fund. As part of the Regulatory Recodification, the PSF Corporation developed its own ethics policy as required by SB 1232, which provides basic ethical principles, guidelines, and standards of conduct relating to the management and investment of the Fund in accordance with the requirements of §43.058 of the Texas Education Code, as amended. The SBOE code of ethics is codified in the Texas Administrative Code at 19 TAC sections 33.4 et seq. and is available on the TEA web site at <https://tea.texas.gov/sites/default/files/ch033a.pdf>. The PSF Corporation's ethics policy is posted to the PSF Corporation's website at [texaspsf.org](https://texaspsf.org).

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

As of August 31, 2022, certain lawsuits were pending against the State and/or the GLO, which challenge the Fund's title to certain real property and/or past or future mineral income from that property, and other litigation arising in the normal course of the investment activities of the PSF. Reference is made to the Annual Report, when filed, for a description of such lawsuits that are pending, which may represent contingent liabilities of the Fund.

### **PSF Continuing Disclosure Undertaking**

The Regulatory Recodification included the codification of the TEA's undertaking pursuant to Rule 15c2-12 (the "TEA Undertaking") pertaining to the PSF and the Guarantee Program. As of March 1, 2023, the TEA Undertaking is codified at 19 TAC 33.8, which relates to the Guarantee Program and is available at [available at https://tea.texas.gov/sites/default/files/ch033a.pdf](https://tea.texas.gov/sites/default/files/ch033a.pdf).

Through the codification of the TEA Undertaking and its commitment to guarantee bonds, the TEA has made the following agreement for the benefit of the issuers, holders and beneficial owners of guaranteed bonds. The TEA (or its successor with respect to the management of the Guarantee Program) is required to observe the agreement for so long as it remains an "obligated person," within the meaning of Rule 15c2-12, with respect to guaranteed bonds. Nothing in the TEA Undertaking obligates the TEA to make any filings or disclosures with respect to guaranteed bonds, as the obligations of the TEA under the TEA Undertaking pertain solely to the Guarantee Program. The issuer or an "obligated person" of the guaranteed bonds has assumed the applicable obligation under Rule 15c2-12 to make all disclosures and filings relating directly to guaranteed bonds, and the TEA takes no responsibility with respect to such undertakings. Under the TEA Undertaking, the TEA will be obligated to provide annually certain updated financial information and operating data, and timely notice of specified material events, to the MSRB.

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



## **Annual Reports**

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

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

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

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

## **Event Notices**

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

## **Availability of Information**

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

## **Limitations and Amendments**

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

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

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

## **Compliance with Prior Undertakings**

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

## **SEC Exemptive Relief**

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

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