Rating: S&P "AAA"
(See "RATING" and "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein)

**OFFICIAL STATEMENT**
**Dated: August 29, 2023**

**NEW ISSUE: BOOK-ENTRY-ONLY**

*In the opinion of Kline Alvarado Veio, P.C., Special Tax Counsel, interest on the Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax; however, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022 subject to the matters described under "TAX MATTERS" herein.*

*The Bonds have been designated by the District as "Qualified Tax-Exempt Obligations" for financial institutions.*

# $6,315,000
# CAMERON INDEPENDENT SCHOOL DISTRICT
## (a political subdivision of the State of Texas located in Milam County)
## Unlimited Tax School Building Bonds, Series 2023

**Dated Date: September 1, 2023** **Due: February 15, as shown on the inside cover page**

The Cameron Independent School District Unlimited Tax School Building Bonds, Series 2023 (the "Bonds") are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Sections 45.001 and 45.003(b)(1), Texas Education Code, as amended, an election held in the District on May 7, 2022 and an order (the "Bond Order") authorizing the issuance of the Bonds adopted on August 29, 2023 by the Board of Trustees (the "Board") of the Cameron Independent School District (the "District"). The Bonds are payable as to principal and interest from the proceeds of an ad valorem tax levied annually, without legal limit as to rate or amount, against all taxable property located within the District. The District has received conditional approval from the Texas Education Agency for the Bonds to be guaranteed under the State of Texas Permanent School Fund Guarantee Program (hereinafter defined), which guarantee will automatically become effective when the Attorney General of Texas approves the Bonds. (See "THE BONDS – Permanent School Fund Guarantee" herein and "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" attached hereto.)

Interest on the Bonds will accrue from the Dated Date specified above and will be payable on February 15 and August 15 of each year, commencing February 15, 2024, until stated maturity or prior redemption. The Bonds will be issued in fully-registered form in principal denominations of $5,000 or any integral multiple thereof. Principal of the Bonds will be payable by the Paying Agent/Registrar, which initially is BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"), upon presentation and surrender of the Bonds for payment. Interest on the Bonds is payable by check dated as of the interest payment date and mailed by the Paying Agent/Registrar to the registered owner(s) as shown on the records of the Paying Agent/Registrar on the close of business as of the last business day of the month next preceding each interest payment date.

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

Proceeds from the sale of the Bonds will be used for (i) construction, renovation, improvement, and equipment of existing school buildings in the District, including renovations to the original C. H. Yoe high school to create a career and technical education center; construction, renovation, improvement and equipment of existing school building to improve and enhance agricultural science program facilities; and (ii) paying the costs of issuing the Bonds. See "THE BONDS - Authorization and Purpose" herein.

The Bonds maturing on or after February 15, 2033 are subject to redemption at the option of the District in whole or in part on August 15, 2032 or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. See "THE BONDS - Optional Redemption" herein.

**MATURITY SCHEDULE**
(On Inside Cover)

*The Bonds are offered for delivery when, as and if issued, and received by the initial purchaser at a competitive sale (the "Purchaser" or the "Initial Purchaser") subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by Powell Law Group, L.L.P., Austin, Texas and Haynes and Boone, LLP, Houston, Texas, Co-Bond Counsel, and Kline Alvarado Veio, P.C., Denver, Colorado, Special Tax Counsel. The Bonds are expected to be available for initial delivery through the facilities of DTC on or about September 27, 2023.*

**$6,315,000**
**CAMERON INDEPENDENT SCHOOL DISTRICT**
**(A political subdivision of the State of Texas located in Milam County)**
**UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2023**

**MATURITY SCHEDULE**
Base CUSIP No.: 133591[1]

| Maturity Date 2/15 | Principal Amount | Interest Rate | Initial Yield | CUSIP No. Suffix[1] |
|---|---|---|---|---|
| 2024 | $25,000 | 5.00% | 3.65% | GJ0 |
| 2025 | 265,000 | 5.00 | 3.50 | GK7 |
| 2026 | 195,000 | 5.00 | 3.40 | GL5 |
| 2027 | 170,000 | 5.00 | 3.30 | GM3 |
| 2028 | 145,000 | 5.00 | 3.20 | GN1 |
| 2029 | 110,000 | 5.00 | 3.20 | GP6 |
| 2030 | 85,000 | 5.00 | 3.20 | GQ4 |
| 2031 | 50,000 | 5.00 | 3.20 | GR2 |
| 2032 | 20,000 | 5.00 | 3.20 | GS0 |
| 2033 | 425,000 | 5.00 | 3.25[2] | GT8 |
| 2034 | 450,000 | 5.00 | 3.30[2] | GU5 |
| 2035 | 470,000 | 5.00 | 3.35[2] | GV3 |
| 2036 | 490,000 | 4.00 | 3.60[2] | GW1 |
| 2037 | 515,000 | 4.00 | 3.70[2] | GX9 |
| 2038 | 535,000 | 4.00 | 3.80[2] | GY7 |
| 2039 | 560,000 | 4.00 | 3.90[2] | GZ4 |
| 2040 | 575,000 | 4.00 | 4.00 | HA8 |
| 2041 | 605,000 | 4.00 | 4.10 | HB6 |
| 2042 | 625,000 | 4.00 | 4.15 | HC4 |

(Interest to accrue from the Dated Date)

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*(2) Yield calculated based on the assumption that the Bonds denoted and sold at a premium will be redeemed on August 15, 2032, the first optional call date for such Bonds, at a redemption price of par, plus accrued interest to the redemption date.*

## CAMERON INDEPENDENT SCHOOL DISTRICT

### BOARD OF TRUSTEES

| Name | Year Initially Elected | Current Term Expires | Occupation |
|---|---|---|---|
| Franci Denio, President | 2012 | 2024 | Business Owner |
| James Burks, Vice President | 2014 | 2026 | Ranch General Manager |
| Alan Patterson, Secretary | 2010 | 2025 | Business Owner |
| Isaiah Logan, Trustee | 2022 | 2025 | Medical Doctor |
| Roy Martinez, Trustee | 2017 | 2026 | Retired |
| Michael McAnulty, Trustee | 2018 | 2024 | Business Owner |
| Annisha Williams, Trustee | 2021 | 2024 | Deputy Clerk |

### APPOINTED OFFICIALS

| Name | Position | Length of Education Service | Length of Service with the District |
|---|---|---|---|
| Kevin Sprinkles | Superintendent | 29 Years | 4 Years |
| Dr. Mistie Dakroub | Assistant Superintendent | 25 Years | 4 Years |
| Missi Giesenschlag | Business Manager | 30 Years | 30 Years |

### CONSULTANTS AND ADVISORS

| | |
|---|---|
| Powell Law Group, L.L.P., Austin, Texas | Co-Bond Counsel |
| Haynes and Boone, LLP, Houston, Texas | Co-Bond Counsel |
| Kline Alvarado Veio, P.C., Denver, Colorado | Special Tax Counsel |
| SAMCO Capital Markets, Inc., Plano, Texas | Financial Advisor |
| BGFN, Temple, Texas | Certified Public Accountants |

For additional information, contact:

Kevin Sprinkles
Superintendent
Cameron Independent School District
304 East 12th
Cameron, Texas 76520
(254) 697-3512

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

## USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein. See "CONTINUING DISCLOSURE OF INFORMATION" herein and "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM – PSF Continuing Disclosure Undertaking" attached hereto for a description of the undertakings of the Texas Education Agency and the District, respectively, 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 INITIAL PURCHASER 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 PURCHASER MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY ("DTC") OR ITS BOOK-ENTRY-ONLY SYSTEM, OR THE AFFAIRS OF THE TEXAS EDUCATION AGENCY ("TEA") DESCRIBED UNDER "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" ATTACHED HERETO, AS SUCH INFORMATION WAS PROVIDED BY DTC AND TEA, RESPECTIVELY.

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

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

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## SELECTED DATA FROM THE OFFICIAL STATEMENT

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

| | |
|---|---|
| **The District** | The Cameron Independent School District (the "District") is a political subdivision of the State of Texas located in Milam County. The District is governed by a seven-member Board of Trustees (the "Board"). Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent of Schools who is the chief administrative officer of the District. Support services are supplied by consultants and advisors. |
| **The Bonds** | The Bonds are being issued in the principal amount of $6,315,000 pursuant to the Constitution and general laws of the State of Texas, particularly Sections 45.001 and 45.003(b)(1), Texas Education Code, as amended, an election held in the District on May 7, 2022, and an order (the "Bond Order") authorizing the issuance of the Bonds adopted by the Board on August 29, 2023. Proceeds from the sale of the Bonds will be used for (i) construction, renovation, improvement, and equipment of existing school buildings in the District, including renovations to the original C. H. Yoe high school to create a career and technical education center; construction, renovation, improvement and equipment of existing school building to improve and enhance agricultural science program facilities; and (ii) paying the costs of issuing the Bonds. See "THE BONDS – Authorization and Purpose" herein. |
| **Paying Agent/Registrar** | The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. The District intends to use the Book-Entry-Only System of The Depository Trust Company. See "BOOK-ENTRY-ONLY SYSTEM" herein. |
| **Security** | The Bonds will constitute direct and voted 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. Payments of principal and interest on the Bonds will be further secured by the corpus of the Permanent School Fund of Texas. See "THE BONDS – Security", "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS", "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" and "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein and hereto. |
| **Optional Redemption** | The Bonds maturing on or after February 15, 2033 are subject to redemption at the option of the District in whole or in part on August 15, 2032 or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. See "THE BONDS – Optional Redemption" herein. |
| **Permanent School Fund Guarantee** | The District has received conditional approval from the Texas Education Agency for the payment of the Bonds to be guaranteed under the Permanent School Fund Guarantee Program (defined herein), which guarantee will automatically become effective when the Attorney General of Texas approves the Bonds. See "THE BONDS – Permanent School Fund Guarantee" herein and "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" attached hereto. |
| **Rating** | The Bonds are rated "AAA" by S&P Global Ratings ("S&P") based upon the guaranteed repayment thereof under the Permanent School Fund Guarantee Program (as defined herein) of the Texas Education Agency. The District's underlying, unenhanced rating, including the Bonds, is "A+" from S&P. See "RATING" herein and "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM – Ratings of Bonds Guaranteed Under the Guarantee Program". |
| **Qualified Tax-Exempt Obligations** | The District has designated the Bonds as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – Qualified Tax-Exempt Obligations" herein. |
| **Tax Matters** | In the opinion of Special Tax Counsel for the District, interest on the Bonds is excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions on the date hereof, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on certain corporations. See "TAX MATTERS" and "APPENDIX C – FORMS OF LEGAL OPINIONS OF CO-BOND COUNSEL AND SPECIAL TAX COUNSEL" hereto. |
| **Payment Record** | The District has never defaulted on the payment of its bonded indebtedness. |
| **Legal Opinion** | Delivery of the Bonds is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by Powell Law Group, L.L.P., Austin, Texas, and Haynes and Boone, LLP, Houston, Texas, Co-Bond Counsel. |
| **Delivery** | When issued, anticipated to be on or about September 27, 2023. |

## INTRODUCTORY STATEMENT

This Official Statement (the "Official Statement"), which includes the cover page and the Appendices attached hereto, has been prepared by the Cameron Independent School District (the "District"), a political subdivision of the State of Texas (the "State") located in Milam County, Texas, in connection with the offering by the District of its Unlimited Tax School Building Bonds, Series 2023 (the "Bonds") identified on the inside cover page hereof.

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

There follows in this Official Statement descriptions of the Bonds and the Bond Order adopted by the Board of Trustees of the District (the "Board") on August 29, 2023 authorizing the issuance of the Bonds (the "Bond 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 by writing the Cameron Independent School District, 304 East 12th, Cameron, Texas 76520 and, during the offering period, from the Financial Advisor, SAMCO Capital Markets, Inc., 5800 Granite Parkway, Suite 210, Plano, Texas 75024, by electronic mail or upon payment of reasonable copying, mailing, and handling charges.

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

## THE BONDS

### Authorization and Purpose

The Bonds are being issued in the principal amount of $6,315,000 pursuant to the Constitution and general laws of the State, particularly Sections 45.001 and 45.003(b)(1), Texas Education Code, as amended, an election held in the District on May 7, 2022 (the "Election") and an order (the "Bond Order") authorizing the issuance of the Bonds adopted by the Board of Trustees (the "Board") on August 29, 2023. Proceeds from the sale of the Bonds will be used for (i) construction, renovation, improvement, and equipment of existing school buildings in the District, including renovations to the original C. H. Yoe high school to create a career and technical education center; construction, renovation, improvement and equipment of existing school building to improve and enhance agricultural science program facilities; (ii) paying the costs of issuing the Bonds.

### General Description

The Bonds are dated September 1, 2023 (the "Dated Date") and will bear interest from the Dated Date. The Bonds will mature on the dates and in the principal amounts set forth on the inside cover page of this Official Statement. Interest on the Bonds will be computed on the basis of a 360-day year of twelve 30-day months, and is payable on February 15, 2024 and on each August 15 and February 15 thereafter until stated maturity or prior redemption.

The Bonds will be issued only as fully-registered bonds. The Bonds will be issued in the denominations of $5,000 of principal amount or any integral multiple thereof within a stated maturity.

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

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

### Optional Redemption

The Bonds maturing on or after, February 15, 2033 are subject to redemption, at the option of the District, in whole or in part, in principal amounts of $5,000 or integral multiples thereof, on August 15, 2032 or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the District shall determine the amounts and maturities thereof to be redeemed and shall direct the Paying Agent/Registrar to select by lot the Bonds, or portions thereof, to be redeemed. Not fewer than thirty (30) days prior to a redemption date for the Bonds, the District shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to each registered owner of a Bond to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice.

### Notice of Redemption and DTC Notices

The Paying Agent/Registrar and the District, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Bond Order or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the District will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bonds from the beneficial owners. Any such selection of Bonds to be redeemed will not be governed by the Bond Order and will not be conducted by the District or the Paying Agent/Registrar. Neither the District nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Bonds for redemption. See "BOOK-ENTRY-ONLY SYSTEM" herein.

**Security**

The Bonds are direct and voted obligations of the District and are payable as to both principal and interest from an ad valorem tax annually levied, without legal limit as to rate or amount, on all taxable property within the District. The District has received conditional approval from the Texas Education Agency for the payment of the Bonds to be guaranteed under the State of Texas Permanent School Fund Guarantee Program (hereinafter defined), which guarantee will automatically become effective when the Attorney General of Texas approves the Bonds. See "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS", "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" herein and "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" attached hereto.

**Permanent School Fund Guarantee**

In connection with the sale of the Bonds, the District has received conditional approval from the Commissioner of Education of the State for the guarantee of the Bonds under the Permanent School Fund Guarantee Program (Chapter 45, Subchapter C, of the Texas Education Code, as amended). Subject to meeting certain conditions discussed under "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" attached hereto, the Bonds will be absolutely and unconditionally guaranteed by the corpus of the Permanent School Fund of the State of Texas. In the event of 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 "REGISTERED OWNERS' REMEDIES" herein and"APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" attached hereto.

**Legality**

The Bonds are offered when, as and if issued, subject to the approval of legality by the Attorney General of the State and the approval of certain legal matters by Powell Law Group, L.L.P., Austin, Texas, and Haynes and Boone LLP, Houston, Texas, Co-Bond Counsel. See "LEGAL MATTERS" and "APPENDIX C - FORMS OF LEGAL OPINIONS OF CO-BOND COUNSEL" hereto.

**Payment Record**

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

**Amendments**

In the Bond Order, the District has reserved the right to amend the Bond Order without the consent of any holder for the purpose of amending or supplementing the Order to (i) cure any ambiguity, defect or omission therein that does not materially adversely affect the interests of the holders, (ii) grant additional rights or security for the benefit of the holders, (iii) add events of default as shall not be inconsistent with the provisions of the Bond Order that do not materially adversely affect the interests of the holders, (iv) qualify the Bond Order under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect or (v) make such other provisions in regard to matters or questions arising under the Bond Order that are not inconsistent with the provisions thereof and which, in the opinion of Bond Counsel for the District, do not materially adversely affect the interests of the holders.

The Bond Order further provides that the majority of owners of the Bonds shall have the right from time to time to approve any amendment not described above to the Bond Order if it is deemed necessary or desirable by the District; provided, however, that without the consent of 100% of the holders in principal amount of the then outstanding Bonds so affected, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Bonds; (ii) reducing the rate of interest borne by any of the outstanding Bonds; (iii) reducing the amount of the principal of or redemption premium, if any, payable on any outstanding Bonds; (iv) modifying the terms of payment of principal or interest on outstanding Bonds or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Bonds necessary for consent to such amendment. Reference is made to the Bond Order for further provisions relating to the amendment thereof.

**Defeasance**

The Bond Order provides for the defeasance of the Bonds when payment of the principal amount of the Bonds plus interest accrued on the Bonds to their due date (whether such due date be by reason of stated maturity, redemption or otherwise), is provided by irrevocably depositing with a paying agent, or other authorized escrow agent, in trust (1) moneys in an amount sufficient to make such payment and/or (2) Defeasance Securities, that will mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient moneys to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds, and thereafter the District will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased Bonds, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The District has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the District moneys in excess of the amount required for such defeasance. The Bond Order provides that "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Bonds. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District authorizes the defeasance, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that on the date the governing body of the District adopts or approves the proceedings authorizing the financial arrangements have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Bond Order does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used for defeasance purposes or that for any other Defeasance Security will be maintained at any particular rating category.

Upon such deposit as described above, such 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 reserved 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.

**Sources and Uses of Funds**

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

| | | |
|---|---|---|
| **Sources** | | |
| Par Amount of Bonds | $ | 6,315,000.00 |
| Accrued Interest | | 19,983.89 |
| Reoffering Premium | | 252,837.60 |
| **Total Sources of Funds** | $ | 6,587,821.49 |
| **Uses** | | |
| Deposit into Construction Fund | $ | 6,400,000.00 |
| Costs of Issuance | | 107,215.43 |
| Purchaser's Discount | | 60,622.17 |
| Deposit into Interest and Sinking Fund | | 19,983.89 |
| **Total Uses of Funds** | $ | 6,587,821.49 |

## REGISTERED OWNERS' REMEDIES

The Bond 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 Bond 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 Bond 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 Bond 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 Bond Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court ruled in Tooke v. City of Mexia, 197 S.W.3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. In so ruling, the Court declared that statutory language such as "sue and be sued", in and of itself, did not constitute a clear and unambiguous waiver of sovereign immunity. In Tooke, the Court noted the enactment in 2005 of sections 271.151-.160, Texas Local Government Code (the "Local Government Immunity Waiver Act"), which, according to the Court, waives "immunity from suit for contract claims against most local governmental entities in certain circumstances." The Local Government Immunity Waiver Act covers school districts and relates to contracts entered into by school districts for providing goods or services to school districts. The District is not aware of any State court construing the Local Government Immunity Waiver Act in the context of whether contractual undertakings of local governments that relate to their borrowing powers are contracts covered by the Local Government Immunity Waiver Act. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in Tooke, and it is unclear whether Tooke will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by State courts. In general, State courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. State courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally-imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract). As a result, bondholders may not be able to bring such a suit against the District for breach of the Bonds or Bond 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" attached hereto 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 Bond 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 while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District, the Financial Advisor and the Purchaser believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.*

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

DTC 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.

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

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

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

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

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

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, physical Bond certificates are required to be printed and delivered to bond holders.

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

The information in this section concerning DTC and DTC's Book-Entry-Only System has been obtained from sources that the District believes to be reliable, but none of the District, the Financial Advisor, or the Purchaser take any responsibility for the accuracy thereof.

**Use of Certain Terms in Other Sections of this Official Statement**

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the 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 Bond Order will be given only to DTC.

## REGISTRATION, TRANSFER AND EXCHANGE

**Paying Agent/Registrar**

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

### Successor Paying Agent/Registrar

Provision is made in the Bond 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 or trust company organized under the laws of the United States or any state or other entity duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the 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.

### Initial Registration

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

### Future Registration

In the event the Book-Entry-Only System is discontinued, the Bonds 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 registered mail to the new registered owner at the registered owner's request, risk and expense. 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 person to whom the interest on the Bonds is payable on any interest payment date means the close of business on the last business day of the next preceding month. In the event of a non-payment of interest on a scheduled payment date, and for thirty (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 fifteen (15) days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each registered owner of a Bond appearing on the 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

The Paying Agent/Registrar shall not be required to make any such transfer, conversion or exchange (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date or (ii) with respect to any Bond or any portion thereof called for redemption prior to maturity, within forty-five (45) days prior to its redemption date; provided, however, that such limitation shall not apply to uncalled portions of a Bond redeemed in part.

### Replacement Bonds

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

Subject to satisfying certain conditions, the payment of the Bonds will be guaranteed by the corpus of the Permanent School Fund of the State of Texas. In the event of default, registered owners will receive all payments due on the Bonds from the 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" attached hereto 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" herein.

## 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 87th Texas Legislature convened on January 12, 2021 and concluded on May 31, 2021 ("87th Regular Session"). During the 87th Regular Session, the Legislature did not make significant changes to the school finance system, State funding of school districts, nor ad valorem taxation procedures affecting school districts.

When the regular Legislature is not in session, the Governor of Texas may call one or more special sessions, at the Governor's direction, each lasting no more than 30 days, and for which the Governor sets the agenda. Following the conclusion of the 87th Regular Session, the Texas Governor has called three special sessions of the Legislature. No significant changes were made to the Texas school finance system or property tax systems during the First and Second Special Sessions. Senate Joint Resolution 2, passed during the Third Special Session, proposed a constitutional amendment increasing the mandatory homestead exemption for school districts from $25,000 to $40,000, which was approved by voters at an election held May 7, 2022. The amendment to the Constitution is effective beginning January 1, 2022. As a result of the increased exemption, additional changes to the education finance system 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 Special Legislative Sessions**

On January 10, 2023, the 88th Texas Legislature convened in general session that adjourned on May 29, 2023. Immediately after the conclusion of the regular session, the Texas Governor called a first special session to address property tax relief from school district taxation and border security; the first special session began on May 29, 2023 and ended on June 27, 2023. At the conclusion of the first special session, the Governor called a second special session that began on June 27, 2023 and adjourned on July 13, 2023.

The charge for the second special session included the following: (i) "Legislation to cut property-tax rates solely by reducing the school district maximum compressed tax rate in order to provide lasting property-tax relief for Texas taxpayers;" (ii) "Legislation to put Texas on a pathway to eliminate school district maintenance and operations property taxes;" (iii) "Legislation relating to providing property tax relief through the public school finance system, exemptions, limitations on appraisals and taxes and property tax administration;" and (iv) "Legislation relating to the amount of the total revenue exemption from the franchise tax and the exclusion of certain taxable entities from the requirement to file a franchise tax report."

During the second special session, the Legislature passed Senate Bill 2 ("SB 2"), which includes provisions that reduce the maximum M&O tax compression rate by 0.107 cents, increase the school district mandatory homestead exemption from $40,000 to $100,000, and places further limitations on increases in appraised values on certain classes of properties. The provision increasing the residential homestead exemption to $100,000 will be submitted to voters of the State on November 7, 2023. SB 2 also makes provision for State aid funding to pay for the loss in school district I&S tax revenue (i.e. "hold harmless") for debt that (i) is issued prior to September 1, 2023, or (ii) is approved by voters but not yet issued as of September 1, 2023.

SB 2 was signed into law by the Governor on July 22, 2023.

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

**Local Funding for School Districts**

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

***State Compression Percentage***

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

***Maximum Compressed Tax Rate***

The Maximum Compressed Tax Rate (the "MCR") is the tax rate per $100 of valuation of taxable property at which a school district must levy its Tier One Tax Rate to receive the full amount of the Tier One funding to which the school district is entitled. The MCR is equal to the lesser of 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 2022-2023 school year. It established $0.8941 as the maximum rate and $0.8046 as the floor.

***Tier One Tax Rate***

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

***Enrichment Tax Rate***

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

School districts may levy an Enrichment Tax Rate at a level of their choice, subject to the limitations described under "TAX RATE LIMITATIONS – Public Hearing and Voter-Approval Tax Rate" herein; 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" herein.

**State Funding for School Districts**

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

The first level of funding, Tier One, is the basic level of funding guaranteed to all school districts based on a school district's Tier One Tax Rate. Tier One funding may then be "enriched" with Tier Two funding. Tier Two provides a guaranteed entitlement for each cent of a school district's Enrichment Tax Rate, allowing a school district increase or decrease its Enrichment Tax Rate to supplement Tier One funding at a level of the school district's own choice. While Tier One funding may be used for the payment of debt service (except for school districts subject to the recapture provisions of Chapter 49 of the Texas Education Code, as amended, as discussed herein), and in some instances is required to be used for that purpose. See "TAX RATE LIMITATIONS – I&S Tax Rate Limitations" herein. 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 2023-2024 State fiscal biennium, the State Legislature appropriated funds in the amount of $1,007,300,000 for the EDA, IFA, and NIFA.

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

***Tier One***

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

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

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

***Tier Two***

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

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

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

### *Tax Rate and Funding Equity*

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

Furthermore, "property-wealthy" school districts that received additional State funds under the public school finance system prior to the enactment of the 2019 Legislation are entitled to an equalized wealth transition grant on an annual basis through the 2023-2024 school year in an amount equal to the amount of additional revenue such school district would have received under former Texas Education Code Sections 41.002(e) through (g), as those sections existed on January 1, 2019. This grant is phased out through the 2023-2024 school year. Additionally, school districts (through the fiscal year ending in 2025) and open-enrollment charter schools (through the fiscal year ending in 2024) may be entitled to receive an allotment in the form of a formula transition grant, but they will not be entitled to an allotment beginning with the 2024-2025 school year. This grant is meant to ensure a smooth transition into the funding formulas enacted by the 86th State Legislature. Furthermore, if the total amount of allotments to which school districts and open enrollment charter schools are entitled for a school year exceeds $400 million, the Commissioner shall proportionately reduce each district's or school's allotment. The reduction in the amount to which a district or school is entitled may not result in an amount that is less than zero.

## Local Revenue Level in Excess of Entitlement

A school district that has sufficient property wealth per student in ADA to generate local revenues on the 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 the Texas Education Code, as amended ("Chapter 49"). Additionally, in years in which the amount of State funds appropriated specifically excludes the amount necessary to provide the guaranteed yield for Golden Pennies, local revenues generated on a school district's Golden Pennies in excess of the school district's respective funding entitlement are subject to the local revenue reduction provisions of Chapter 49. To reduce local revenue in excess of entitlement, 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 2023-2024 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 may be required each year to exercise one or more of the wealth reduction options. If the District were to consolidate (or consolidate its tax base for all purposes) with a property-poor district, the outstanding debt of each district could become payable from the consolidated district's combined property tax base, and the District's 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 the annexing district.

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

## AD VALOREM TAX PROCEDURES

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

### Valuation of Taxable Property

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

On July 13, 2023, during the Second Special Session, the Texas Legislature passed Senate Bill 2, which, among other things, includes provisions that prohibit an appraisal district from increasing the appraised value of real property during the 2024 tax year on non-homestead properties (the "Subjected Property") whose appraised values are not more than $5 million dollars (the "Maximum Property Value") to an amount not to exceed the lesser of: (1) the market value of the subjected property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the subjected property for the preceding tax year; (b) the appraised value of the subjected property for the preceding tax year; and (c) the market value of all new improvements to the subjected property (collectively, the "Appraisal Cap"). After the 2024 tax year, through December 31, 2026, the Appraisal Cap may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the Maximum Property Value. The Appraisal Cap takes effect on January 1, 2024, if the constitutional amendment proposed by House Joint Resolution 2 during the Second Special Session is approved by the voters on November 7, 2023.

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" herein.

### 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 taxable value of all residence homesteads, (2) a $10,000 exemption of the appraised taxable value of the residence 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" hereto for the reduction in taxable valuation attributable to State-mandated residence homestead exemptions. Senate Joint Resolution 2, passed during the Third Special Session of the 87th Texas Legislature and approved by voters on May 7, 2022 authorized a constitutional amendment increasing the mandatory State residence homestead exemption for school districts from $25,000 to $40,000 beginning January 1, 2022. Senate Bill 1, which was also passed during the Third Special Session of the 87th Texas Legislature makes provisions for additional State aid to hold school districts harmless for tax revenue losses resulting from the increased residence homestead exemption.

Additional legislation concerning the required homestead exemption was passed in the 2nd Special Session of the 88th Texas Legislature. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2023 Regular and Any Special Legislative Sessions" herein.

### 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 taxable value of all residence homesteads (but not less than $5,000) and (2) an additional exemption of at least $3,000 of the taxable appraised value of the residence 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 residence homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit. See "Appendix A – Financial Information of the District – Assessed Valuation" hereto 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 residence 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 residence homestead qualified for such exemption. This freeze is transferable to a different residence 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" hereto 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 fewer 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" hereto 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 87th 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" herein. The 87th Texas Legislature did not vote to extend this program, which expired by its terms effective December 31, 2022.

In the 88th Legislative Session, House Bill 5 ("HB 5" or "The Texas Jobs, Energy, Technology, and Innovation Act") was adopted to create an economic development program, subject to state oversight, which would attract jobs and investment to Texas through school district property tax abatement agreements with businesses. The effective date of HB 5 is January 1, 2024 and the District is currently monitoring the State's implementation of this new economic development program.

For a discussion of how the various exemptions described above are applied by the District, see "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, $52.9 million for the 2022 tax year, $57.2 million 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" herein. 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" herein for further information related to a discussion of the applicability of this section of the Property Tax Code.

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

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

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

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

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

## TAX RATE LIMITATIONS

**M&O Tax Rate Limitations**

A school district is authorized to levy maintenance and operations ("M&O") taxes subject to approval of a proposition submitted to district voters under Section 45.003(d) of the Texas Education Code, as amended. The maximum M&O tax rate that may be levied by a district cannot exceed the voted maximum rate or the maximum rate described in the next succeeding paragraph. The maximum voted M&O tax rate for the District is $1.50 per $100 of assessed valuation as approved by the voters at an election held on May 5, 2001 under Chapter 20, Texas Education Code (now codified as Section 45.003, Texas Education Code, as amended).

The maximum maintenance and operations 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" herein.

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 are issued as "new money bonds" and are subject to the $0.50 threshold tax rate test. The District has not utilized projected property values or State assistance to satisfy the 50-cent Test.

**Public Hearing and Voter-Approval Tax Rate**

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

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

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

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

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

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

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

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

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

## THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT

The Appraisal District has the responsibility for appraising property in the District as well as other taxing units in Milam County. The Appraisal District is governed by a board of directors appointed by members of the governing bodies of various political subdivisions within Milam 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 tax personal property not used in the production of income, such as personal automobiles.

The District applies the State-mandated $100,000 residence homestead exemption to taxable properties in the District.

The District collects an additional 15% penalty to defray attorney costs in the collection of delinquent taxes over and above the penalty automatically assessed under the Tax Code.

The District's taxes are collected by the Milam County Tax Collector.

The District does 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 does not grant a portion of the additional local option exemption of up to 20% of the market value of residence homesteads.

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

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

| Company | First Year of Abatement | Total Investment[1] | Capped Value for M&O Taxation | Type of Project |
|---|---|---|---|---|
| Ben Milam Solar 2, LLC | 2024/25 | $96,837,174 | $20,000,000 | Solar Farm |
| Two Rivers Solar, LLC | 2025/26 | $293,443,215 | $20,000,000 | Solar Farm |

[1] Investment amount as set forth in the company's application to the District for tax abatement.

In accordance with Chapter 313, the agreement provides that the full value of the project is subject to taxation during the first two years of the agreement, and thereafter the District may levy its M&O Tax against a capped value (in this case, $20 million) for ten years. The agreement does not limit 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 is subject to taxation by the District for both operating 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 contributes to the Teacher Retirement System of Texas (the "System"), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan with one exception: all risks and costs are not shared by the District, but are the liability of the State of Texas. The System provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates primarily under the provisions of the Texas Constitution and Texas Government Code, Title 8, Subtitle C. See "Notes to the Financial Statements – III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS - I. – Defined Benefit Pension Plan" as set out in the audited financial statements of the District for the year ended August 31, 2022 as set forth in Appendix D hereto.

The District contributes to the Texas Public School Retired Employees Group Insurance Program ("TRS-Care"), a cost-sharing multiple-employer defined benefit post-employment health care plan administered by the System. TRS-Care provides health care coverage for certain persons (and their dependents) who retired under the System. See "Notes to the Financial Statements III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS - J. – Defined Other Post Employment Benefit Plans" in the audited financial statements of the District for the year ended August 31, 2022 as set forth in Appendix D hereto.

In June 2012, the Government Accounting Standards Board ("GASB") issued Statement No. 68 Accounting and Financial Reporting for Pensions, which was later amended by GASB Statement No. 71 Pension Transition for Contributions Made Subsequent to the Measurement Date, each in an effort to improve accounting and financial reporting by state and local governments related to 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. 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.

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

## RATING

The Bonds are rated "AAA" by S&P Global Ratings ("S&P") based upon the guaranteed repayment thereof under the Permanent School Fund Guarantee Program (as defined herein) of the Texas Education Agency. The District's underlying, unenhanced rating, including the Bonds, is "A+" from S&P. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

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

## LEGAL MATTERS

The delivery of the Bonds is subject to the approval of the Attorney General of Texas, who will deliver its opinion, to the effect that the Bonds are valid and legally binding obligations of the District payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property in the District, and based upon examination of such transcript of proceedings, the approving legal opinion of Powell Law Group, L.L.P., Austin, Texas and Haynes and Boone, LLP, Houston, Texas, Co-Bond Counsel, to like effect and the opinion of Kline Alvarado Veio, P,C., Denver, Colorado, Special Tax Counsel to the District, to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under Section

103(a) of the Internal Revenue Code, subject to the matters described under "TAX MATTERS" herein. The forms of Co-Bond Counsel's and Special Tax Counsel's opinions are attached hereto as Appendix C.

Powell Law Group, L.L.P. and Haynes and Boone, LLP, represent the Financial Advisor and purchasers of school district bonds from time to time in matters unrelated to the issuance of the Bonds, but they have been engaged by and only represent the District in the issuance of the Bonds. Co-Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein, except that, in its capacity as Co-Bond Counsel, such firms have reviewed the information describing the Bonds in the Official Statement to verify that such description conforms to the provisions of the Order. The District intends to pay the legal fee of Co-Bond Counsel for services rendered in connection with the issuance of the Bonds from the proceeds of the Bonds.

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

## TAX MATTERS

In the opinion of Kline Alvarado Veio, P.C., Special Tax Counsel, interest on the Bonds is excludable from gross income for purposes of federal income tax under existing laws as enacted and construed on the date of initial delivery of the Bonds, assuming the accuracy of the certifications and continuing compliance with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax; but, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

The opinion described above assumes the accuracy of certain representations and compliance by the District with covenants designed to satisfy the requirements of the Internal Revenue Code of 1986 (the "Code") that must be met subsequent to the issuance of the Bonds. Failure to comply with such requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with such requirements. Co-Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Bonds.

The accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the owners of the Bonds. The extent of these other tax consequences will depend on such owners' particular tax status and other items of income or deduction. Special Tax Counsel has expressed no opinion regarding any such consequences. Purchasers of the Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States of America, and applicable corporations as defined in Section 59(k) of the Code relating to the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Bonds.

### Qualified Tax-Exempt Obligations for Financial Institutions

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

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

## INVESTMENT POLICIES

### Investments

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

### Legal Investments

Under State law, the District is authorized to invest in: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund (the "NCUSIF") or their respective successors; (8) interest-bearing banking deposits, other than those described in clause (7), that (i) are invested through a broker or institution with a main office or branch office in this state and selected by the District in compliance with the PFIA, (ii) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the District's account, (iii) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States, and (iv) the District appoints as its custodian of the banking deposits, in compliance with the PFIA, the institution in clause (8)(i) above, a bank, or a broker-dealer; (9) certificates of deposit and share certificates meeting the requirements of the PFIA (i) that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8), above, or secured in accordance with Chapter 2257, Texas Government Code, or in any other manner and amount provided by law for District deposits, or (ii) where (a) the funds are invested by the District through a broker or institution that has a main office or branch office in the State and selected by the District in compliance with the PFIA, (b) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the account of the District, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (d) the District appoints, in compliance with the PFIA, the institution in clause (9)(ii)(a) above, a bank, or broker-dealer as custodian for the District with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described by clauses (1) or (12), which are pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party selected and approved by the District, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with a stated maturity of 270 days or fewer, 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 fewer that is rated at least A-1 or P-1 or an equivalent by either (i) two nationally recognized credit rating agencies, or (ii) one nationally recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission and complies with Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are registered and regulated by the Securities and Exchange Commission that have a weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations approved in this paragraph, or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset backed securities; (15) guaranteed investment contracts that have a defined termination date and are secured by obligations described in clause (1), excluding obligations which the District is explicitly prohibited from investing in, and in an amount at least equal to the amount of bond proceeds invested under such contract; and (16) securities lending programs if (i) the securities loaned under the program are 100% collateralized, including accrued income, (ii) a loan made under the program allows for termination at any time, (iii) a loan made under the program is either secured by (a) obligations described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent, or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (12) through (14) above, or an authorized investment pool, (iv) the terms of a loan made under the program require that the securities being held as collateral be pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party designated by the District, (v) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State, and (vi) the agreement to lend securities has a term of one year or less.

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

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

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

**Investment Policies**

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

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 June 30, 2023, the District had approximately $8,091,121 (unaudited) invested at a local 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 SEC under the United States Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2). The Bonds have not been approved or disapproved by the SEC, nor has the SEC passed upon the accuracy or adequacy of the Official Statement. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities 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 Purchaser to register or qualify the sale of the Bonds under the securities laws of any jurisdiction which so requires. The District has agreed to cooperate, at the Purchaser'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.

## FINANCIAL ADVISOR

SAMCO Capital Markets, Inc. (the "Financial Advisor") is employed as Financial Advisor to the District to assist in the issuance of the Bonds. In this capacity, the Financial Advisor has compiled certain data relating to the Bonds that is contained in this Official Statement. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the District to determine the accuracy or completeness of this Official Statement. Because of their limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The fee of the Financial Advisor for services with respect to the Bonds is contingent upon the issuance 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 Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

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

Section 1201.041 of the Public Securities Procedures Act (Chapter 1201, Texas Government Code) provides that the 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.

## CONTINUING DISCLOSURE OF INFORMATION

In the Bond 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" attached hereto. 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.

**Annual Reports**

The District will provide certain updated financial information and operating data annually to the MSRB. The information to be updated includes financial information and operating data with respect to the District of the general type included in this Official Statement in Appendix A (such information being the "Annual Operating Report"). The District will additionally provide financial statements of the District (the "Financial Statements"), that will be (i) prepared in accordance with the accounting principles described in Appendix D or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation and shall be in substantially the form included in Appendix D and (ii) audited, if the District commissions an audit of such Financial Statements and the audit is completed within the period during which they must be provided. The District will update and provide the Annual Operating Report within six months after the end of each fiscal year and the Financial Statements within 12 months after 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 Rule 15c2-12.

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

**Notice of Certain Events**

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

For these purposes, (a) an 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 describe event notices (15) and (16), the term "financial obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) a guarantee of (i) or (ii); provided however, that a "financial obligation" shall not include municipal securities as to which a final official statement (as defined in Rule 15c2-12) has been provided to the MSRB consistent with Rule 15c2-12.

**Availability of Information**

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

**Limitations and Amendments**

The District has agreed to update information and to provide notices of specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that 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. Nothing in this paragraph is intended or shall act to disclaim, waive or limit the District's duties under federal or state securities laws.

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 underwriters to purchase or sell Bonds in the initial primary offering in compliance with Rule 15c2-12, taking into account any amendments or interpretations of Rule 15c2-12 to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent 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. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of Rule 15c2-12 are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the District amends its agreement, it 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

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

## FORWARD-LOOKING STATEMENTS

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

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

## WINNING BIDDER

After requesting competitive bids for the Bonds, the District accepted the bid of Piper Sandler & Co. (the "Purchaser" or the "Initial Purchaser") to purchase the Bonds at the interest rates shown on the page 2 of this Official Statement at a price of par, plus a reoffering premium of $252,837.60, plus accrued interest on the Bonds from their Dated Date to their date of initial delivery. The initial reoffering yields shown on page 2 hereof will produce compensation to the Purchaser in the amount of $60,622.17. The District can give no assurance that any trading market will be developed for the District after their sale by the District to the Purchaser. The District has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

## CERTIFICATION OF THE OFFICIAL STATEMENT AND NO LITIGATION

At the time of payment for and delivery of the Initial Bond, the Purchaser will be furnished a certificate, executed by proper officials of the District, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the District contained in its Official Statement, and any addenda, supplement or amendment thereto, for the Bonds, on the date of such Official Statement, on the date of sale of said Bonds and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the District and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements including financial data, of or pertaining to entities, other than the District, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the District believes to be reliable and the District has no reason to believe that they are untrue in any material respect; (d) except as may be otherwise described in the Official Statement, there has been no material adverse change in the financial condition of the District, since August 31, 2022, the date of the last financial statements of the District appearing in the Official Statement; and (e) no litigation of any nature has been filed or is pending, as of the date hereof, to restrain or enjoin the issuance or delivery of the Bonds or which would affect the provisions made for their payment or security or in any manner question the validity of the Bonds.

## CONCLUDING STATEMENT

No person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the District. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or 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 Official Statement are made subject to all of the provisions of such statutes, documents, and the Order. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects.

The Order authorized the issuance of the Bonds and approved the form and content of this Official Statement and any addenda, supplement or amendment thereto and authorized its further use in the re-offering of the Bonds by the Purchaser. The Board has approved the Official Statement for distribution in accordance with the provisions of Rule 15c2-12.

*/s/* Franci Denio

President, Board of Trustees

ATTEST:

*/s/* Alan Patterson

Secretary, Board of Trustees

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## APPENDIX A

## FINANCIAL INFORMATION OF THE DISTRICT

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## CAMERON INDEPENDENT SCHOOL DISTRICT

### Financial Information

**ASSESSED VALUATION (1)**

| | | |
|---|---|---|
| 2023/24 Total Valuation | | $ 2,459,618,245 |
| Less Exemptions & Deductions (2): | | |
| State Homestead Exemption | $ 152,396,451 | |
| State Over-65 Exemption | 5,218,336 | |
| Disabled Homestead Exemption Loss | 2,360,510 | |
| Veterans Exemption Loss | 911,171 | |
| Surviving Spouse Disabled Veteran Exemption | 279,492 | |
| Freeport Exemption | 2,102,587 | |
| Pollution Control Exemption Loss | 809,637 | |
| Productivity Loss | 1,577,329,952 | |
| Homestead Cap Loss | 113,809,546 | |
| | $ 1,855,217,682 | |
| 2023/24 Certified Net Taxable Valuation | | $ 604,400,563 |

*(1) Source: Certified Value from the Milam Appraisal District as of August 2023. During the second special session, the Legislature passed Senate Bill 2 ("SB 2"), which includes provisions that reduce the maximum M&O tax compression rate by $0.107, increase the school district mandatory homestead exemption from $40,000 to $100,000, and places further limitations on increases in appraised values on certain classes of properties. The provision increasing the residential homestead exemption to $100,000 will be submitted to voters of the State on November 7, 2023. SB 2 also makes provision for State aid funding to pay for the loss in school district I&S tax revenue (i.e. "hold harmless") for debt that (i) is issued prior to September 1, 2023, or (ii) is approved by voters but not yet issued as of September 1, 2023. See "AD VALOREM TAX PROCEDURES -- State Mandated Homestead Exemptions" in this Official Statement.*
*(2) Excludes the values on which property taxes are frozen for persons 65 years of age or older and disabled taxpayers which totaled $21,590,205 in 2022/23.*

**VOTED GENERAL OBLIGATION DEBT**

| | | |
|---|---|---|
| Unlimited Tax Bonds Outstanding | | $ 20,935,000 |
| Plus: The Bonds | | 6,315,000 |
| Total Unlimited Tax Bonds | | 27,250,000 |
| Less: Interest & Sinking Fund Balance (As of August 31, 2023) (1) | | (1,746,037) |
| Net General Obligation Debt | | $ 25,503,963 |
| Ratio of Net G.O. Debt to Net Taxable Valuation (2) | 4.22% | |
| 2023 Population Estimate (3) | 7,931 | |
| Per Capita Net Taxable Valuation | $76,207 | |
| Per Capita Net G.O. Debt | $3,216 | |

*(1) Source: Cameron ISD Estimate.*
*(2) The ratio of Net G.O. Debt to Net Taxable Valuation above does not include the portion of the District's outstanding debt service that is payable from any debt subsidies that may be provided by the State of Texas. The District expects to receive state funding assistance for voted bond debt service equal to approximately 4.70% of its debt service requirements, subject to tax effort rules and state funding program limits, for its unlimited tax debt service for the 2023/24 fiscal year. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in this Official Statement and "DEBT SERVICE REQUIREMENTS" in this appendix and see the "Audited Financial Report Fiscal Year Ended August 31, 2022" in Appendix D for more information relative to the District's outstanding obligations.*
*(3) Source: Municipal Advisory Council of Texas.*

**PROPERTY TAX RATES AND COLLECTIONS**

| Fiscal Year | Net Taxable Valuation | Tax Rate | % Collections (6) Current (7) | % Collections (6) Total (7) |
|---|---|---|---|---|
| 2006/07 | $ 274,255,141 (1) | $ 1.5800 (8) | 97.36% | 100.38% |
| 2007/08 | 271,323,575 (1) | 1.3400 (8) | 97.36% | 100.47% |
| 2008/09 | 291,490,720 (1) | 1.3400 | 97.49% | 100.23% |
| 2009/10 | 289,157,687 (1) | 1.3100 | 97.16% | 100.21% |
| 2010/11 | 282,351,556 (1) | 1.3400 | 97.29% | 99.16% |
| 2011/12 | 287,844,383 (1) | 1.3400 | 96.09% | 99.75% |
| 2012/13 | 285,681,783 (1) | 1.3400 | 97.67% | 100.68% |
| 2013/14 | 299,518,276 (1) | 1.3200 | 97.95% | 101.26% |
| 2014/15 | 309,602,436 (1) | 1.3900 | 97.61% | 99.30% |
| 2015/16 | 322,342,626 (1) (2) | 1.3900 | 97.57% | 99.83% |
| 2016/17 | 362,269,283 (1) (2) | 1.3700 | 97.36% | 99.51% |
| 2017/18 | 375,360,605 (1) (2) | 1.3700 | 97.54% | 99.70% |
| 2018/19 | 418,724,542 (1) (2) | 1.3700 | 97.14% | 99.03% |
| 2019/20 | 443,689,111 (1) (2) | 1.3195 (9) | 97.42% | 99.89% |
| 2020/21 | 466,369,675 (1) (2) | 1.2800 | 98.17% | 101.24% |
| 2021/22 | 516,972,336 (1) (2) | 1.2198 | 96.28% | 98.31% |
| 2022/23 | 561,160,968 (1) (3) | 1.2067 | 98.00% (10) | 98.00% (10) |
| 2023/24 | 604,400,563 (4) (5) | | | |

*(1) Source: Comptroller of Public Accounts - Property Tax Division.*
*(2) The passage of a Texas Constitutional Amendment on November 3, 2015 increased the homestead exemption from $15,000 to $25,000.*
*(3) The passage of a Texas Constitutional Amendment on May 7, 2022 increased the homestead exemption from $25,000 to $40,000.*
*(4) Source: Certified Value from the Milam Appraisal District as of August 2023.*
*(5) During the second special session, the Legislature passed Senate Bill 2 ("SB 2"), which includes provisions that reduce the maximum M&O tax compression rate by $0.107, increase the school district mandatory homestead exemption from $40,000 to $100,000, and places further limitations on increases in appraised values on certain classes of properties. The provision increasing the residential homestead exemption to $100,000 will be submitted to voters of the State on November 7, 2023. SB 2 also makes provision for State aid funding to pay for the loss in school district I&S tax revenue (i.e. "hold harmless") for debt that (i) is issued prior to September 1, 2023, or (ii) is approved by voters but not yet issued as of September 1, 2023.*
*(6) Source: Cameron ISD Audited Financial Statements.*
*(7) Excludes penalties and interest.*
*(8) 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" in this Official Statement.*
*(9) 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" in this Official Statement.*
*(10) Source: Cameron ISD Estimate.*

## TAX RATE DISTRIBUTION

| | 2018/19 | 2019/20 [1] | 2020/21 | 2021/22 | 2022/23 |
|---|---|---|---|---|---|
| Maintenance & Operations | $1.0400 | $0.9700 | $0.9614 | $0.8927 | $0.8546 |
| Debt Service | $0.3300 | $0.3495 | $0.3186 | $0.3271 | $0.3521 |
| Total Tax Rate | $1.3700 | $1.3195 | $1.2800 | $1.2198 | $1.2067 |

*(1) 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 [1] | Ratio Debt to A.V. [2] |
|---|---|---|---|
| 2006/07 | $ 274,255,141 | $ 21,165,000 | 7.72% |
| 2007/08 | 271,323,575 | 20,610,000 | 7.60% |
| 2008/09 | 291,490,720 | 20,025,000 | 6.87% |
| 2009/10 | 289,157,687 | 19,410,000 | 6.71% |
| 2010/11 | 282,351,556 | 18,524,552 | 6.56% |
| 2011/12 | 287,844,383 | 17,831,623 | 6.19% |
| 2012/13 | 285,681,783 | 17,117,900 | 5.99% |
| 2013/14 | 299,518,276 | 21,721,157 | 7.25% |
| 2014/15 | 309,602,436 | 21,335,000 | 6.89% |
| 2015/16 | 322,342,626 | 20,275,000 | 6.29% |
| 2016/17 | 362,269,283 | 19,255,000 | 5.32% |
| 2017/18 | 375,360,605 | 18,210,000 | 4.85% |
| 2018/19 | 418,724,542 | 16,380,000 | 3.91% |
| 2019/20 | 443,689,111 | 15,200,000 | 3.43% |
| 2020/21 | 466,369,675 | 13,985,000 | 3.00% |
| 2021/22 | 516,972,336 | 22,230,000 | 4.30% |
| 2022/23 | 561,160,968 | 20,935,000 | 3.73% |
| 2023/24 | 604,400,563 [3] | 25,890,000 [4] | 4.28% |

*(1) At fiscal year end.*
*(2) See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in this Official Statement, "DEBT SERVICE REQUIREMENTS" in this Appendix and see the "Audited Financial Report Fiscal Year Ended August 31, 2022" in Appendix D for more information.*
*(3) Source: Certified Value from the Milam Appraisal District as of August 2023. During the second special session, the Legislature passed Senate Bill 2 ("SB 2"), which includes provisions that reduce the maximum M&O tax compression rate by $0.107, increase the school district mandatory homestead exemption from $40,000 to $100,000, and places further limitations on increases in appraised values on certain classes of properties. The provision increasing the residential homestead exemption to $100,000 will be submitted to voters of the State on November 7, 2023. SB 2 also makes provision for State aid funding to pay for the loss in school district I&S tax revenue (i.e. "hold harmless") for debt that (i) is issued prior to September 1, 2023, or (ii) is approved by voters but not yet issued as of September 1, 2023.*
*(4) Includes the Bonds.*

## ESTIMATED OVERLAPPING DEBT STATEMENT

| Taxing Body | Amount | Percent Overlapping | Amount Overlapping |
|---|---|---|---|
| City of Cameron | $ 357,000 | 100.00% | $ 357,000 |
| Milam County | $ 5,805,000 | 26.79% | 1,555,160 |
| Total Overlapping Debt [1] | | | $ 1,912,160 |
| Cameron Independent School District [2] | | | 25,503,963 |
| Total Direct & Overlapping Debt [2] | | | $ 27,416,123 |

| | |
|---|---|
| Ratio of Net Direct & Overlapping Debt to Net Taxable Valuation | 4.54% |
| Per Capita Direct & Overlapping Debt | $3,457 |

*(1) Equals gross debt less self-supporting debt.*
*(2) Includes the Bonds.*

*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

**2023/24 Top Ten Taxpayers** (1)

| Name of Taxpayer | Type of Business | Taxable Value | % of Net Valuation |
|---|---|---|---|
| Charlotte Pipe and Foundry Co. | Industrial | $ 27,817,540 | 4.60% |
| School Specialty Inc. | Retail | 26,753,450 | 4.43% |
| BNSF Railway Co. | Railroad | 22,879,780 | 3.79% |
| Oncor Electric Delivery Co. | Electric Utility | 13,446,690 | 2.22% |
| V-Tex Logistics LLC | Oil & Gas Pipeline | 12,332,390 | 2.04% |
| Charlotte Pipe and Foundry Southwest | Industrial | 6,907,900 | 1.14% |
| Magellan Pipeline Co. LP | Oil & Gas Pipeline | 5,937,343 | 0.98% |
| Livestock Nutrition Center | Wholesale Supplier/Distribution Center | 5,765,433 | 0.95% |
| SRG Manufacturing | Plastic Coating Mfg. | 5,375,000 | 0.89% |
| Arcosa Aggregates | | 4,667,490 | 0.77% |
| | | $ 131,883,016 | 21.82% |

**2022/23 Top Ten Taxpayers** (2)

| Name of Taxpayer | Type of Business | Taxable Value | % of Net Valuation |
|---|---|---|---|
| Charlotte Pipe and Foundry Co. | Industrial | $ 30,572,765 | 5.45% |
| BNSF Railway Co. | Railroad | 20,592,380 | 3.67% |
| School Specialty Inc. | Retail | 17,650,580 | 3.15% |
| Oncor Electric Delivery Co. | Electric Utility | 12,830,510 | 2.29% |
| V-Tex Logistics LLC | Oil & Gas Pipeline | 10,119,640 | 1.80% |
| SRG Manufacturing | Plastic Coating Mfg. | 8,014,640 | 1.43% |
| Magellan Pipeline Co. LP | Oil & Gas Pipeline | 7,524,810 | 1.34% |
| Old Trail Properties LLC | Residential Land | 6,629,840 | 1.18% |
| Livestock Nutrition Center | Wholesale Supplier/Distribution Center | 6,608,428 | 1.18% |
| Halliburton | Oil & Gas | 5,861,170 | 1.04% |
| | | $ 126,404,763 | 22.53% |

**2021/22 Top Ten Taxpayers** (2)

| Name of Taxpayer | Type of Business | Taxable Value | % of Net Valuation |
|---|---|---|---|
| Charlotte Pipe and Foundry Co. | Industrial | $ 24,520,690 | 4.74% |
| BNSF Railway Co. | Railroad | 18,882,880 | 3.65% |
| School Specialty Inc. | Retail | 15,944,810 | 3.08% |
| Oncor Electric Delivery Co. | Electric Utility | 13,024,010 | 2.52% |
| SRG Manufacturing | Plastic Coating Mfg. | 11,524,780 | 2.23% |
| V-Tex Logistics LLC | Oil & Gas Pipeline | 9,109,730 | 1.76% |
| Magellan Pipeline Co. LP | Oil & Gas Pipeline | 6,791,490 | 1.31% |
| Halliburton | Oil & Gas | 6,004,000 | 1.16% |
| Livestock Nutrition Center | Wholesale Supplier/Distribution Center | 5,279,465 | 1.02% |
| Saxon Drilling LP | Oil & Gas Drilling Services/Equipment | 4,994,280 | 0.97% |
| | | $ 116,076,135 | 22.45% |

*(1) Source: Milam Appraisal District.*
*(2) Source: Comptroller of Public Accounts - Property Tax Division.*

**CLASSIFICATION OF ASSESSED VALUATION BY USE CATEGORY**

| Category | | 2023/24 [1] | % of Total | | 2022/23 [2] | % of Total | | 2021/22 [2] | % of Total |
|---|---|---|---|---|---|---|---|---|---|
| Real, Residential, Single-Family | $ | 302,790,884 | 12.31% | $ | 222,120,033 | 17.12% | $ | 196,974,792 | 15.93% |
| Real, Residential, Multi-Family | | 6,008,690 | 0.24% | | 7,603,020 | 0.59% | | 5,705,810 | 0.46% |
| Real, Vacant Lots/Tracts | | 2,707,039 | 0.11% | | 2,182,110 | 0.17% | | 2,226,319 | 0.18% |
| Real, Qualified Land & Improvements | | 1,616,905,535 | 65.74% | | 640,542,076 | 49.36% | | 657,306,727 | 53.15% |
| Real, Non-Qualified Land & Improvements | | 240,863,039 | 9.79% | | 170,607,633 | 13.15% | | 148,871,503 | 12.04% |
| Real, Commercial & Industrial | | 98,451,782 | 4.00% | | 71,926,862 | 5.54% | | 56,291,272 | 4.55% |
| Oil & Gas | | 461,836 | 0.02% | | 765,648 | 0.06% | | 305,894 | 0.02% |
| Utilities | | 68,993,170 | 2.81% | | 63,326,760 | 4.88% | | 57,617,760 | 4.66% |
| Tangible Personal, Commercial & Industrial | | 105,033,550 | 4.27% | | 107,590,410 | 8.29% | | 101,522,870 | 8.21% |
| Tangible Personal, Mobile Homes & Other | | 15,973,330 | 0.65% | | 9,046,870 | 0.70% | | 7,836,790 | 0.63% |
| Tangible Personal, Residential Inventory | | - | 0.00% | | - | 0.00% | | 307,100 | 0.02% |
| Tangible Personal, Special Inventory | | 1,429,390 | 0.06% | | 1,942,250 | 0.15% | | 1,758,130 | 0.14% |
| **Total Appraised Value** | $ | 2,459,618,245 | 100.00% | $ | 1,297,653,672 | 100.00% | $ | 1,236,724,967 | 100.00% |
| **Less:** | | | | | | | | | |
| Homestead Cap Adjustment | $ | 113,809,546 | | $ | 46,796,247 | | $ | 30,815,256 | |
| Productivity Loss | | 1,577,329,952 | | | 601,025,802 | | | 628,669,469 | |
| Exemptions | | 164,078,184 [3] | | | 88,670,655 [4] | | | 60,267,906 [5] | |
| Total Exemptions/Deductions [6] | $ | 1,855,217,682 | | $ | 736,492,704 | | $ | 719,752,631 | |
| **Net Taxable Assessed Valuation** | $ | 604,400,563 | | $ | 561,160,968 | | $ | 516,972,336 | |

| Category | | 2020/21 [2] | % of Total | | 2019/20 [2] | % of Total | | 2018/19 [2] | % of Total |
|---|---|---|---|---|---|---|---|---|---|
| Real, Residential, Single-Family | $ | 165,502,823 | 14.71% | $ | 166,192,543 | 15.00% | $ | 151,394,562 | 14.28% |
| Real, Residential, Multi-Family | | 5,515,350 | 0.49% | | 4,864,070 | 0.44% | | 5,572,720 | 0.53% |
| Real, Vacant Lots/Tracts | | 1,964,049 | 0.17% | | 1,780,919 | 0.16% | | 2,172,289 | 0.20% |
| Real, Qualified Land & Improvements | | 609,519,201 | 54.18% | | 606,714,952 | 54.75% | | 598,411,334 | 56.44% |
| Real, Non-Qualified Land & Improvements | | 135,579,206 | 12.05% | | 135,865,677 | 12.26% | | 119,318,862 | 11.25% |
| Real, Commercial & Industrial | | 55,197,392 | 4.91% | | 54,260,202 | 4.90% | | 52,704,149 | 4.97% |
| Oil & Gas | | 397,381 | 0.04% | | 769,622 | 0.07% | | 594,791 | 0.06% |
| Utilities | | 50,225,320 | 4.46% | | 34,129,300 | 3.08% | | 32,288,650 | 3.05% |
| Tangible Personal, Commercial & Industrial | | 90,939,410 | 8.08% | | 93,988,200 | 8.48% | | 88,410,360 | 8.34% |
| Tangible Personal, Mobile Homes & Other | | 8,126,511 | 0.72% | | 7,383,471 | 0.67% | | 7,311,261 | 0.69% |
| Tangible Personal, Residential Inventory | | - | 0.00% | | - | 0.00% | | - | 0.00% |
| Tangible Personal, Special Inventory | | 1,996,860 | 0.18% | | 2,126,580 | 0.19% | | 2,159,240 | 0.20% |
| **Total Appraised Value** | $ | 1,124,963,503 | 100.00% | $ | 1,108,075,536 | 100.00% | $ | 1,060,338,218 | 100.00% |
| **Less:** | | | | | | | | | |
| Homestead Cap Adjustment | $ | 18,531,790 | | $ | 28,085,091 | | $ | 16,264,781 | |
| Productivity Loss | | 579,497,603 | | | 575,559,041 | | | 566,474,128 | |
| Exemptions | | 60,564,435 [5] | | | 60,742,293 [5] | | | 58,874,767 [5] | |
| Total Exemptions/Deductions [6] | $ | 658,593,828 | | $ | 664,386,425 | | $ | 641,613,676 | |
| **Net Taxable Assessed Valuation** | $ | 466,369,675 | | $ | 443,689,111 | | $ | 418,724,542 | |

*(1) Source: Certified Value from the Milam Appraisal District as of August 2023.*
*(2) Source: Comptroller of Public Accounts - Property Tax Division.*
*(3) During the second special session, the Legislature passed Senate Bill 2 ("SB 2"), which includes provisions that reduce the maximum M&O tax compression rate by $0.107, increase the school district mandatory homestead exemption from $40,000 to $100,000, and places further limitations on increases in appraised values on certain classes of properties. The provision increasing the residential homestead exemption to $100,000 will be submitted to voters of the State on November 7, 2023. SB 2 also makes provision for State aid funding to pay for the loss in school district I&S tax revenue (i.e. "hold harmless") for debt that (i) is issued prior to September 1, 2023, or (ii) is approved by voters but not yet issued as of September 1, 2023.*
*(4) The passage of a Texas Constitutional Amendment on May 7, 2022 increased the homestead exemption from $25,000 to $40,000.*
*(5) The passage of a Texas Constitutional Amendment on November 3, 2015 increased the homestead exemption from $15,000 to $25,000.*
*(6) 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 | Plus: The Bonds | Total | Bonds Unpaid At Year End | Percent of Principal Retired |
|---|---|---|---|---|---|
| 2024 | $ 1,335,000.00 | $ 25,000.00 | $ 1,360,000.00 | $ 25,890,000.00 | 4.99% |
| 2025 | 1,100,000.00 | 265,000.00 | 1,365,000.00 | 24,525,000.00 | 10.00% |
| 2026 | 1,145,000.00 | 195,000.00 | 1,340,000.00 | 23,185,000.00 | 14.92% |
| 2027 | 1,190,000.00 | 170,000.00 | 1,360,000.00 | 21,825,000.00 | 19.91% |
| 2028 | 1,240,000.00 | 145,000.00 | 1,385,000.00 | 20,440,000.00 | 24.99% |
| 2029 | 1,290,000.00 | 110,000.00 | 1,400,000.00 | 19,040,000.00 | 30.13% |
| 2030 | 1,330,000.00 | 85,000.00 | 1,415,000.00 | 17,625,000.00 | 35.32% |
| 2031 | 1,380,000.00 | 50,000.00 | 1,430,000.00 | 16,195,000.00 | 40.57% |
| 2032 | 1,425,000.00 | 20,000.00 | 1,445,000.00 | 14,750,000.00 | 45.87% |
| 2033 | 790,000.00 | 425,000.00 | 1,215,000.00 | 13,535,000.00 | 50.33% |
| 2034 | 820,000.00 | 450,000.00 | 1,270,000.00 | 12,265,000.00 | 54.99% |
| 2035 | 855,000.00 | 470,000.00 | 1,325,000.00 | 10,940,000.00 | 59.85% |
| 2036 | 890,000.00 | 490,000.00 | 1,380,000.00 | 9,560,000.00 | 64.92% |
| 2037 | 925,000.00 | 515,000.00 | 1,440,000.00 | 8,120,000.00 | 70.20% |
| 2038 | 960,000.00 | 535,000.00 | 1,495,000.00 | 6,625,000.00 | 75.69% |
| 2039 | 1,000,000.00 | 560,000.00 | 1,560,000.00 | 5,065,000.00 | 81.41% |
| 2040 | 1,045,000.00 | 575,000.00 | 1,620,000.00 | 3,445,000.00 | 87.36% |
| 2041 | 1,085,000.00 | 605,000.00 | 1,690,000.00 | 1,755,000.00 | 93.56% |
| 2042 | 1,130,000.00 | 625,000.00 | 1,755,000.00 | - | 100.00% |
| Total | $ 20,935,000.00 | $ 6,315,000.00 | $ 27,250,000.00 | | |

## DEBT SERVICE REQUIREMENTS

| Fiscal Year Ending 8/31 | Outstanding Debt Service (1) | Plus: The Bonds (2) Principal | Interest | Total | Combined Total (1) (2) (3) |
|---|---|---|---|---|---|
| 2024 | $ 2,062,550.00 | $ 25,000.00 | $ 263,777.22 | $ 288,777.22 | $ 2,351,327.22 |
| 2025 | 1,783,450.00 | 265,000.00 | 268,825.00 | 533,825.00 | 2,317,275.00 |
| 2026 | 1,831,050.00 | 195,000.00 | 257,325.00 | 452,325.00 | 2,283,375.00 |
| 2027 | 1,829,350.00 | 170,000.00 | 248,200.00 | 418,200.00 | 2,247,550.00 |
| 2028 | 1,830,750.00 | 145,000.00 | 240,325.00 | 385,325.00 | 2,216,075.00 |
| 2029 | 1,833,862.50 | 110,000.00 | 233,950.00 | 343,950.00 | 2,177,812.50 |
| 2030 | 1,828,977.50 | 85,000.00 | 229,075.00 | 314,075.00 | 2,143,052.50 |
| 2031 | 1,832,517.50 | 50,000.00 | 225,700.00 | 275,700.00 | 2,108,217.50 |
| 2032 | 1,829,427.50 | 20,000.00 | 223,950.00 | 243,950.00 | 2,073,377.50 |
| 2033 | 1,154,200.00 | 425,000.00 | 212,825.00 | 637,825.00 | 1,792,025.00 |
| 2034 | 1,152,000.00 | 450,000.00 | 190,950.00 | 640,950.00 | 1,792,950.00 |
| 2035 | 1,153,500.00 | 470,000.00 | 167,950.00 | 637,950.00 | 1,791,450.00 |
| 2036 | 1,153,600.00 | 490,000.00 | 146,400.00 | 636,400.00 | 1,790,000.00 |
| 2037 | 1,152,300.00 | 515,000.00 | 126,300.00 | 641,300.00 | 1,793,600.00 |
| 2038 | 1,149,600.00 | 535,000.00 | 105,300.00 | 640,300.00 | 1,789,900.00 |
| 2039 | 1,150,400.00 | 560,000.00 | 83,400.00 | 643,400.00 | 1,793,800.00 |
| 2040 | 1,154,500.00 | 575,000.00 | 60,700.00 | 635,700.00 | 1,790,200.00 |
| 2041 | 1,151,900.00 | 605,000.00 | 37,100.00 | 642,100.00 | 1,794,000.00 |
| 2042 | 1,152,600.00 | 625,000.00 | 12,500.00 | 637,500.00 | 1,790,100.00 |
| | $ 28,186,535.00 | $ 6,315,000.00 | $ 3,334,552.22 | $ 9,649,552.22 | $ 37,836,087.22 |

*(1) Interest on the Series 2022 Adjustable Rate Bonds is calculated at the Initial Rate of 3.50%, through August 14, 2025, and for purposes of illustration, assumed to be at 4.00% thereafter through stated maturity which is consistent with the District's planning estimate. The Highest Rate that the bond interest rate could reset to, commencing on or after August 15, 2025, is 8.00%.*
*(2) Includes accrued interest in the amount of $19,983.89.*
*(3) Based on its wealth per student, the District expects to receive $110,000 of state financial assistance for the payment of debt service for fiscal year 2023/24. The amount of state financial assistance for debt service, if any, may differ substantially each year depending on a variety of factors, including the amount, if any, appropriated for that purpose by the state legislature and a school district's wealth per student. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in this Official Statement.*

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

| | |
|---|---|
| Projected Maximum Debt Service Requirement (1) | $ 2,351,327.22 |
| Projected State Financial Assistance for Debt Service (2) | 110,000.00 |
| Projected State Financial Assistance for Hold Harmless of Increased Homstead Exemption (2) | 395,000.00 |
| Projected Net Debt Service Requirement (1) | $ 1,846,327.22 |
| $0.31172 Tax Rate @ 98% Collections Produces | $ 1,846,327.22 |
| 2023/24 Certified Net Taxable Valuation (3) | $ 604,400,563 |

*(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" in this Official Statement.*
*(3) Source: Certified Value from the Milam Appraisal District as of August 2023. During the second special session, the Legislature passed Senate Bill 2 ("SB 2"), which includes provisions that reduce the maximum M&O tax compression rate by $0.107, increase the school district mandatory homestead exemption from $40,000 to $100,000, and places further limitations on increases in appraised values on certain classes of properties. The provision increasing the residential homestead exemption to $100,000 will be submitted to voters of the State on November 7, 2023. SB 2 also makes provision for State aid funding to pay for the loss in school district I&S tax revenue (i.e. "hold harmless") for debt that (i) is issued prior to September 1, 2023, or (ii) is approved by voters but not yet issued as of September 1, 2023.*

## AUTHORIZED BUT UNISSUED BONDS

Following the issuance of the Bonds, the District will not have any authorized but unissued unlimited ad valorem tax bonds from the May 7, 2022 election, or any other bond election. The District may incur other financial obligations payable from its collection of taxes and other sources of revenue, including 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**

| | Fiscal Year Ended August 31 | | | | |
|---|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2021 | 2022 |
| **Beginning Fund Balance** | **$ 5,916,669** | **$ 6,397,357** | **$ 7,022,198** | **$ 7,883,146** | **$ 9,303,074** |
| **Revenues:** | | | | | |
| Local and Intermediate Sources | $ 4,108,565 | $ 4,592,828 | $ 4,491,580 | $ 4,563,819 | $ 4,750,414 |
| State Sources | 11,655,733 | 11,093,650 | 11,036,384 | 11,598,761 | 11,374,694 |
| Federal Sources & Other | 70,650 | 321,187 | 422,819 | 457,543 | 406,048 |
| **Total Revenues** | **$ 15,834,948** | **$ 16,007,665** | **$ 15,950,783** | **$ 16,620,123** | **$ 16,531,156** |
| **Expenditures:** | | | | | |
| Instruction | $ 8,849,223 | $ 8,742,253 | $ 8,379,296 | $ 8,280,482 | $ 6,275,647 |
| Instructional Resources & Media Services | 177,332 | 173,203 | 178,626 | 180,328 | 142,891 |
| Curriculum & Instructional Staff Development | 371,406 | 326,927 | 160,978 | 181,036 | 232,125 |
| School Leadership | 971,571 | 939,303 | 966,569 | 975,745 | 999,613 |
| Guidance, Counseling & Evaluation Services | 339,299 | 314,333 | 400,909 | 369,122 | 422,431 |
| Social Work Services | 3,527 | 58,248 | 36,803 | 40,158 | 19 |
| Health Services | 137,215 | 145,106 | 149,560 | 147,782 | 136,530 |
| Student (Pupil) Transportation | 484,122 | 521,141 | 476,323 | 541,042 | 461,929 |
| Food Services | 28,567 | 27,134 | 37,105 | 35,772 | 36,484 |
| Cocurricular/Extracurricular Activities | 1,004,847 | 1,006,713 | 1,073,936 | 1,076,616 | 1,085,097 |
| General Administration | 672,809 | 744,194 | 794,021 | 840,103 | 1,026,972 |
| Plant Maintenance and Operations | 1,574,047 | 1,636,434 | 1,724,121 | 1,727,429 | 1,683,670 |
| Security and Monitoring Services | 58,060 | 49,174 | 95,403 | 36,246 | 58,988 |
| Data Processing Services | 332,445 | 333,676 | 307,221 | 409,236 | 377,039 |
| Community Services | 4,409 | 71,716 | 56,271 | 105,470 | 51,703 |
| Debt Service - Principal on Long Term Debt | 15,686 | 62,718 | 52,498 | 57,270 | 58,020 |
| Debt Service - Interest on Long Term Debt | 3,323 | 12,654 | 10,753 | 11,730 | 11,730 |
| Debt Service - Bond Issuance Cost and Fees | - | - | 13,687 | 4,226 | 3,422 |
| Capital Outlay - Facilities Acquisition and Construction | 448,790 | 74,459 | 47,684 | 72,378 | 340,213 |
| Payments to Shared Service Agreements | 135,660 | 125,832 | 110,260 | 103,660 | 114,610 |
| **Total Expenditures** | **$ 15,612,338** | **$ 15,365,218** | **$ 15,072,024** | **$ 15,195,831** | **$ 13,519,133** |
| Excess (Deficiency) of Revenues over Expenditures | $ 222,610 | $ 642,447 | $ 878,759 | $ 1,424,292 | $ 3,012,023 |
| **Other Resources and (Uses):** | | | | | |
| Proceeds from Capital Lease | $ 258,077 | $ - | $ - | $ - | $ - |
| Proceeds from Right of Use Leased Assets | - | - | - | - | 180,002 |
| Operating Transfers In | - | - | - | 62,471 | - |
| Operating Transfers Out | - | (17,606) | (17,811) | (16,835) | (150,000) |
| **Total Other Resources (Uses)** | **$ 258,077** | **$ (17,606)** | **$ (17,811)** | **$ 45,636** | **$ 30,002** |
| Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses | $ 480,687 | $ 624,841 | $ 860,948 | $ 1,469,928 | $ 3,042,025 |
| Prior Period Adjustment | $ - | $ - | $ - | $ (50,000) (1) | $ - |
| **Ending Fund Balance (2)** | **$ 6,397,356** | **$ 7,022,198** | **$ 7,883,146** | **$ 9,303,074** | **$ 12,345,099** |

*(1) The 2021 prior period adjustment is due to the implementation of GASB Statement 84.*
*(2) The District's anticipates the general fund balance as of August 31, 2023 to be approximately $16,855,225.*

**CHANGE IN NET POSITION** [(1)]

| | Fiscal Year Ended August 31 | | | | |
|---|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2021 | 2022 |
| **Revenues:** | | | | | |
| **Program Revenues:** | | | | | |
| Charges for Services | $ 252,914 | $ 176,872 | $ 127,218 | $ 152,394 | $ 257,324 |
| Operating Grants and Contributions | (200,293) | 3,610,957 | 3,625,137 | 3,773,969 | 5,411,795 |
| **General Revenues:** | | | | | |
| Property Taxes Levied for General Purposes | 3,749,788 | 4,148,997 | 4,168,321 | 4,253,445 | 4,423,161 |
| Property Taxes Levied for Debt Service | 1,186,345 | 1,304,452 | 1,498,537 | 1,424,167 | 1,552,565 |
| Investment Earnings | 179,297 | 259,726 | 155,465 | 95,422 | 148,739 |
| Grants and Contributions Not Restricted | 11,655,733 | 11,093,650 | 11,022,641 | 11,598,761 | 11,374,931 |
| Miscellaneous | 97,828 | 160,987 | 125,089 | 107,096 | 286,291 |
| **Total Revenue** | $ 16,921,612 | $ 20,755,641 | $ 20,722,408 | $ 21,405,254 | $ 23,454,806 |
| **Expenses:** | | | | | |
| Instruction | $ 6,914,915 | $ 10,806,662 | $ 10,690,047 | $ 10,167,059 | $ 9,961,255 |
| Instruction Resources & Media Services | 174,251 | 235,435 | 242,384 | 234,673 | 188,994 |
| Curriculum & Staff Development | 362,471 | 371,981 | 362,340 | 336,802 | 384,257 |
| School Leadership | 508,453 | 1,029,150 | 1,068,287 | 1,013,457 | 959,359 |
| Guidance, Counseling & Evaluation Services | 174,971 | 340,831 | 436,029 | 379,988 | 450,606 |
| Social Work Services | 1,058 | 62,606 | 39,713 | 40,861 | 39,812 |
| Health Services | 89,789 | 157,316 | 161,933 | 152,520 | 129,386 |
| Student Transportation | 254,880 | 453,405 | 493,481 | 529,231 | 503,205 |
| Food Service | 1,081,754 | 1,308,309 | 1,248,686 | 1,191,892 | 1,302,663 |
| Cocurricular/Extracurricular Activities | 1,358,933 | 1,592,606 | 1,636,460 | 1,670,746 | 1,739,983 |
| General Administration | 516,027 | 778,043 | 852,283 | 848,553 | 914,701 |
| Plant Maintenance & Operations | 1,465,272 | 1,644,100 | 1,712,059 | 1,869,983 | 1,789,908 |
| Security and Monitoring Services | 55,426 | 77,311 | 158,430 | 79,795 | 91,197 |
| Data Processing Services | 323,885 | 376,930 | 430,121 | 710,812 | 382,005 |
| Community Services | 11,659 | 81,958 | 117,571 | 114,554 | 122,213 |
| Interest on Long-term Debt | 667,244 | 625,152 | 513,091 | 478,882 | 439,293 |
| Bond Issuance Costs and Fees | 1,805 | 136,784 | 17,687 | 8,226 | 6,672 |
| Capital Outlay | - | - | 47,684 | 47,684 | 129,612 |
| Payments to Shared Service Agreements | 135,660 | 125,832 | 110,260 | 103,660 | 114,610 |
| **Total Expenditures** | $ 14,098,453 | $ 20,204,411 | $ 20,338,546 | $ 19,979,378 | $ 19,649,731 |
| **Change in Net Position** | $ 2,823,159 | $ 551,230 | $ 383,862 | $ 1,425,876 | $ 3,805,075 |
| **Beginning Net Position** | $ 8,409,266 | $ 818,992 | $ 1,370,222 | $ 1,754,084 | $ 3,193,638 |
| **Prior Period Adjustment** | $ (10,413,433) [(2)] | $ - | $ - | $ 13,678 [(3)] | $ - |
| **Ending Net Position** | $ 818,992 | $ 1,370,222 | $ 1,754,084 | $ 3,193,638 | $ 6,998,713 |

*(1) The foregoing information represents government-wide financial information provided in accordance with GASB 34, which the District adopted for the 2002 fiscal year.*
*(2) The 2018 prior period adjustment is due to the implementation of GASB Statement 75.*
*(3) The 2021 prior period adjustment is due to the implementation of GASB Statement 84.*

# APPENDIX B

# GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY

**CAMERON INDEPENDENT SCHOOL DISTRICT**

**General and Economic Information**

Cameron Independent School District (the "District") is located in Milam County approximately 150 miles south of the Dallas/Fort Worth Metroplex. It is an agricultural area producing cotton and corn and includes the City of Cameron, the principal commercial center and county seat of Milam County. The District's current estimated population is 7,931.

Milam County (the "County") is located in central Texas and was created in 1836. The county is bordered by the Brazos River to the east and bisected by the San Gabriel River. Large lignite deposits within the county supply revenue and jobs.

*Source: Texas Municipal Report for Cameron ISD and Milam County*

**Enrollment Statistics**

| Year Ending 8/31 | Enrollment |
|---|---|
| 2012 | 1,585 |
| 2013 | 1,595 |
| 2014 | 1,664 |
| 2015 | 1,681 |
| 2016 | 1,754 |
| 2017 | 1,850 |
| 2018 | 1,852 |
| 2019 | 1,783 |
| 2020 | 1,725 |
| 2021 | 1,569 |
| 2022 | 1,554 |

**District Staff**

| | |
|---|---|
| Teachers | 118 |
| Teachers' Aides & Secretaries | 61 |
| Auxiliary Personnel | 55 |
| Administrators | 11 |
| Other | 14 |
| Total | 259 |

**Facilities**

| Campus | Grades | Current Enrollment | Capacity | Year Built | Year of Addition/Renovation |
|---|---|---|---|---|---|
| Ben Milam Elementary | PK-2 | 421 | 600 | 1998 | 2010 |
| Cameron Elementary | 3-5 | 303 | 500 | 1994 | 2013 |
| Cameron Junior High | 6-8 | 356 | 500 | 1994 | 2013 |
| C. H. Yoe High School | 9-12 | 474 | 650 | 2002 | 2013 |

**Principal Employers within the District**

| Name of Company | Type of Business | Number of Employees |
|---|---|---|
| Cameron ISD | Public Education | 259 |
| Affordable Interior Systems (AIS) | School Furniture | 155 |
| Standards Home Health | Home Health Care | 150 |
| Milam County | County Government | 150 |
| Winnie L. Nursing Facility | Nursing Home | 92 |
| Legacy Nursing Facility | Nursing Home | 80 |
| EBCO General Contractor | Commercial Builder | 67 |

**Unemployment Rates**

| | June 2021 | June 2022 | June 2023 |
|---|---|---|---|
| Milam County | 6.5% | 4.7% | 4.5% |
| State of Texas | 6.4% | 4.2% | 4.2% |

*Source: Texas Workforce Commission*

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## APPENDIX C

## FORMS OF LEGAL OPINIONS OF CO-BOND COUNSEL AND SPECIAL TAX COUNSEL

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**HAYNES AND BOONE, LLP**
1221 McKinney Street, Suite 4000
Houston, Texas 77010

**POWELL LAW GROUP, LLP**
108 Wild Basin Road, Suite 100
Austin, Texas 78746

_____________, 2023

WE HAVE ACTED as Co-Bond Counsel for CAMERON INDEPENDENT SCHOOL DISTRICT (the "***District***"), in connection with the issuance of bonds (the "***Bonds***") described as follows:

> The Bonds are issuable in fully-registered form only, in denominations of $5,000 of the principal amount or integral multiples thereof, bear interest, are subject to redemption prior to maturity, and may be transferred and exchanged as set out in the Bonds and in the bond order (the "***Order***") adopted by the Board of Trustees of the District authorizing their issuance. Capitalized terms used herein and not otherwise defined shall have the meanings so assigned in the Order.

WE HAVE ACTED as Co-Bond Counsel for the sole purpose of rendering an opinion (the "***Opinion***") with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas. In such capacity, we have participated in the preparation of, and have examined, a transcript of certain certified proceedings pertaining to the issuance of the Bonds, as described in the Order. The transcript contains certified copies of certain proceedings of the District; certain certifications and representations, and other material facts within the knowledge and control of the District, upon which we rely; and certain other customary documents and instruments authorizing and relating to the issuance of the Bonds. We have also examined executed Bond No. R-1 of this issue. We have also examined such portions of the Constitution and statutes of the State of Texas as we have deemed necessary for the purposes of rendering this Opinion.

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

BASED UPON SUCH EXAMINATION, it is our opinion that, under existing law:

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

and the exercise of judicial discretion in appropriate cases; and the Bonds have been authorized and delivered in accordance with existing law; and

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

OUR OPINION IS BASED ON EXISTING LAW AS OF THE DATE HEREOF, which is subject to change. Such opinion is further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement this Opinion 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, this Opinion is not a guarantee of result and represents our legal judgment based upon our review of existing law that we deem relevant to such opinion and in reliance upon the representations and covenants referenced above. We express no opinion as to any matters not specifically covered hereby.

Respectfully submitted,

KLINE
ALVARADO
VEIO·PC

September 27, 2023

Cameron Independent School District
304 E. 12th St.
Cameron, TX a76520

Haynes and Boone, LLP
1221 McKinney Street
Suite 4000
Houston, TX 77010

SAMCO
5800 Granite Parkway, Suite 210
Plano, TX 75024

Powell Law Group, LLP
108 Wild Basin Rd., Suite 100
Austin, TX 78746

S & P Global Ratings
130 East Randolph, Suite 3600
Chicago, IL 60601

Piper Sandler & Co.
800 Nicollet Mall, Suite 900
Minneapolis, MN 55402

Re: $6,315,000 Cameron Independent School District Unlimited Tax School Building Bonds, Series 2023

Ladies and Gentlemen:

We have acted as special tax counsel ("Special Tax Counsel") to the Cameron Independent School District (the "District") in connection with the issuance by the District of its Unlimited Tax School Building Bonds, Series 2023 in the aggregate principal amount of $6,315,000 (the "Bonds"). The Bonds are being issued by the District for the purpose of (a) construction, renovation, improvement, and equipment of existing school buildings in the District, including renovations to the original C. H. Yoe high school to create a career and technical education center; construction, renovation, improvement and equipment of existing school building to improve and enhance agricultural science program facilities; and (b) paying the costs of issuing the Bonds. The Bonds are authorized by the Bond Order adopted on August 29, 2023 by the Board of Trustees of the District (the "Bond Order").

As Special Tax Counsel, we have reviewed the opinions of Haynes and Boone, LLP, and Powell Law Group, LLP as co-bond counsel to the District (together, "Co-Bond Counsel"), the Tax Compliance Certificate of the Issuer dated the date hereof, and other certificates of the District, the Bond Order approving the issuance of the Bonds, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. As to the questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications furnished to us without undertaking to verify the same by independent investigation. Furthermore, with respect to the validity of the Bonds, we are relying upon the opinion of Co-Bond Counsel. Our examination has been limited to the foregoing as they exist or are in effect as of the date hereof. Our opinion is limited to the matters expressly set forth herein, and we express no opinion concerning any other matters.

In accordance with the provisions of Section 265(b) of the Code, the District has designated in the Bond Order that the Bonds are considered "qualified tax-exempt obligations" for the purposes of Section 265(b)(3) of the Code. The District has certified in the Bond Order the following: (a) that during the calendar year 2023, the District (including all entities that issue obligations on behalf of the District) has not designated nor will it designate obligations which, when aggregated with the Bonds, will result in more than $10,000,000 of "qualified tax-exempt obligations" being issued; and (b) that the District has examined its financing needs for the calendar year 2023 and reasonably anticipates that the amount of bonds, leases, loans or other obligations, together with the Bonds and any other tax-exempt obligations heretofore issued by the District (plus those of all entities that issue obligations on behalf of the District) during the calendar year 2023, when the higher of the face amount or the issue price of each such tax-exempt obligation issued for the calendar year 2023 by the District is taken into account, will not exceed $10,000,000.

Based on our examination and the foregoing, we are of the opinion, as of the date hereof and under existing law as presently enacted and construed, as follows:

1. Interest on the Bonds is excludable from gross income for purposes of federal income tax under existing laws as enacted and construed on the date of initial delivery of the Bonds, assuming the accuracy of the certifications of the District and continuing compliance by the District with the requirements of the Internal Revenue Code of 1986, as amended. Interest on the Bonds is not an item of tax preference for purposes of individual federal alternative minimum tax. However, however, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

2. The District has designated the Bonds as "qualified tax-exempt obligations" under Section 265(b)(3) of the Code and nothing has come to our attention to reach a different opinion. Therefore the interest expense of a financial institution will not be subject to allocation to the interest on the Bonds under Section 265(b).

3. The information relating to the Bonds and legal issues described in "TAX MATTERS" in the Official Statement is an accurate description of the tax laws and legal issues therein as of the date of this opinion and with respect to the Bonds, such information conforms to the Bond Order.

In rendering our opinion, we wish to advise you that:

(a) we express no opinion herein as to the accuracy, adequacy, or completeness of any offering material relating to the Bonds; and

(b) except as set forth above, we express no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Respectfully submitted,

Victoria S. Byerly
Attorney at Law
Kline Alvarado Veio, P.C.

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## APPENDIX D

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

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# CAMERON INDEPENDENT SCHOOL DISTRICT

## ANNUAL FINANCIAL REPORT

## FOR THE YEAR ENDED AUGUST 31, 2022

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# CAMERON INDEPENDENT SCHOOL DISTRICT
# TABLE OF CONTENTS

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## CERTIFICATE OF BOARD

| Cameron Independent School District | Milam | 166-901 |
|---|---|---|
| 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 (check one) ____✓____ approved ____________ disapproved for the year ended August 31, 2022, at a meeting of the Board of Trustees of such school district on the 12th day of December, 2022.

Signature of Board Secretary

Signature of Board President

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

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BGFN CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT**

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

## Report on the Audit of the Financial Statements

### *Opinions*

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cameron 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 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, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinions*

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

### *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.



3520 SW H.K. DODGEN LOOP ■ TEMPLE, TEXAS 76504 ■ 254.773.9907 ■ FAX 254.773.1570

WWW.TEMPLECPA.COM

**INDEPENDENT AUDITOR'S REPORT**
**(CONTINUED)**

***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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, which precedes the basic financial statements, and the budgetary comparison information and TRS-related pension and other post-employment benefits schedules, following the notes to the financial statements, be presented to supplement the basic financial statements.

**INDEPENDENT AUDITOR'S REPORT**
**(CONTINUED)**

***Supplementary Information***

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2022, 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 District's internal control over financial reporting and compliance.

Brockway, Gersbach, Franklin & Niemeier, P.C.

Temple, Texas
December 5, 2022

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# MANAGEMENT'S DISCUSSION AND ANALYSIS
# CAMERON INDEPENDENT SCHOOL DISTRICT
# FOR THE YEAR ENDED AUGUST 31, 2022

## MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial Report, we, the managers of Cameron Independent School District (the District), discuss and analyze the District's financial performance for the fiscal year ended August 31, 2022. Please read it in conjunction with the Independent Auditor's Report on pages 5 - 7, and the District's Basic Financial Statements which begin on page 17.

## FINANCIAL HIGHLIGHTS

- The General Fund ended the year with a fund balance of $ 12,345,099.

- The General Fund had an decrease in total expenditures of approximately $ 1.6 million from the prior year, due to ESSER III funds covering a significant portion of the District's payroll expenditures. General Fund expenditures were approximately $ 3.2 million less than budgeted expenditures.

- During the year the District generated $ 23.5 million in tax and other revenues for governmental activities. These revenues exceeded the District's governmental activities expenses by $ 4.1 million.

- The total cost of all the District's programs decreased approximately $ 581,000 from the prior year due primarily to decreases in instructional and data processing costs.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and other information in addition to the basic financial statements themselves.

***Government-wide financial statements***. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to that of a private sector business.

The statement of net position presents information on all of the District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator as to whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods such as uncollected property tax.

The government-wide financial statements distinguish functions of the District that are principally supported by taxes, intergovernmental revenues, and user fees & charges (governmental activities). The governmental activities of the District include the education of District students and the programs necessary to support such education.

***Fund financial statements***. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

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

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

The District maintains numerous individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and ESSER III fund as they are considered to be major funds. Data from the other funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for the General Fund. A budgetary comparison schedule has been provided for this fund to demonstrate compliance with this budget. Supplementary budgetary comparison schedules have also been prepared for the Child Nutrition and Debt Service Funds and are included in the other supplementary information section of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

***Notes to the financial statements***. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

***Other information***. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. In addition, certain information required by the Texas Education Agency and the federal government regarding tax collection and grant expenditures is also presented along with required supplementary information related to the District's contributions to a cost-sharing pension plan with the Teacher Retirement System of Texas.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

We will present both current and prior year data and discuss significant changes in the accounts. Our analysis focuses on the Net Position (Table I) and Changes in Net Position (Table II) of the District's governmental activities.

Net position of the District's governmental activities increased from \$ 3,193,638 to \$ 6,998,713. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$ 1.9 million at August 31, 2022. This is an increase of \$ 3.9 million in governmental unrestricted net position.

**Table I**
**Cameron Independent School District**

**NET POSITION**

| | Governmental Activities 2022 | Governmental Activities 2021 | Change |
|---|---|---|---|
| Current and Other Assets | $ 15,617,975 | $ 12,371,105 | $ 3,246,870 |
| Capital Assets | 16,869,987 | 18,326,974 | (1,456,987) |
| Total Assets | 32,487,962 | 30,698,079 | 1,789,883 |
| Deferred Outflows of Resources | 2,364,004 | 2,322,904 | 41,100 |
| Other Liabilities | 945,753 | 1,067,872 | (122,119) |
| Long-Term Liabilities | 20,441,791 | 23,521,325 | (3,079,534) |
| Total Liabilities | 21,387,544 | 24,589,197 | (3,201,653) |
| Deferred Inflows of Resources | 6,465,709 | 5,238,148 | 1,227,561 |
| Net Position: | | | |
| Invested in Capital Assets, Net of Related Debt | 3,068,586 | 3,268,542 | (199,956) |
| Restricted | 1,980,216 | 1,830,424 | 149,792 |
| Unrestricted (Deficit) | 1,949,911 | (1,905,328) | 3,855,239 |
| Total Net Position | $ 6,998,713 | $ 3,193,638 | $ 3,805,075 |

**Table II**
**Cameron Independent School District**

**CHANGES IN NET POSITION**

| | Governmental Activities 2022 | Governmental Activities 2021 | Change |
|---|---|---|---|
| Revenues: | | | |
| Program Revenues: | | | |
| Charges for Services | $ 257,324 | $ 152,394 | $ 104,930 |
| Operating Grants and Contributions | 5,411,795 | 3,773,969 | 1,637,826 |
| General Revenues: | | | |
| Maintenance and Operations Taxes | 4,423,161 | 4,253,445 | 169,716 |
| Debt Service Taxes | 1,552,565 | 1,424,167 | 128,398 |
| State Aid - Formula Grants | 11,374,931 | 11,598,761 | (223,830) |
| Investment Earnings | 148,739 | 95,422 | 53,317 |
| Miscellaneous Income | 286,291 | 107,096 | 179,195 |
| Total Revenues | 23,454,806 | 21,405,254 | 2,049,552 |
| Expenses: | | | |
| Instruction, Curriculum and Media Services | 10,534,506 | 10,738,534 | (204,028) |
| Instructional and School Leadership | 959,359 | 1,013,457 | (54,098) |
| Student Support Services | 1,123,009 | 1,102,600 | 20,409 |
| Food Services | 1,302,663 | 1,191,892 | 110,771 |
| Extracurricular Activities | 1,739,983 | 1,670,746 | 69,237 |
| General Administration | 914,701 | 848,553 | 66,148 |
| Plant Maintenance, Security, and Data Processing | 2,263,110 | 2,660,590 | (397,480) |
| Community Services | 122,213 | 114,554 | 7,659 |
| Facilities Acquisition & Construction | 129,612 | 47,684 | 81,928 |
| Debt Services - Interest and Bond Fees | 445,965 | 487,108 | (41,143) |
| Payments to Other Districts/Agencies | 114,610 | 103,660 | 10,950 |
| Total Expenses | 19,649,731 | 19,979,378 | (329,647) |
| Excess of Revenues Over Expenses | 3,805,075 | 1,425,876 | 2,379,199 |
| Change in Net Position | 3,805,075 | 1,425,876 | 2,379,199 |
| Net Position - Beginning | 3,193,638 | 1,767,762 | 1,425,876 |
| Net Position - Ending | $ 6,998,713 | $ 3,193,638 | $ 3,805,075 |

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The District's total revenues increased by approximately $ 2.0 million from the prior year. The District's cost of all programs and services decreased from the prior year by approximately $ 330,000.

## THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on pages 20-21) reported a combined fund balance of $ 14.3 million, which is over $ 3.1 million more than last year's total of $ 11.1 million. This is due primarily to an increase in federal revenues (ESSER III) in 2022.

The District's General Fund balance of $ 12.3 million reported on page 20 differs from the General Fund's budgeted fund balance of $ 9.3 million reported in the budgetary comparison schedule on page 55 due to payroll expenditures being less than amounts budgeted due to available ESSER III funds.

In the 2021-22 school year, we made two amendments to the budget. Child Nutrition and Debt Service were each amended due to receiving more revenues than estimated. Child Nutrition was also amended to cover August 2022 expenditures. The General Fund was amended for the following purposes:

- receiving more SHARS funds than estimated;
- to cover additional expenditures (HVAC units, PA system, renovations at several athletic venues and a parking lot, secure entry at BME, copier lease and bond expenditures, band uniforms, accruals and on-behalf contributions.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2022, the District had $ 16.9 million, net of depreciation, invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance.

This year's major additions included:

| | | |
|---|---|---|
| Buildings and Improvements | $ | 30,891 |
| Furniture and Equipment | | 286,198 |
| Right of Use Assets - Leased Equipment | | 180,002 |
| Total | $ | 497,091 |

### Debt

At year-end, the District had $ 12.8 million in bonds and leases outstanding versus $ 14.1 million last year, a decrease due to principal payments made on balances during the year. More detailed information about the District's long-term liabilities is presented in the notes to the financial statements starting on page 37.

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

The following factors were considered in establishing the District's budget for 2022-2023:

- The District's budgeted expenditures for the 2022-2023 school year total $ 16,233,307.

- The District's total tax rate for 2021-2022 was $ 1.2198 per $ 100 valuation. The rate adopted for the 2022-2023 school year is $ 1.2067 per $ 100 valuation. The rates approved were $0.8546 for Maintenance and Operations and $ 0.3521 for Interest and Sinking.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Cameron Independent School District, P. O. Box 712, Cameron, Texas 76520.

# BASIC FINANCIAL STATEMENTS

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EXHIBIT A-1

# CAMERON INDEPENDENT SCHOOL DISTRICT
## STATEMENT OF NET POSITION
## AUGUST 31, 2022

| Data Control Codes | | Primary Government — Governmental Activities |
|---|---|---|
| **ASSETS** | | |
| 1110 | Cash and Cash Equivalents | $ 13,756,394 |
| 1220 | Property Taxes Receivable (Delinquent) | 364,967 |
| 1230 | Allowance for Uncollectible Taxes | (3,650) |
| 1240 | Due from Other Governments | 1,439,629 |
| 1290 | Other Receivables, net | 19,910 |
| 1410 | Prepaid Expenses | 40,725 |
| | Capital Assets: | |
| 1510 | Land | 728,654 |
| 1520 | Buildings, net | 14,255,961 |
| 1530 | Furniture and Equipment, net | 1,770,825 |
| 1550 | Right of Use Assets - Leased Equipment | 114,547 |
| 1000 | Total Assets | 32,487,962 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | |
| 1705 | Deferred Amount on Refunding | 58,265 |
| 1705 | Deferred Outflow Related to TRS Pension | 1,311,589 |
| 1706 | Deferred Outflow Related to TRS OPEB | 994,150 |
| 1700 | Total Deferred Outflows of Resources | 2,364,004 |
| **LIABILITIES** | | |
| 2110 | Accounts Payable | 150,443 |
| 2140 | Interest Payable | 17,694 |
| 2160 | Accrued Wages Payable | 754,406 |
| 2200 | Accrued Expenditures | 21,574 |
| 2300 | Unearned Revenues | 1,636 |
| | Noncurrent Liabilities: | |
| 2501 | Due Within One Year | 1,483,700 |
| 2502 | Due in More Than One Year | 12,375,966 |
| 2540 | Net Pension Liability (District's Portion) | 1,930,735 |
| 2545 | Net OPEB Liability (District's Portion) | 4,651,390 |
| 2000 | Total Liabilities | 21,387,544 |
| **DEFERRED INFLOWS OF RESOURCES** | | |
| 2605 | Deferred Inflow Related to TRS Pension | 2,482,703 |
| 2606 | Deferred Inflow Related to TRS OPEB | 3,983,006 |
| 2600 | Total Deferred Inflows of Resources | 6,465,709 |
| **NET POSITION** | | |
| 3200 | Net Investment in Capital Assets | 3,068,586 |
| 3820 | Restricted for Federal and State Programs | 483,485 |
| 3850 | Restricted for Debt Service | 1,426,050 |
| 3870 | Restricted for Campus Activity | 70,681 |
| 3900 | Unrestricted | 1,949,911 |
| 3000 | Total Net Position | $ 6,998,713 |

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

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**EXHIBIT B-1**

# CAMERON INDEPENDENT SCHOOL DISTRICT
## STATEMENT OF ACTIVITIES
## FOR THE YEAR ENDED AUGUST 31, 2022

| Data Control Codes | | 1<br>Expenses | Program Revenues<br>3<br>Charges for Services | Program Revenues<br>4<br>Operating Grants and Contributions | Net (Expense) Revenue and Changes in Net Position<br>6<br>Governmental Activities |
|---|---|---|---|---|---|
| | **Primary Government:** | | | | |
| | GOVERNMENTAL ACTIVITIES: | | | | |
| 11 | Instruction | $ 9,961,255 | $ - | $ 4,409,024 | $ (5,552,231) |
| 12 | Instructional Resources and Media Services | 188,994 | - | (10,704) | (199,698) |
| 13 | Curriculum and Instructional Staff Development | 384,257 | - | (11,420) | (395,677) |
| 23 | School Leadership | 959,359 | - | (74,808) | (1,034,167) |
| 31 | Guidance, Counseling and Evaluation Services | 450,606 | - | (34,936) | (485,542) |
| 32 | Social Work Services | 39,812 | - | (3,665) | (43,477) |
| 33 | Health Services | 129,386 | - | (4,676) | (134,062) |
| 34 | Student (Pupil) Transportation | 503,205 | - | 1,228 | (501,977) |
| 35 | Food Services | 1,302,663 | 85,159 | 1,040,758 | (176,746) |
| 36 | Extracurricular Activities | 1,739,983 | 172,165 | (38,248) | (1,606,066) |
| 41 | General Administration | 914,701 | - | (32,473) | (947,174) |
| 51 | Facilities Maintenance and Operations | 1,789,908 | - | (63,871) | (1,853,779) |
| 52 | Security and Monitoring Services | 91,197 | - | - | (91,197) |
| 53 | Data Processing Services | 382,005 | - | (16,510) | (398,515) |
| 61 | Community Services | 122,213 | - | (8,258) | (130,471) |
| 81 | Facilities Acquisition & Construction | 129,612 | - | - | (129,612) |
| 72 | Debt Service - Interest on Long-Term Debt | 439,293 | - | 260,354 | (178,939) |
| 73 | Debt Service - Bond Issuance Cost and Fees | 6,672 | - | - | (6,672) |
| 93 | Payments related to Shared Services Arrangements | 114,610 | - | - | (114,610) |
| [TP] | TOTAL PRIMARY GOVERNMENT: | $ 19,649,731 | $ 257,324 | $ 5,411,795 | $ (13,980,612) |

| Data Control Codes | | |
|---|---|---|
| | General Revenues: | |
| | Taxes: | |
| MT | Property Taxes, Levied for General Purposes | $ 4,423,161 |
| DT | Property Taxes, Levied for Debt Service | 1,552,565 |
| SF | State Aid - Formula Grants | 11,374,931 |
| IE | Investment Earnings | 148,739 |
| MI | Miscellaneous Local and Intermediate Revenue | 286,291 |
| TR | Total General Revenues | 17,785,687 |
| CN | Change in Net Position | 3,805,075 |
| NB | Net Position - Beginning | 3,193,638 |
| NE | Net Position - Ending | $ 6,998,713 |

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

# CAMERON INDEPENDENT SCHOOL DISTRICT
# BALANCE SHEET
# GOVERNMENTAL FUNDS
# AUGUST 31, 2022

| Data Control Codes | | 10 General Fund | ESSER III Grant | Other Funds |
|---|---|---|---|---|
| | **ASSETS** | | | |
| 1110 | Cash and Cash Equivalents | $ 11,598,634 | $ - | $ 2,157,760 |
| 1220 | Property Taxes - Delinquent | 270,894 | - | 94,073 |
| 1230 | Allowance for Uncollectible Taxes (Credit) | (2,709) | - | (941) |
| 1240 | Due from Other Governments | 629,541 | 589,898 | 220,190 |
| 1260 | Due from Other Funds | 654,740 | - | 1,252 |
| 1290 | Other Receivables | 19,910 | - | - |
| 1410 | Prepaid Expenses | 40,725 | - | - |
| 1000 | Total Assets | $ 13,211,735 | $ 589,898 | $ 2,472,334 |
| | **LIABILITIES** | | | |
| 2110 | Accounts Payable | $ 99,397 | $ - | $ 51,046 |
| 2150 | Payroll Deductions and Withholdings Payable | - | - | - |
| 2160 | Accrued Wages Payable | 487,591 | 226,693 | 40,122 |
| 2170 | Due to Other Funds | 1,251 | 357,919 | 296,822 |
| 2190 | Due to Student Groups | - | - | - |
| 2200 | Accrued Expenditures | 9,912 | 5,286 | 6,376 |
| 2300 | Unearned Revenues | 300 | - | 1,336 |
| 2000 | Total Liabilities | 598,451 | 589,898 | 395,702 |
| | **DEFERRED INFLOWS OF RESOURCES** | | | |
| 2600 | Unavailable Revenue - Property Taxes | 268,185 | - | 93,132 |
| | Total Deferred Inflows of Resources | 268,185 | - | 93,132 |
| | **FUND BALANCES** | | | |
| | Nonspendable Fund Balance: | | | |
| 3430 | Prepaid Items | 40,725 | - | - |
| | Restricted Fund Balance: | | | |
| 3450 | Federal or State Funds Grant Restriction | - | - | 483,485 |
| 3480 | Retirement of Long-Term Debt | - | - | 1,426,050 |
| 3490 | Campus Activity | - | - | 70,681 |
| | Assigned Fund Balance: | | | |
| 3590 | Other Assigned Fund Balance | - | - | 3,284 |
| 3600 | Unassigned Fund Balance | 12,304,374 | - | - |
| 3000 | Total Fund Balances | 12,345,099 | - | 1,983,500 |
| 4000 | Total Liabilities, Deferred Inflows and Fund Balances | $ 13,211,735 | $ 589,898 | $ 2,472,334 |

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

EXHIBIT C-1

| Total Governmental Funds |
|---|
| |
| $ 13,756,394 |
| 364,967 |
| (3,650) |
| 1,439,629 |
| 655,992 |
| 19,910 |
| 40,725 |
| $ 16,273,967 |
| |
| $ 150,443 |
| - |
| 754,406 |
| 655,992 |
| - |
| 21,574 |
| 1,636 |
| 1,584,051 |
| |
| 361,317 |
| 361,317 |
| |
| 40,725 |
| |
| 483,485 |
| 1,426,050 |
| 70,681 |
| |
| 3,284 |
| 12,304,374 |
| 14,328,599 |
| $ 16,273,967 |

EXHIBIT C-1R

## CAMERON INDEPENDENT SCHOOL DISTRICT
## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
## AUGUST 31, 2022

| | | | |
|---|---|---|---|
| | **Total Fund Balances - Governmental Funds** | | $ 14,328,599 |
| 1 | Capital assets used in governmental activities are not current financial resources and therefore are not reported in governmental funds. These assets consist of: | | |
| | Land | $ 728,654 | |
| | Buildings and improvements | 41,567,415 | |
| | Furniture and equipment | 6,286,607 | |
| | Right of Use Assets - leased equipment | 180,002 | |
| | Accumulated depreciation | (31,892,691) | |
| | Total capital assets | $ 16,869,987 | 16,869,987 |
| 2 | Deferred outflows of resources represent the consumption of net position that applies to future periods and will not be recognized as an expense until then: | | |
| | Deferred amounts on refunding | $ 58,265 | |
| | Deferred outflows related to TRS Pension | 1,311,589 | |
| | Deferred outflows related to TRS OPEB | 994,150 | |
| | | $ 2,364,004 | 2,364,004 |
| 3 | Some revenues in the governmental funds are deferred because they are not collected within the prescribed time period after year end. On the accrual basis, however, those revenues would be recognized, regardless of when they are collected. | | 361,317 |
| 4 | Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet. Those liabilities consist of: | | |
| | Accrued interest on debt | $ (17,694) | |
| | Bonds | (12,730,000) | |
| | Lease liabilities | (116,434) | |
| | Premiums/discounts | (1,013,232) | |
| | Net pension liability | (1,930,735) | |
| | Net OPEB liability | (4,651,390) | |
| | | $ (20,459,485) | (20,459,485) |
| 5 | Deferred inflow of resources represent an acquisition of net position that applies to future periods and will not be recognized as revenue until then: | | |
| | Deferred inflows related to TRS Pension | $ (2,482,703) | |
| | Deferred inflows related to TRS OPEB | (3,983,006) | |
| | | $ (6,465,709) | (6,465,709) |
| 19 | **Net Position of Governmental Activities** | | $ 6,998,713 |

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

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# CAMERON INDEPENDENT SCHOOL DISTRICT
## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
## GOVERNMENTAL FUNDS
## FOR THE YEAR ENDED AUGUST 31, 2022

| Data Control Codes | | 10 General Fund | ESSER III Grant | Other Funds |
|---|---|---|---|---|
| | REVENUES: | | | |
| 5700 | Total Local and Intermediate Sources | $ 4,750,414 | $ - | $ 1,743,321 |
| 5800 | State Program Revenues | 11,374,694 | - | 305,838 |
| 5900 | Federal Program Revenues | 406,048 | 3,654,079 | 1,983,041 |
| 5020 | Total Revenues | 16,531,156 | 3,654,079 | 4,032,200 |
| | EXPENDITURES: | | | |
| | Current: | | | |
| 0011 | Instruction | 6,275,647 | 3,126,042 | 696,574 |
| 0012 | Instructional Resources and Media Services | 142,891 | 9,000 | - |
| 0013 | Curriculum and Instructional Staff Development | 232,125 | 9,000 | 164,992 |
| 0023 | School Leadership | 999,613 | 48,000 | - |
| 0031 | Guidance, Counseling and Evaluation Services | 422,431 | 71,747 | - |
| 0032 | Social Work Services | 19 | 49,460 | - |
| 0033 | Health Services | 136,530 | 6,000 | - |
| 0034 | Student (Pupil) Transportation | 461,929 | 40,482 | - |
| 0035 | Food Services | 36,484 | 72,000 | 1,274,110 |
| 0036 | Extracurricular Activities | 1,085,097 | 81,000 | 83,956 |
| 0041 | General Administration | 1,026,972 | 15,000 | - |
| 0051 | Facilities Maintenance and Operations | 1,683,670 | 60,000 | - |
| 0052 | Security and Monitoring Services | 58,988 | - | 29,529 |
| 0053 | Data Processing Services | 377,039 | 12,000 | - |
| 0061 | Community Services | 51,703 | 54,348 | 46,984 |
| 0081 | Facilities Acquisition & Construction | 340,213 | - | - |
| | Debt Service: | | | |
| 0071 | Principal on Long-Term Debt | 58,020 | - | 1,255,000 |
| 0072 | Interest on Long-Term Debt | 11,730 | - | 478,013 |
| 0073 | Bond Issuance Cost and Fees | 3,422 | - | 3,250 |
| | Intergovernmental: | | | |
| 0093 | Payments to Fiscal Agent/Member Districts of SSA | 114,610 | - | - |
| 6030 | Total Expenditures | 13,519,133 | 3,654,079 | 4,032,408 |
| 1100 | Excess (Deficiency) of Revenues Over (Under) Expenditures | 3,012,023 | - | (208) |
| | OTHER FINANCING SOURCES (USES): | | | |
| 7913 | Proceeds from Right to Use Leased Assets | 180,002 | | - |
| 7915 | Operating transfers in | - | - | 150,000 |
| 8911 | Operating transfers out | (150,000) | - | - |
| 7080 | Total Other Financing Sources (Uses) | 30,002 | - | 150,000 |
| 1200 | Net Change in Fund Balances | 3,042,025 | - | 149,792 |
| 0100 | Fund Balance - September 1 (Beginning) | 9,303,074 | - | 1,833,708 |
| 3000 | Fund Balance - August 31 (Ending) | $ 12,345,099 | $ - | $ 1,983,500 |

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

**EXHIBIT C-2**

| Total Governmental Funds |
|---|
| $ 6,493,735 |
| 11,680,532 |
| 6,043,168 |
| 24,217,435 |
| |
| 10,098,263 |
| 151,891 |
| 406,117 |
| 1,047,613 |
| 494,178 |
| 49,479 |
| 142,530 |
| 502,411 |
| 1,382,594 |
| 1,250,053 |
| 1,041,972 |
| 1,743,670 |
| 88,517 |
| 389,039 |
| 153,035 |
| 340,213 |
| |
| 1,313,020 |
| 489,743 |
| 6,672 |
| |
| 114,610 |
| 21,205,620 |
| |
| 3,011,815 |
| |
| 180,002 |
| 150,000 |
| (150,000) |
| 180,002 |
| |
| 3,191,817 |
| 11,136,782 |
| $ 14,328,599 |

**EXHIBIT C-3**

## CAMERON INDEPENDENT SCHOOL DISTRICT
## RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
## FOR THE YEAR ENDED AUGUST 31, 2022

| | | |
|---|---|---|
| **Total Net Change in Fund Balances - Governmental Funds** | | $ 3,191,817 |
| Governmental funds report capital outlays as expenditures. However, in the government-wide statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period: | | |
| Capital outlay | $ 497,091 | |
| Depreciation expense | (1,954,078) | |
| | $ (1,456,987) | (1,456,987) |
| Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the funds. These include recognizing deferred revenue as revenue and adjusting current year revenue to show the revenue earned from the current year's tax levy and to reflect the disposals of capital assets. The net effect these reclassifications and recognitions is to increase net position. | | 177,172 |
| The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt is an expenditure in the governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the government-wide statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items: | | |
| Proceeds from capital lease | $ (180,002) | |
| Bond principal repayments | 1,255,000 | |
| Capital lease principal repayments | 134,411 | |
| Amortization of bond issuance premiums | 123,164 | |
| Amortization of deferred amounts on refundings | (75,542) | |
| Net adjustment | $ 1,257,031 | 1,257,031 |
| GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by $ 373,599. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling $ 322,657. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense increased the change in net position by $ 216,723. The net result is a increase in the change in net position. | | 267,665 |
| GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by $ 102,602. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net OPEB liability. This caused a decrease in net position totaling $ 94,179. Finally, the proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense increased the change in net position by $ 359,954. The net result is an increase to the change in net position. | | 368,377 |
| **Change in Net Position of Governmental Activities** | | $ 3,805,075 |

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

EXHIBIT E-1

# CAMERON INDEPENDENT SCHOOL DISTRICT
## STATEMENT OF FIDUCIARY NET POSITION
## FIDUCIARY FUNDS
## AUGUST 31, 2022

| | | Custodial Fund |
|---|---|---|
| **ASSETS** | | |
| Cash and Cash Equivalents | $ | 79,024 |
| Total Assets | $ | 79,024 |
| **NET POSITION** | | |
| Restricted for Student Groups | $ | 79,024 |
| Total Net Position | $ | 79,024 |

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

EXHIBIT E-2

**CAMERON INDEPENDENT SCHOOL DISTRICT**
**STATEMENT OF CHANGES**
**IN FIDUCIARY NET POSITION**
**FOR THE YEAR ENDED AUGUST 31, 2022**

| | Custodial Fund |
|---|---|
| **ADDITIONS** | |
| Collections from Student Groups | $ 186,964 |
| Total Additions | 186,964 |
| **DEDUCTIONS** | |
| Payments On-behalf of Student Groups | 183,131 |
| Total Deductions | 183,131 |
| **NET INCREASE IN FIDUCIARY NET POSITION** | 3,833 |
| **NET POSITION, BEGINNING** | 75,191 |
| **NET POSITION, ENDING** | $ 79,024 |

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

## CAMERON INDEPENDENT SCHOOL DISTRICT
## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED AUGUST 31, 2022

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. REPORTING ENTITY

The Board of Trustees (the "Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the Cameron Independent School District (the "District"). Because members of the Board are elected by the public; have the authority to make decisions, appoint administrators, and significantly influence operations; and have the primary accountability for fiscal matters; the District is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board ("GASB") Statement No. 61, "The Financial Reporting Entity-Omnibus" and GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units." There are no component units included within the reporting entity.

The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments"; and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding entities. However, the District is not included in any other governmental reporting entity. The District is a governmental entity exempt from federal income taxation and reporting under Internal Revenue Code Section 115.

### B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities normally are supported by taxes, state funding revenue, and user service charges.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. All capital asset depreciation is reported as a direct expense of the functional program that benefits from the use of the capital assets. Indirect costs associated with grant activities are allocated to administrative and support services functions to cover the overhead cost of providing the program. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirement of a particular function, as well as, charges for services relating to the food service function. Taxes and other items are not properly included among program revenues and are reported instead as general revenues.

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

## C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Agency funds have no measurement focus. 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 have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This measurement focus means that only current assets and current liabilities are included on the balance sheet. Operating statements of these funds present resources (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets. 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 District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when the obligation has matured.

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

Grant funds are considered to be earned when all eligibility requirements have been met and to the extent of expenditures made under the provisions of the grant, and accordingly, when such funds are received in advance, they are recorded as unearned revenue.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. The District reports the following major governmental funds:

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

The *ESSER III Grant Fund* is used to account for federal stimulus ESSER III funds granted to the District through the ARP Act that support the District's ability to operate and instruct its students following the COVID-19 pandemic.

Additionally, the District reports the following non-major fund types:

*Special revenue funds* are used to account for resources restricted, committed, or assigned for specific purposes by a grantor or the Board. Federal and state financial assistance generally is accounted for in a *special revenue fund.* Generally, unused balances are returned to the grantor at the close of specified project periods. The food service funds are rolled over from year to year for use in the program(s).

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

*Custodial funds* (a fiduciary fund type) report resources, not in a trust, that are held by the District for other parties outside of the District. Custodial funds are accounted for using the accrual basis of accounting. These funds are used to account for the District's student activity funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as program revenues include operating grants and contributions, food service user charges, and capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

## D. ASSETS, DEFERRED OUTFLOW OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION OR EQUITY

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.

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Another type of interfund transaction is a transfer, which occurs when resources of one fund are transferred to another.

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

Inventories and Prepaid Items

Inventories of supplies on the balance sheet are stated at weighted average cost, while inventories of donated food commodities are recorded at fair values supplied by the Texas Department of Human Services. Inventory items are recorded as expenditures when they are consumed. Supplies are used for almost all functions of activity, while food commodities are used only in the food service program. Although commodities are received at no cost, the fair value is supplied by the Texas Department of Human Services and recorded as inventory and revenue when received. When requisitioned, inventory is depleted and expenditures are charged. Inventories also include facilities maintenance and operation supplies, as well as instructional supplies. Supplies inventory reported in the General Fund and Child Nutrition Fund is offset in the fund level financial statements by a fund balance reserve that indicates that it is "non-spendable resources".

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items reported in the General Fund are offset in the fund level financial statements by a fund balance reserve that indicates that it is "non-spendable resources".

Pensions

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

Other Post-Employment Benefits

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

Governmental Fund Balances

Certain resources of the governmental funds are set aside for the repayment or use of specific programs and are recorded to four categories of designations:

Non-spendable - Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation.

Committed - Amounts that can only be used for specific purposes pursuant to approval by formal action by the Board.

Assigned - For the General Fund, amounts that are appropriated by the Board or Board designee that are to be used for specific purposes. For all other governmental funds, any remaining positive amounts not previously classified as non-spendable, restricted or committed.

Unassigned fund balances are amounts that are available for any purpose; these amounts can be reported only in the District's General Fund. The District's unassigned fund balance will be maintained to provide the District with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The unassigned General Fund balance may only be appropriated by resolution of the Board. Amendments or modifications of the committed fund balance must also be approved by resolutions of the Board. When it is appropriate for fund balance to be assigned, the Board has delegated authority by resolution to the Superintendent. In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted, committed, assigned and unassigned.

Capital Assets

Capital assets, which include land, buildings, furniture and equipment are reported in the governmental activities columns 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 life greater than one year. Such assets are recorded at historical cost. Donated capital assets are recorded at acquisition value at the date of the donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

| Assets | Years |
|---|---|
| Buildings | 30-50 |
| Building Improvements | 10-30 |
| Vehicles | 5-10 |
| Computer Equipment | 3-5 |
| Other Equipment | 5-10 |

Compensated Absences

It is the District's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the government. There are limitations on carryover and accumulation of benefits and as a result the liability for accrued but unused benefits is not significant and therefore not recorded.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses in the period incurred.

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

Fund Equity/Net Position

The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. In the fund financial statements, governmental funds report non-spendable, restrictions or commitments of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties or through action of the Board for use for a specific purpose. Assignments of fund balance represent tentative management plans that are subject to change and are neither restricted nor committed.

Deferred Outflows and Inflows of Resources

The District complies with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides guidance for reporting the financial statement elements of deferred outflows of resources, which represent the consumption of the District's net position that is applicable to a future reporting period, and deferred inflows of resources, which represent the District's acquisition of net position applicable to a future reporting period.

The District complies with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Estimates

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

Data Control Codes

The data control codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. The TEA requires school districts to display those codes in the financial statements filed with the Agency in order to ensure accuracy in building a stateside database for policy development and funding plans.

Adoption of New Accounting Standard

Statement No. 87, *Leases* increases the usefulness of the financial statements by requiring 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. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a leased asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities. The requirements of this statement are effective for the fiscal year ending August 31, 2022 for the District.

## II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### A. BUDGETARY DATA

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

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

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

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

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

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

## CAMERON INDEPENDENT SCHOOL DISTRICT
## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED AUGUST 31, 2022

## III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

### A. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act.

At August 31, 2022, the District had no investments that meet these criteria.

Additional Contractual Provisions governing deposits and investments are as follows:

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

At August 31, 2022, the carrying amount of the District's deposits was $ 13,835,418 and the bank balance was $ 14,117,956. The District's cash deposits at August 31, 2022 and during the year then ended, were covered by FDIC insurance or by pledged securities by the District's agent bank in the District's name.

Policies Governing Deposits and Investments

1. Foreign Currency Risk – The District's deposits and investments are not exposed to foreign currency risk.
2. Custodial Credit Risk – The District's policy is to be collateralized. The District was fully collateralized during the year.
3. Interest Rate Risk – The District has no debt securities which have interest rate risk.
4. Other Credit Risk Exposure – The District does not have investments which would expose the District to credit risk.
5. Concentration of Credit Risk – The District does not have investments which would expose the District to this risk.

### B. PROPERTY TAXES

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

## C. INTERFUND RECEIVABLES AND PAYABLES

The purpose of the interfund balance is mainly for cash flows concerns, and the amounts are anticipated to be repaid in the current year. Interfund balances at August 31, 2022 consisted of the following balances:

| | | Due To | | | |
|---|---|---|---|---|---|
| | | General | ESSER III | All Other Funds | Total |
| Due From | General | | 357,920 | 296,821 | 654,741 |
| | ESSER III | - | | - | - |
| | All Other Funds | 1,251 | - | | 1,251 |
| | Total | 1,251 | 357,920 | 296,821 | 655,992 |

## D. CAPITAL ASSET ACTIVITY

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

| | Beginning Balance | Additions | Disposals | Ending Balance |
|---|---|---|---|---|
| Governmental Activities | | | | |
| Land | $ 728,654 | $ - | $ - | $ 728,654 |
| Building and Improvements | 41,536,524 | 30,891 | - | 41,567,415 |
| Furniture and Equipment | 6,135,091 | 286,198 | (134,682) | 6,286,607 |
| Right to Use Leased Assets | - | 180,002 | - | 180,002 |
| Totals at Historic Cost | 48,400,269 | 497,091 | (134,682) | 48,762,678 |
| Less Accumulated Depreciation for: | | | | |
| Buildings and Improvements | (25,785,208) | (1,526,246) | - | (27,311,454) |
| Furniture and Equipment | (4,288,087) | (362,377) | 134,682 | (4,515,782) |
| Right of Use Assets - Leased Equipment | - | (65,455) | - | (65,455) |
| Total Accumulated Depreciation | (30,073,295) | (1,954,078) | 134,682 | (31,892,691) |
| Governmental Activities Capital Assets, Net | $ 18,326,974 | $ (1,456,987) | $ - | $ 16,869,987 |

Depreciation expense was charged to governmental activities functions as follows:

| | |
|---|---|
| Instruction | $ 893,824 |
| Instructional Resources and Media Services | 51,834 |
| Curriculum Development | 589 |
| School Leadership | 26,189 |
| Guidance, Counseling and Evaluation Services | 5,561 |
| Health Services | 2,342 |
| Student Transportation | 160,781 |
| Food Services | 76,692 |
| Extracurricular Activities | 554,262 |
| General Administration | 4,696 |
| Facilities Maintenance and Operations | 158,355 |
| Security Monitoring | 2,680 |
| Data Processing Services | 15,981 |
| Facilites Acquisition and Construction | 292 |
| Total Depreciation Expense | $ 1,954,078 |

## E. BONDS

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

A summary of changes in general long-term debt for the year ended August 31, 2022, were as follows:

| General Long-Term Debt Description | Interest Rate | Amounts Outstanding 9/1/2021 | Issued Current Year | (Retired/ Refunded) Current Year | Amounts Outstanding 8/31/2022 | Due Within One Year |
|---|---|---|---|---|---|---|
| 7/15/2014 Unlimited Tax School Building Bonds, Series 2014 | 2.0-4.0% | $ 4,265,000 | $ - | $ (190,000) | $ 4,075,000 | $ 190,000 |
| 11/1/2015 Unlimited Tax Refunding Bonds, Series 2015 | 4.0% | 1,460,000 | - | (470,000) | 990,000 | 485,000 |
| 11/1/2018 Unlimited Tax Refunding Bonds, Series 2018 | 3.1-4.0% | 8,260,000 | - | (595,000) | 7,665,000 | 620,000 |
| 9/1/2021 Right of Use Assets -Leased Equipment | 4.0% | 70,843 | 180,002 | (134,411) | 116,434 | 65,536 |
| Total | | $ 14,055,843 | $ 180,002 | $ (1,389,411) | $ 12,846,434 | $ 1,360,536 |

Debt service requirements are as follows:

Bonds Payable

| Year Ending August 31, | Principal | Interest | Total Requirements |
|---|---|---|---|
| 2023 | $ 1,295,000 | $ 438,600 | $ 1,733,600 |
| 2024 | 1,335,000 | 395,050 | 1,730,050 |
| 2025 | 1,100,000 | 350,950 | 1,450,950 |
| 2026 | 1,145,000 | 306,050 | 1,451,050 |
| 2027 | 1,190,000 | 259,350 | 1,449,350 |
| 2028-2032 | 6,665,000 | 590,535 | 7,255,535 |
| | $ 12,730,000 | $ 2,340,535 | $ 15,070,535 |

Right of Use Assets Payable

| Year Ending August 31, | Principal | Interest | Total Requirements |
|---|---|---|---|
| 2023 | $ 65,536 | $ 3,465 | $ 69,001 |
| 2024 | 50,898 | 852 | 51,750 |
| | $ 116,434 | $ 4,317 | $ 120,751 |

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

## F. CHANGES IN LONG-TERM LIABILITIES, DEFERRED AMOUNT ON REFUNDING

Long-term liability activity for the year ended August 31, 2022 was as follows:

| | Beginning Balance | Additions | Reductions/ Amortization | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| **Governmental Activities:** | | | | | |
| Bonds Payable | $ 13,985,000 | $ - | $ (1,255,000) | $ 12,730,000 | $ 1,295,000 |
| Right of Use Assets - Leased Equip | 70,843 | 180,002 | (134,411) | 116,434 | 65,536 |
| Bond Premium | 1,136,396 | - | (123,164) | 1,013,232 | 123,164 |
| Net Pension Liability | 3,808,275 | (1,554,002) | (323,538) | 1,930,735 | - |
| Net OPEB Liability | 4,520,811 | 224,781 | (94,202) | 4,651,390 | - |
| Total Governmental Activities Long-Term Liabilities | $ 23,521,325 | $ (1,149,219) | $ (1,930,315) | $ 20,441,791 | $ 1,483,700 |

The following is a summary of deferred amounts on refunding for the year ended August 31, 2022:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| **Governmental Activities:** | | | | | |
| Unlimited Tax Refunding Bonds | $ 133,807 | $ - | $ (75,542) | $ 58,265 | $ 52,583 |

## G. 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. Most federal grants shown below are passed through the TEA and all are reported on the statement of net position as Due from Other Governments.

| Fund | State Entitlements | State & Federal Grants | Total |
|---|---|---|---|
| General | $ 627,910 | $ 1,631 | $ 629,541 |
| ESSER III | - | 589,898 | 589,898 |
| Nonmajor Governmental Funds | - | 220,190 | 220,190 |
| Total | $ 627,910 | $ 811,719 | $ 1,439,629 |

## H. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

During the current year, revenues from local and intermediate sources as shown on the statement of revenues, expenditures and changes in fund balances of governmental funds consisted of the following:

| | General Fund | Nonmajor Special Revenue Funds | Total |
|---|---|---|---|
| Property Taxes | $ 4,196,219 | $ 1,534,540 | $ 5,730,759 |
| Penalties, Interest and Other Tax-Related Income | 52,598 | 18,025 | 70,623 |
| Investment Income | 132,705 | 16,278 | 148,983 |
| Food Sales | - | 85,159 | 85,159 |
| Extracurricular Student Activities | 82,845 | 89,319 | 172,164 |
| Other | 286,047 | - | 286,047 |
| Total | $ 4,750,414 | $ 1,743,321 | $ 6,493,735 |

CAMERON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

## I. DEFINED BENEFIT PENSION PLAN

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

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

***Pension Plan Fiduciary Net Position***. Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately issued 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/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% (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$^{th}$ Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 thru 2025.

Contribution Rates

| | 2021 | 2022 |
|---|---|---|
| Member | 7.70% | 8.00% |
| Non-Employer Contributing Entity (State) | 7.50% | 7.75% |
| Employers | 7.50% | 7.75% |
| Current fiscal year employer contributions | | $ 373,599 |
| Current fiscal year member contributions | | 842,186 |
| 2021 measurement year NECE on-behalf contributions | | 611,073 |

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

As the non-employer contributing entity for public education, 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 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 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 or charter school, 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:

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

***Actuarial Assumptions***. The total pension liability in the August 31, 2020 actual valuation was determined using the following actuarial assumptions:

| | |
|---|---|
| Valuation Date | August 31, 2020 rolled forward to August 31, 2021 |
| Actuarial Cost Method | Individual Entry Age Normal |
| Asset Valuation Method | Market Value |
| Single Discount Rate | 7.25% |
| Long-Term Expected Investment Rate of Return | 7.25% |
| Municipal Bond Rate as of August 2019 | 1.95%. Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index." |
| Last year ending August 31 in Projection Period (100 years) | 2120 |
| Inflation | 2.30% |
| Salary Increases | 3.05% to 9.05% including inflation |
| Ad hoc post employment benefit changes | None |

The actuarial methods and assumptions are used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2020. For a full description of these assumptions please see the actuarial valuation report dated November 9, 2020.

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

Based on 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 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 Systems target asset allocation as of August 31, 2021 are summarized below:

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

* *Absolute Return includes Credit Sensitive Investments.*

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

*** *Capital Market Assumptions come from Aon Hewitt (as of 08/31/2021).*

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

***Discount Rate Sensitivity Analysis.*** The following table presents 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 one percentage point lower (6.25%) or one percentage point 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%) |
|---|---|---|---|
| CISD's Proportionate Share of the Net Pension Liability: | $ 4,218,962 | $ 1,930,735 | $ 74,288 |

***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 net pension liability of $ 1,930,735 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

| | |
|---|---|
| District's Proportionate Share of the Collective Net Pension Liability | $ 1,930,735 |
| State's Proportionate Share that is Associated with the District | 3,646,619 |
| Total | $ 5,577,354 |

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 thru August 31, 2021.

At August 31, 2021, the employer's proportion of the collective net pension liability was 0.0075814810% which is a decrease of 0.0004709125% 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 year ended August 31, 2022, the District recognized pension expense of $ 120,513 and revenue of $ 14,579 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. The amounts shown below will be the cumulative layers for the current and prior years combined.

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual economic experience | $ 3,231 | $ 135,925 |
| Changes in actuarial assumptions | 682,477 | 297,501 |
| Difference between projected and actual investment earnings | - | 1,618,896 |
| Changes in proportion and difference between the employer's contributions and the proportionate share of contributions | 252,282 | 430,381 |
| Total as of measurement date | 937,990 | 2,482,703 |
| Contributions paid to TRS subsequent to the measurement date | 373,599 | - |
| Total as of fiscal year end | $ 1,311,589 | $ 2,482,703 |

The 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:

| Year Ending August 31, | Pension Expense Amount |
|---|---|
| 2023 | $ (294,832) |
| 2024 | (297,828) |
| 2025 | (451,317) |
| 2026 | (514,444) |
| 2027 | 6,666 |
| Thereafter | 7,042 |
| | $ (1,544,713) |

## J. DEFINED OTHER POST EMPLOYMENT BENEFIT PLANS

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

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

***OPEB Plan Fiduciary Net Position.*** Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Annual Comprehensive Financial Report that includes financial statements and required supplementary information.

That report may be obtained on the Internet at https://www.trs.texas.gov/Pages/about_archive_acfr.aspx; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

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

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

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

| | 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 0.65% 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 |
|---|---|---|
| Member | 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% |
| Current fiscal year employer contributions | | $ 102,602 |
| Current fiscal year member contributions | | 68,429 |
| 2021 measurement year NECE on-behalf contributions | | 126,210 |

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of $ 5,520,343 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. Updated 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 actual 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 TRS for the period ending August 31, 2017. The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2020 TRS pension actuarial valuation that was rolled forward to August 31, 2021:

| | |
|---|---|
| Rates of Mortality | Rates of Disability |
| Rates of Retirement | General Inflation |
| Rates of Termination | Wage Inflation |

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 Tables, with full generational projection using the ultimate improvement rates from the mortality projection scale MP-2018.

| | |
|---|---|
| Valuation Date | August 31, 2020 rolled forward to August 31, 2021 |
| Discount Rate | 2.20% |
| Actuarial Cost Method | Entry Age |
| Salary Increases | 2.30% to 9.05% including inflation |
| Inflation | 2.30% |
| Ad Hoc Post-Employment Benefit Changes | None |

Annual Healthcare Trend Rates

<u>HealthSelect</u>
8.80% for FY2022, 5.25% for FY2023, 5.00% for FY2024, 4.75% for FY2025, 4.60% for FY2026, decreasing 10 basis points per year to an ultimate rate of 4.30% for FY2029 and later years

<u>HealthSelect Medicare Advantage</u>
(53.30)% for FY2022, 0.00% for FY2023, 66.67% for FY2024, 24.00% for FY2025, 4.60% for FY2026, decreasing 10 basis points per year to an ultimate rate of 4.30% for FY2029 and later years

<u>Pharmacy</u>
10.00% for FY2022 and FY2023, decreasing 100 basis points per year to 5.00% for FY2028 and 4.30% for FY2029 and later years

***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 that total OPEB liability.

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

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

| | 1% Decrease in Discount Rate (0.95%) | Current Single Discount Rate (1.95%) | 1% Increase in Discount Rate (2.95%) |
|---|---|---|---|
| CISD's Proportionate Share of the Net OPEB Liability: | $ 5,610,648 | $ 4,651,390 | $ 3,896,423 |

***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 $ 4,651,390 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

| | |
|---|---|
| District's Proportionate Share of the Collective Net Pension Liability | $ 4,651,390 |
| State's Proportionate Share that is Associated with the District | 6,231,826 |
| Total | $ 10,883,216 |

The Net OPEB Liability was measured as of August 31, 2020 and rolled forward to August 31, 2021 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB 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 OPEB Liability was 0.0120582092% which was an increase of 0.0001658815% from its proportion measured as of August 31, 2020.

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

| | 1% Decrease in Healthcare Trend Rate | Current Single Healthcare Trend Rate | 1% Increase in Healthcare Trend Rate |
|---|---|---|---|
| CISD's Proportionate Share of the Net OPEB Liability: | $ 3,767,472 | $ 4,651,390 | $ 5,837,389 |

**Changes Since the Prior Actuarial Valuation.** The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability (TOL) since the prior measurement period:

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

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

For the year ended August 31, 2022, the District recognized OPEB expense of ($ 495,777) and revenue of ($ 230,002) for support provided by the State.

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual economic experience | $ 200,264 | $ 2,251,598 |
| Changes in actuarial assumptions | 515,196 | 983,683 |
| Difference between projected and actual investment earnings | 5,050 | - |
| Changes in proportion and difference between the employer's contributions and the proportionate share of contributions | 171,038 | 747,725 |
| Total as of measurement date | 891,548 | 3,983,006 |
| Contributions paid to TRS subsequent to the measurement date | 102,602 | - |
| Total as of fiscal year end | $ 994,150 | $ 3,983,006 |

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

| Year Ending August 31, | OPEB Expense Amount |
|---|---|
| 2023 | $ (600,524) |
| 2024 | (600,637) |
| 2025 | (600,606) |
| 2026 | (478,172) |
| 2027 | (312,412) |
| Thereafter | (499,107) |
| | $ (3,091,458) |

## K. ON-BEHALF PAYMENTS FOR FRINGE BENEFITS

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 D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments are recognized as equal revenues and expenditures/expenses by the District. For the year ended August 31, 2022, the contribution made on behalf of the District was $ 44,080.

## L. COMMITMENTS AND CONTINGENCIES

The District participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and 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 combined financial statements for such contingencies.

## M. SHARED SERVICE ARRANGEMENTS

Cameron ISD is not a fiscal agent for any shared service arrangements.

The District participates in the BURLESON-MILAM SPECIAL SERVICES COOPERATIVE which is a shared services arrangement (SSA) for resource education services. This SSA includes nine participating independent school districts with the Rockdale ISD acting as fiscal agent for the SSA. Financial transactions of the SSA are accounted for in accordance with Model 3 of the SSA section of the Texas Education Agency Financial *Account System Resource Guide.* This SSA is funded partially through State and Local funds and partially through federal programs.

The individual programs and the Cameron ISD participation in each which were included in this SSA were as follows:

| Program | CFDA Number | District Value |
|---|---|---|
| State and Local | -- | $ 142,150 |
| IDEA-B, | 84.027 | 310,748 |
| IDEA-B, Preschool | 84.173 | 5,710 |
| Total | | $ 458,608 |

The expenditures under the above programs were classified as follows:

| Classification | Amount |
|---|---|
| 6100 - Payroll Costs | $ 339,003 |
| 6200 - Contracted Services | 79,596 |
| 6300 - Supplies and Materials | 27,333 |
| 6400 - Other Operating Costs | 12,676 |
| 6500 - Debt Service | - |
| 6600 - Capital Outlay | - |
| | $ 458,608 |

## N. HEALTH CARE COVERAGE AND MAINTENANCE OF EFFORT

During the year ended August 31, 2022, employees of the District were covered by the state health insurance plan. The District contributed $ 250 per month per full time employee, the state paid $ 75 per month, and the employees authorized payroll deductions to cover the remaining premiums due for the desired coverage. Contributions were paid to TRS Active Care.

The total District premium paid for health care was approximately $ 659,100 for the 169 participating employees at August 31, 2022. There were 235 employees eligible for coverage at August 31, 2022.

## O. UNEMPLOYMENT COMPENSATION POOL

During the year ended August 31, 2021, the District provided unemployment compensation coverage to its employees 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 Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for the Unemployment Compensation pool. For the year ended August 31, 2022, the Fund anticipates that the District has no additional liability beyond the contractual obligation for payment of contribution.

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

## P. TAX ABATEMENT

On March 12, 2021, the District's Board of Trustees approved an agreement Ben Milam Solar 2, LLC for a Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes pursuant to Chapter 313 of the Texas Tax Code. 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 a statute. The project(s) must be consistent with the State's goal to "encourage large scale capital investments in this State." Chapter 313 grants eligibility to companies engaged in manufacturing, research and development, renewable electric energy production, clean coal projects, nuclear power generation and Texas Priority projects. Ben Milam Solar 2, LLC's property qualified for a tax limitation agreement under Section §313.024(b)(5) of the Texas tax code, as a renewable energy electric generation. The agreement includes supplemental payments to the District in the amount of $ 159,300 annually through 2036. The first tax year applicable to this limitation on appraised value of property is 2021.

## Q. EVALUATION OF SUBSEQUENT EVENTS

The District has evaluated all subsequent events through December 5, 2022, the date the financial statements were available to be issued.

In September 2022, the District issued Adjustable Rate Unlimited Tax School Building Bonds, Series 2022 in the aggregate principal amount of $9,500,000 to provide funds for the construction, renovation, improvement, and equipment of existing school buildings and facilities in the District, including renovations to the original C.H. Yoe High School to create a Career and Technical Education Center, and for the construction, renovation, improvement, and equipment of existing school buildings to improve and enhance Agricultural Science Program facilities, and (ii) to pay the costs of issuance of the Bonds. The Bonds are dated September 1, 2022 and will mature on February 15, 2042.

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## REQUIRED SUPPLEMENTARY INFORMATION

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**EXHIBIT G-1**

# CAMERON INDEPENDENT SCHOOL DISTRICT
## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
## BUDGET TO ACTUAL – GENERAL FUND
## FOR THE YEAR ENDED AUGUST 31, 2022

| Data Control Codes | | Budgeted Amounts Original | Final | Actual Amounts (GAAP BASIS) | Variance With Final Budget Positive or (Negative) |
|---|---|---|---|---|---|
| | REVENUES: | | | | |
| 5700 | Total Local and Intermediate Sources | $ 4,620,900 | $ 4,651,406 | $ 4,750,414 | $ 99,008 |
| 5800 | State Program Revenues | 11,367,338 | 11,760,221 | 11,374,694 | (385,527) |
| 5900 | Federal Program Revenues | 355,382 | 406,042 | 406,048 | 6 |
| 5020 | Total Revenues | 16,343,620 | 16,817,669 | 16,531,156 | (286,513) |
| | EXPENDITURES: | | | | |
| | Current: | | | | |
| 0011 | Instruction | 9,169,807 | 8,504,807 | 6,275,647 | 2,229,160 |
| 0012 | Instructional Resources and Media Services | 144,594 | 154,594 | 142,891 | 11,703 |
| 0013 | Curriculum and Instructional Staff Development | 222,838 | 242,838 | 232,125 | 10,713 |
| 0023 | School Leadership | 1,085,750 | 1,085,750 | 999,613 | 86,137 |
| 0031 | Guidance, Counseling and Evaluation Services | 424,100 | 434,100 | 422,431 | 11,669 |
| 0032 | Social Work Services | 43,315 | 43,315 | 19 | 43,296 |
| 0033 | Health Services | 160,317 | 160,317 | 136,530 | 23,787 |
| 0034 | Student (Pupil) Transportation | 887,811 | 887,811 | 461,929 | 425,882 |
| 0035 | Food Services | 45,000 | 50,000 | 36,484 | 13,516 |
| 0036 | Extracurricular Activities | 1,110,142 | 1,135,142 | 1,085,097 | 50,045 |
| 0041 | General Administration | 957,433 | 1,107,433 | 1,026,972 | 80,461 |
| 0051 | Facilities Maintenance and Operations | 1,699,728 | 1,724,728 | 1,683,670 | 41,058 |
| 0052 | Security and Monitoring Services | 84,000 | 109,000 | 58,988 | 50,012 |
| 0053 | Data Processing Services | 464,434 | 464,434 | 377,039 | 87,395 |
| 0061 | Community Services | 105,345 | 80,345 | 51,703 | 28,642 |
| 0081 | Facilities Acquisition and Construction | - | 350,000 | 340,213 | 9,787 |
| | Debt Service: | | | | |
| 0071 | Principal on Long-Term Debt | 62,000 | 92,000 | 58,020 | 33,980 |
| 0072 | Interest on Long-Term Debt | 13,000 | 13,000 | 11,730 | 1,270 |
| 0073 | Bond Issuance Cost and Fees | 5,000 | 30,000 | 3,422 | 26,578 |
| | Intergovernmental: | | | | |
| 0093 | Payments to Fiscal Agent/Member Districts | 103,660 | 118,660 | 114,610 | 4,050 |
| 6030 | Total Expenditures | 16,788,274 | 16,788,274 | 13,519,133 | 3,269,141 |
| 1100 | Excess (Deficiency) of Revenues Over (Under) Expenditures | (444,654) | 29,395 | 3,012,023 | 2,982,628 |
| | OTHER FINANCING SOURCES (USES): | | | | |
| 7913 | Proceeds from Right of Use Leased Assets | - | - | 180,002 | (180,002) |
| 8911 | Operating Transfers Out | - | - | (150,000) | 150,000 |
| 7080 | Total Other Financing Sources (Uses) | - | - | 30,002 | (30,002) |
| 1200 | Net Change in Fund Balances | (444,654) | 29,395 | 3,042,025 | 2,952,626 |
| 0100 | Fund Balance - September 1 (Beginning) | 9,303,074 | 9,303,074 | 9,303,074 | - |
| 3000 | Fund Balance - August 31 (Ending) | $ 8,858,420 | $ 9,332,469 | $ 12,345,099 | $ 2,952,626 |

## CAMERON INDEPENDENT SCHOOL DISTRICT
## SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
## TEACHER RETIREMENT SYSTEM OF TEXAS
## FOR THE YEAR ENDED AUGUST 31, 2022

| Measurement period ended August 31, | 2021 | 2020 | 2019 |
|---|---|---|---|
| District's Proportion of the Net Pension Liability (Asset) | 0.7581481000% | 0.0071105685% | 0.0078514153% |
| District's Proportionate Share of Net Pension Liability (Asset) | $ 1,930,735 | $ 3,808,275 | $ 4,081,411 |
| State's Proportionate Share of the Net Pension Liability (Asset) associated with the District | 3,646,619 | 8,448,305 | 8,122,086 |
| Total | $ 5,577,354 | $ 12,256,580 | $ 12,203,497 |
| District's Covered Employee Payroll | $ 10,437,312 | $ 10,709,066 | $ 10,359,918 |
| District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its covered Employee Payroll | 18.50% | 35.56% | 39.40% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 88.79% | 75.54% | 75.24% |

Note: Only eight years of data is presented in accordance with GASB #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

**EXHIBIT G-2**

| 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|
| 0.0084037180% | 0.0090069421% | 0.0082656617% | 0.0089964000% | 0.0063936000% |
| $ 4,625,610 | $ 2,879,935 | $ 3,123,471 | $ 3,180,108 | $ 1,707,819 |
| 8,860,664 | 4,955,912 | 5,613,014 | 5,414,269 | 4,516,526 |
| $ 13,486,274 | $ 7,835,847 | $ 8,736,485 | $ 8,594,377 | $ 6,224,345 |
| $ 10,016,716 | $ 9,705,865 | $ 8,990,042 | $ 8,878,985 | $ 8,609,608 |
| 46.18% | 29.67% | 34.74% | 35.82% | 19.84% |
| 73.74% | 82.17% | 78.00% | 78.43% | 83.25% |

**CAMERON INDEPENDENT SCHOOL DISTRICT**
**SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS FOR PENSIONS**
**TEACHER RETIREMENT SYSTEM OF TEXAS**
**FOR THE YEAR ENDED AUGUST 31, 2022**

| Fiscal year ended August 31, | 2022 | 2021 | 2020 |
|---|---|---|---|
| Contractually Required Contribution | $ 373,599 | $ 322,657 | $ 276,669 |
| Contribution in Relation to the Contractually Required Contribution | (373,599) | (322,657) | (276,669) |
| Contribution Deficiency (Excess) | $ - | $ - | $ - |
| District's Covered-Employee Payroll | $ 10,527,116 | $ 10,437,312 | $ 10,709,066 |
| Contributions as a Percentage of Covered Employee Payroll | 3.55% | 3.09% | 2.58% |

Note: Only eight years of data is presented in accordance with GASB #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

**EXHIBIT G-3**

| 2019 | | 2018 | | 2017 | | 2016 | | 2015 | |
|---|---|---|---|---|---|---|---|---|---|
| $ | 274,107 | $ | 283,418 | $ | 295,195 | $ | 261,991 | $ | 266,388 |
| | (274,107) | | (283,418) | | (295,195) | | (261,991) | | (266,388) |
| $ | - | $ | - | $ | - | $ | - | $ | - |
| $ | 10,359,918 | $ | 10,016,716 | $ | 9,705,865 | $ | 8,990,042 | $ | 8,878,985 |
| | 2.65% | | 2.83% | | 3.04% | | 2.91% | | 3.00% |

EXHIBIT G-4

# CAMERON INDEPENDENT SCHOOL DISTRICT
## SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
## TEACHER RETIREMENT SYSTEM OF TEXAS
## FOR THE YEAR ENDED AUGUST 31, 2022

| Measurement year ended August 31, | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| District's Proportion of the Net OPEB Liability (Asset) | 0.0120582092% | 0.0118923277% | 0.0117286572% | 0.0129087610% | 0.0136564431% |
| District's Proportionate Share of Net OPEB Liability (Asset) | $ 4,651,390 | $ 4,520,811 | $ 5,546,624 | $ 6,445,463 | $ 5,938,675 |
| State's Proportionate Share of the Net OPEB Liability (Asset) associated with the District | 6,231,826 | 6,074,886 | 7,370,225 | 8,756,472 | 7,356,237 |
| Total | $ 10,883,216 | $ 10,595,697 | $ 12,916,849 | $ 15,201,935 | $ 13,294,912 |
| District's Covered Employee Payroll * | $ 10,437,312 | $ 10,709,066 | $ 10,359,918 | $ 10,016,716 | $ 9,705,865 |
| District's Proportionate Share of the Net OPEB Liability (Asset) as a percentage of its covered Employee Payroll | 44.57% | 42.21% | 53.54% | 64.35% | 61.19% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 6.18% | 4.99% | 2.66% | 1.57% | 0.91% |

* As of the measurement

Note: Only five years of data is presented in accordance with GASB #75, paragraph 245. "The information for all fiscal years for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

**EXHIBIT G-5**

# CAMERON INDEPENDENT SCHOOL DISTRICT
## SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS FOR OTHER POST EMPLOYMENT BENEFITS (OPEB)
## TEACHER RETIREMENT SYSTEM OF TEXAS
## FOR THE YEAR ENDED AUGUST 31, 2022

| Fiscal Year Ended August 31, | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| Contractually Required Contribution | $ 102,602 | $ 94,179 | $ 87,076 | $ 83,241 | $ 89,052 |
| Contribution in Relation to the Contractually Required Contribution | (102,602) | (94,179) | (87,076) | (83,241) | (89,052) |
| Contribution Deficiency (Excess) | $ - | $ - | $ - | $ - | $ - |
| District's Covered-Employee Payroll | 10,527,116 | 10,437,312 | 10,709,066 | 10,359,918 | 10,008,345 |
| Contributions as a Percentage of Covered Employee Payroll | 0.97% | 0.90% | 0.81% | 0.80% | 0.89% |

Note: Only five years of data is presented in accordance with GASB #75, paragraph 245. "The information for all fiscal years for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

# CAMERON INDEPENDENT SCHOOL DISTRICT
# NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
# FOR THE YEAR ENDED AUGUST 31, 2022

Budgetary Information

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund, and the National School Breakfast and Lunch Fund which is included in the Special Revenue Funds. The District is required to present the adopted and final amended budgeted revenue and expenditures. The District presented the General Fund budgetary comparison schedule as required supplementary information, while the National School Breakfast and Lunch and Debt Service Funds budgetary comparison schedules are presented as required TEA schedules.

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

1. Prior to August 20, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.

2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least 10 days' public notice of the meeting must be given.

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

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

# COMBINING SCHEDULES

# CAMERON INDEPENDENT SCHOOL DISTRICT
# COMBINING BALANCE SHEET
# NONMAJOR GOVERNMENTAL FUNDS
# AUGUST 31, 2022

| Data Control Codes | | 211 ESEA I, A Improving Basic Program | 240 National Breakfast and Lunch Program | 242 Summer Feeding Program | 244 Vocational Education Basic Grant | 255 ESEA II, A Training and Recruiting |
|---|---|---|---|---|---|---|
| | ASSETS | | | | | |
| 1110 | Cash and Cash Equivalents | $ - | $ 472,713 | $ 16,302 | $ 2,096 | $ - |
| 1220 | Property Taxes - Delinquent | - | - | - | - | - |
| 1230 | Allowance for Uncollectible Taxes (Credit) | - | - | - | - | - |
| 1240 | Due from Other Governments | 98,518 | 65,324 | - | 9,751 | 18,439 |
| 1260 | Due from Other Funds | - | - | - | - | - |
| 1000 | Total Assets | $ 98,518 | $ 538,037 | $ 16,302 | $ 11,847 | $ 18,439 |
| | LIABILITIES AND FUND BALANCES | | | | | |
| | Liabilities: | | | | | |
| 2110 | Accounts Payable | $ - | $ 51,046 | $ - | $ - | $ - |
| 2160 | Accrued Wages Payable | - | 40,122 | - | - | - |
| 2170 | Due to Other Funds | 98,156 | - | - | 8,247 | 17,650 |
| 2200 | Accrued Expenditures | 362 | 5,959 | - | - | 55 |
| 2300 | Unearned Revenue | - | - | - | - | - |
| 2000 | Total Liabilities | 98,518 | 97,127 | - | 8,247 | 17,705 |
| | Deferred Inflows of Resources: | | | | | |
| 2600 | Unavailable Revenue - Property Taxes | - | - | - | - | - |
| | Total Deferred Inflows of Resources | - | - | - | - | - |
| | Fund Balances: | | | | | |
| | Restricted Fund Balance: | | | | | |
| 3450 | Federal or State Funds Grant Restriction | - | 440,910 | 16,302 | 3,600 | 734 |
| 3480 | Retirement of Long-Term Debt | - | - | - | - | - |
| 3490 | Campus Activity Fund Restriction | - | - | - | - | - |
| | Assigned Fund Balance: | | | | | |
| 3590 | Other Assigned Fund Balance | - | - | - | - | - |
| 3000 | Total Fund Balances | - | 440,910 | 16,302 | 3,600 | 734 |
| 4000 | Total Liabilities and Fund Balances | $ 98,518 | $ 538,037 | $ 16,302 | $ 11,847 | $ 18,439 |

**EXHIBIT H-1**

| 263 Title III Bilingual/ESL Fund | 270 Title IV, B Rural & Low Inc Sch Prg | 276 Instructional Continuity Fund | 277 Coronavirus Relief Fund (CRF) | 289 Rural Educ. Achievement Program | 397 AP/IB Exam Fee Subsidy Fund | 410 State Textbook Fund | 429 Ready to Read Grant |
|---|---|---|---|---|---|---|---|
| $ 3,751 | $ 9,295 | $ 495 | $ 100,000 | $ - | $ 237 | $ 51,456 | $ 1,400 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 1,225 | 1,491 | - | - | 24,508 | - | 234 | 700 |
| - | - | - | - | 1,252 | - | - | - |
| $ 4,976 | $ 10,786 | $ 495 | $ 100,000 | $ 25,760 | $ 237 | $ 51,690 | $ 2,100 |
| | | | | | | | |
| $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| - | - | - | - | - | - | - | - |
| 4,025 | 1,311 | 495 | 100,000 | 13,848 | - | 51,690 | 1,400 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | 1,336 | - | - | - |
| 4,025 | 1,311 | 495 | 100,000 | 15,184 | - | 51,690 | 1,400 |
| | | | | | | | |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| | | | | | | | |
| 951 | 9,475 | - | - | 10,576 | 237 | - | 700 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 951 | 9,475 | - | - | 10,576 | 237 | - | 700 |
| $ 4,976 | $ 10,786 | $ 495 | $ 100,000 | $ 25,760 | $ 237 | $ 51,690 | $ 2,100 |

# CAMERON INDEPENDENT SCHOOL DISTRICT
## COMBINING BALANCE SHEET
## NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
## AUGUST 31, 2022

| Data Control Codes | | 461 Campus Activity Fund | 484 Centex Workforce Grant | 486 Austin Food Bank Grant | 599 Debt Service Fund | Total Nonmajor Governmental Funds |
|---|---|---|---|---|---|---|
| | ASSETS | | | | | |
| 1110 | Cash and Cash Equivalents | $ 70,681 | $ 217 | $ 3,067 | $ 1,426,050 | $ 2,157,760 |
| 1220 | Property Taxes - Delinquent | - | - | - | 94,073 | 94,073 |
| 1230 | Allowance for Uncollectible Taxes (Credit) | - | - | - | (941) | (941) |
| 1240 | Due from Other Governments | - | - | - | - | 220,190 |
| 1260 | Due from Other Funds | - | - | - | - | 1,252 |
| 1000 | Total Assets | $ 70,681 | $ 217 | $ 3,067 | $ 1,519,182 | $ 2,472,334 |
| | LIABILITIES AND FUND BALANCES | | | | | |
| | Liabilities: | | | | | |
| 2110 | Accounts Payable | $ - | $ - | $ - | $ - | $ 51,046 |
| 2160 | Accrued Wages Payable | - | - | - | - | 40,122 |
| 2170 | Due to Other Funds | - | - | - | - | 296,822 |
| 2200 | Accrued Expenditures | - | - | - | - | 6,376 |
| 2300 | Unearned Revenue | - | - | - | - | 1,336 |
| 2000 | Total Liabilities | - | - | - | - | 395,702 |
| | Deferred Inflows of Resources: | | | | | |
| 2600 | Unavailable Revenue - Property Taxes | - | - | - | 93,132 | 93,132 |
| | Total Deferred Inflows of Resources | - | - | - | 93,132 | 93,132 |
| | Fund Balances: | | | | | |
| | Restricted Fund Balance: | | | | | |
| 3450 | Federal or State Funds Grant Restriction | - | - | - | - | 483,485 |
| 3480 | Retirement of Long-Term Debt | - | - | - | 1,426,050 | 1,426,050 |
| 3490 | Campus Activity Fund Restriction | 70,681 | - | - | - | 70,681 |
| | Assigned Fund Balance: | | | | | - |
| 3590 | Other Assigned Fund Balance | - | 217 | 3,067 | - | 3,284 |
| 3000 | Total Fund Balances | 70,681 | 217 | 3,067 | 1,426,050 | 1,983,500 |
| 4000 | Total Liabilities and Fund Balances | $ 70,681 | $ 217 | $ 3,067 | $ 1,519,182 | $ 2,472,334 |

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## CAMERON INDEPENDENT SCHOOL DISTRICT
## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
## FOR THE YEAR ENDED AUGUST 31, 2022

| Data Control Codes | | 211 ESEA I, A Improving Basic Program | 240 National Breakfast and Lunch Program | 242 Summer Feeding Program | 244 Vocational Education Basic Grant | 255 ESEA II, A Training and Recruiting |
|---|---|---|---|---|---|---|
| | REVENUES: | | | | | |
| 5700 | Total Local and Intermediate Sources | $ - | $ 85,159 | $ - | $ - | $ - |
| 5800 | State Program Revenues | - | 20,391 | - | - | - |
| 5900 | Federal Program Revenues | 705,712 | 1,063,739 | - | 27,999 | 80,935 |
| 5020 | Total Revenues | 705,712 | 1,169,289 | - | 27,999 | 80,935 |
| | EXPENDITURES: | | | | | |
| | Current: | | | | | |
| 0011 | Instruction | 531,961 | - | - | 27,549 | 43,718 |
| 0013 | Curriculum and Instructional Staff Development | 163,984 | - | - | 450 | - |
| 0035 | Food Services | - | 1,274,110 | - | - | - |
| 0036 | Extracurricular Activities | - | - | - | - | - |
| 0052 | Security and Monitoring Services | - | - | - | - | - |
| 0061 | Community Services | 9,767 | - | - | - | 37,217 |
| | Debt Service: | | | | | |
| 0071 | Debt Service - Principal on Long-Term Debt | - | - | - | - | - |
| 0072 | Debt Service - Interest on Long-Term Debt | - | - | - | - | - |
| 0073 | Debt Service - Bond Issuance Cost and Fees | - | - | - | - | - |
| 6030 | Total Expenditures | 705,712 | 1,274,110 | - | 27,999 | 80,935 |
| | OTHER FINANCING SOURCES (USES): | | | | | |
| 7915 | Operating Transfers In | - | 150,000 | - | - | - |
| | Total Other Financing Sources (Uses) | - | 150,000 | - | - | - |
| 1200 | Net Change in Fund Balance | - | 45,179 | - | - | - |
| 0100 | Fund Balance - September 1 (Beginning) | - | 395,731 | 16,302 | 3,600 | 734 |
| 3000 | Fund Balance - August 31 (Ending) | $ - | $ 440,910 | $ 16,302 | $ 3,600 | $ 734 |

| 263 Title III Bilingual/ESL Fund | 270 Title IV, B Rural & Low Inc Sch Prg | 276 Instructional Continuity Fund | 277 Coronavirus Relief Fund (CRF) | 289 Rural Educ. Achievement Program | 397 AP/IB Exam Fee Subsidy Fund | 410 State Textbook Fund | 429 Ready to Read Grant |
|---|---|---|---|---|---|---|---|
| $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| - | - | - | - | - | 237 | 24,156 | 700 |
| 9,950 | 37,720 | - | - | 56,986 | - | - | - |
| 9,950 | 37,720 | - | - | 56,986 | 237 | 24,156 | 700 |
| 8,441 | 37,720 | - | - | 23,029 | - | 24,156 | - |
| 558 | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | 29,529 | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 8,999 | 37,720 | - | - | 52,558 | - | 24,156 | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 951 | - | - | - | 4,428 | 237 | - | 700 |
| - | 9,475 | - | - | 6,148 | - | - | - |
| $ 951 | $ 9,475 | $ - | $ - | $ 10,576 | $ 237 | $ - | $ 700 |

**EXHIBIT H-2**

# CAMERON INDEPENDENT SCHOOL DISTRICT
## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
## FOR THE YEAR ENDED AUGUST 31, 2022

| | 461 Campus Activity Fund | 484 Centex Workforce Grant | 486 Austin Food Bank Grant | 599 Debt Service Fund | Total Nonmajor Governmental Funds |
|---|---|---|---|---|---|
| REVENUES: | | | | | |
| Total Local and Intermediate Sources | $ 89,319 | $ - | $ - | $ 1,568,843 | $ 1,743,321 |
| State Program Revenues | - | - | - | 260,354 | 305,838 |
| Federal Program Revenues | - | - | - | - | 1,983,041 |
| Total Revenues | 89,319 | - | - | 1,829,197 | 4,032,200 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| Instruction | - | - | - | - | 696,574 |
| Curriculum and Instructional Staff Development | - | - | - | - | 164,992 |
| Food Services | - | - | - | - | 1,274,110 |
| Extracurricular Activities | 83,956 | - | - | - | 83,956 |
| Security and Monitoring Services | - | - | - | - | 29,529 |
| Community Services | - | - | - | - | 46,984 |
| Debt Service: | | | | | |
| Debt Service - Principal on Long-Term Debt | - | - | - | 1,255,000 | 1,255,000 |
| Debt Service - Interest on Long-Term Debt | - | - | - | 478,013 | 478,013 |
| Debt Service - Bond Issuance Cost and Fees | - | - | - | 3,250 | 3,250 |
| Total Expenditures | 83,956 | - | - | 1,736,263 | 4,032,408 |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Operating Transfers In | - | - | - | - | 150,000 |
| Total Other Financing Sources (Uses) | - | - | - | - | 150,000 |
| Net Change in Fund Balance | 5,363 | - | - | 92,934 | 149,792 |
| Fund Balance - September 1 (Beginning) | 65,318 | 217 | 3,067 | 1,333,116 | 1,833,708 |
| Fund Balance - August 31 (Ending) | $ 70,681 | $ 217 | $ 3,067 | $ 1,426,050 | $ 1,983,500 |

**REQUIRED TEA SCHEDULES**

**CAMERON INDEPENDENT SCHOOL DISTRICT**
**SCHEDULE OF DELINQUENT TAXES RECEIVABLE**
**FOR THE YEAR ENDED AUGUST 31, 2022**

| | | (1) | (2) | (3) |
|---|---|---|---|---|
| Last 10 Years Ended August 31, | | Tax Rates Maintenance | Tax Rates Debt Service | Assessed/Appraised Value for School Tax Purposes |
| 2013 | and prior years | various | various | various |
| 2014 | | 1.040000 | 0.300000 | 249,705,919 |
| 2015 | | 1.040000 | 0.300000 | 254,853,505 |
| 2016 | | 1.040000 | 0.280000 | 294,157,324 |
| 2017 | | 1.040000 | 0.350000 | 266,013,936 |
| 2018 | | 1.040000 | 0.350000 | 290,193,772 |
| 2019 | | 1.040000 | 0.330000 | 346,851,721 |
| 2020 | | 0.970000 | 0.349500 | 398,564,903 |
| 2021 | | 0.961400 | 0.318600 | 407,114,844 |
| 2022 | (School Year Under Audit) | 0.892700 | 0.327100 | 485,595,425 |
| 100 | TOTALS | | | |

**EXHIBIT J-1**

| (10) Beginning Balance 9/1/2021 | (20) Current Year's Total Levy | (31) Maintenance Collections | (32) Debt Service Collections | (40) Entire Year's Adjustments | (50) Ending Balance 8/31/2022 |
|---|---|---|---|---|---|
| $ 36,244 | $ - | $ 1,086 | $ 276 | $ (7,641) | $ 27,241 |
| 6,036 | - | 553 | 159 | - | 5,324 |
| 5,890 | - | 409 | 118 | - | 5,363 |
| 6,166 | - | 1,035 | 279 | - | 4,852 |
| 7,937 | - | 1,526 | 514 | - | 5,897 |
| 16,615 | - | 5,138 | 1,729 | - | 9,748 |
| 29,925 | - | 10,217 | 3,242 | - | 16,466 |
| 55,813 | - | 16,845 | 6,070 | (1,278) | 31,620 |
| 102,478 | - | 40,706 | 13,489 | (6,185) | 42,098 |
| - | 5,923,293 | 4,102,581 | 1,503,253 | (101,101) | 216,358 |
| $ 267,104 | $ 5,923,293 | $ 4,180,096 | $ 1,529,129 | $ (116,205) | $ 364,967 |

**EXHIBIT J-2**

## CAMERON INDEPENDENT SCHOOL DISTRICT
## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
## BUDGET AND ACTUAL – CHILD NUTRITION PROGRAM
## FOR THE YEAR ENDED AUGUST 31, 2022

| Data Control Codes | | Budgeted Amounts Original | Budgeted Amounts Final | Actual Amounts (GAAP BASIS) | Variance With Final Budget Positive or (Negative) |
|---|---|---|---|---|---|
| | REVENUES: | | | | |
| 5700 | Total Local and Intermediate Sources | $ 62,000 | $ 72,655 | $ 85,159 | $ 12,504 |
| 5800 | State Program Revenues | 5,200 | 20,391 | 20,391 | - |
| 5900 | Federal Program Revenues | 971,563 | 1,053,484 | 1,063,739 | 10,255 |
| 5020 | Total Revenues | 1,038,763 | 1,146,530 | 1,169,289 | 22,759 |
| | EXPENDITURES: | | | | |
| 0035 | Food Services | 1,038,763 | 1,188,763 | 1,274,110 | (85,347) |
| 6030 | Total Expenditures | 1,038,763 | 1,188,763 | 1,274,110 | (85,347) |
| | OTHER FINANCING SOURCES: | | | | |
| 7915 | Operating Transfers In | - | - | 150,000 | 150,000 |
| 7999 | Non-Operating Revenue | - | 150,000 | - | (150,000) |
| | Total Other Financing Sources | - | 150,000 | 150,000 | - |
| 1200 | Net Change in Fund Balances | - | 107,767 | 45,179 | (62,588) |
| 0100 | Fund Balance - September 1 (Beginning) | 395,731 | 395,731 | 395,731 | - |
| 3000 | Fund Balance - August 31 (Ending) | $ 395,731 | $ 503,498 | $ 440,910 | $ (62,588) |

**EXHIBIT J-3**

# CAMERON INDEPENDENT SCHOOL DISTRICT
## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
## BUDGET AND ACTUAL – DEBT SERVICE FUND
## FOR THE YEAR ENDED AUGUST 31, 2022

| Data Control Codes | | Budgeted Amounts Original | Budgeted Amounts Final | Actual Amounts (GAAP BASIS) | Variance With Final Budget Positive or (Negative) |
|---|---|---|---|---|---|
| | REVENUES: | | | | |
| 5700 | Total Local and Intermediate Sources | $ 1,569,783 | $ 1,569,783 | $ 1,568,843 | $ (940) |
| 5800 | State Program Revenues | 166,480 | 260,354 | 260,354 | - |
| 5020 | Total Revenues | 1,736,263 | 1,830,137 | 1,829,197 | (940) |
| | EXPENDITURES: | | | | |
| | Debt Service: | | | | |
| 0071 | Principal on Long-Term Debt | 1,502,988 | 1,255,000 | 1,255,000 | - |
| 0072 | Interest on Long-Term Debt | 230,025 | 478,013 | 478,013 | - |
| 0073 | Bond Issuance Cost and Fees | 3,250 | 3,250 | 3,250 | - |
| 6030 | Total Expenditures | 1,736,263 | 1,736,263 | 1,736,263 | - |
| | Excess (Deficiency) of Revenues | | | | |
| 1100 | Over (Under) Expenditures | - | 93,874 | 92,934 | (940) |
| 1200 | Net Change in Fund Balances | - | 93,874 | 92,934 | (940) |
| 0100 | Fund Balance - September 1 (Beginning) | 1,333,116 | 1,333,116 | 1,333,116 | - |
| 3000 | Fund Balance - August 31 (Ending) | $ 1,333,116 | $ 1,426,990 | $ 1,426,050 | $ (940) |

EXHIBIT J-4

# CAMERON INDEPENDENT SCHOOL DISTRICT
## USE OF FUNDS REPORT – SELECT STATE ALLOTMENT PROGRAMS
## FOR THE YEAR ENDED AUGUST 31, 2022

| Data Control Codes | | Responses |
|---|---|---|
| | **Section A: Compensatory Education Programs** | |
| AP1 | Did your District expend any state compensatory education state allotment funds during the District's fiscal year? | Yes |
| AP2 | Does the District 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 District's fiscal year. | $ 1,883,918 |
| AP4 | List the actual direct program expenditures for state compensatory education programs during the District's fiscal year. (PICs 24, 26, 28, 29, 30, 34) | $ 1,270,217 |
| | **Section B: Bilingual Education Programs** | |
| AP5 | Did your District expend any bilingual education program state allotment funds during the District's fiscal year? | Yes |
| AP6 | Does the District 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 District's fiscal year. | $ 113,650 |
| AP8 | List the actual direct program expenditures for bilingual education programs during the District's fiscal year. (PICs 25, 35) | $ 73,692 |

**FEDERAL AWARDS SECTION**

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ACCOUNTANTS

# 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*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cameron 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 December 5, 2022.

**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 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*.


3520 SW H.K. DODGEN LOOP ■ TEMPLE, TEXAS 76504 ■ 254.773.9907 ■ FAX 254.773.1570

WWW.TEMPLECPA.COM

**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***
**(CONTINUED)**

**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.

Brockway, Gersbach, Franklin & Niemeier, P.C.

Temple, Texas
December 5, 2022

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

## Report on Compliance for Each Major Federal Program

### *Opinion on Each Major Federal Program*

We have audited Cameron 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 types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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.


3520 SW H.K. DODGEN LOOP ■ TEMPLE, TEXAS 76504 ■ 254.773.9907 ■ FAX 254.773.1570

WWW.TEMPLECPA.COM

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED THE UNIFORM GUIDANCE (CONTINUED)**

***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 generally accepted auditing standards, *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 generally accepted auditing standards, *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.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED THE UNIFORM GUIDANCE (CONTINUED)**

## 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, 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.

Brockway, Gersbach, Franklin & Niemeier, P.C.

Temple, Texas
December 5, 2022

**CAMERON INDEPENDENT SCHOOL DISTRICT**
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**
**FOR THE YEAR ENDED AUGUST 31, 2022**

## I. Summary of Auditor's Results

### A. Financial Statements

| | | |
|---|---|---|
| Type of auditor's report issued: | Unmodified | |
| Internal control over financial reporting: | | |
| ▪ Material weakness(es) identified? | ___Yes | X No |
| ▪ Significant deficiency(ies) identified that are not considered to be material weaknesses? | ___Yes | X None reported |
| Noncompliance material to financial statements noted? | ___Yes | X No |

### B. Federal Awards

| | | |
|---|---|---|
| Internal control over major programs: | | |
| ▪ Material weakness(es) identified? | ___Yes | X No |
| ▪ Significant deficiency(ies) identified that are not considered to be material weakness(es)? | ___Yes | X 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 the 2 CFR 200.516(a)? | ___Yes | X No |

Identification of Major Programs:

| ALN Number | Name of Federal Program or Cluster |
|---|---|
| 84.425U | Elementary and Secondary School Emergency Relief Fund (ARP ESSER) |

| | | |
|---|---|---|
| Dollar threshold used to distinguish between type A and type B programs: | $ 750,000 | |
| Auditee qualified as low risk auditee? | X Yes | ___No |

**CAMERON INDEPENDENT SCHOOL DISTRICT**
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**
**FOR THE YEAR ENDED AUGUST 31, 2022**

**II. Financial Statement Findings**

None

**III. Federal Award Findings and Questioned Costs**

| Program | Finding/ Noncompliance | Questioned Costs |
|---|---|---|

**NONE**

**CAMERON INDEPENDENT SCHOOL DISTRICT**
**SCHEDULE OF PRIOR AUDIT FINDINGS**
**AND CORRECTIVE ACTION PLAN**
**FOR THE YEAR ENDED AUGUST 31, 2022**

Prior Year Findings:

None

**EXHIBIT K-1**

# CAMERON INDEPENDENT SCHOOL DISTRICT
## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
## FOR THE YEAR ENDED AUGUST 31, 2022

| FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE | (1) Assistance Listing Number | (2a) Pass-Through Entity Identifying Number | (3) Federal Expenditures |
|---|---|---|---|
| **U. S. DEPARTMENT OF EDUCATION** | | | |
| Passed Through the Texas Education Agency | | | |
| ESEA, Title I, Part A - Improving Basic Programs | 84.010A | S010A210043 | $ 705,712 |
| Career and Technical Education - Basic Grants | 84.048A | V048A210043 | 27,999 |
| Rural Education Achievement Program | 84.358B | S358B210043 | 37,720 |
| English Language Acquisition | 84.365A | S365A190043 | 8,999 |
| ESEA, Title II, Part A, Teacher/Principal Training | 84.367A | S367A210041 | 80,935 |
| ESEA Title IV, Part A | 84.424A | S424A210045 | 52,558 |
| COVID-19 - Elementary and Secondary School Emergency Relief Fund (ARP ESSER) | 84.425U | S425U210042 | 3,654,079 |
| Total Passed Through the Texas Education Agency | | | 4,568,002 |
| **TOTAL U.S. DEPARTMENT OF EDUCATION** | | | 4,568,002 |
| **U.S. DEPARTMENT OF AGRICULTURE** | | | |
| Passed Through the Texas Education Agency | | | |
| School Breakfast Program | 10.553 | 202222N109946 | 322,105 |
| National School Lunch Program | 10.555 | 202222N109946 | 639,049 |
| Total Passed Through the Texas Education Agency | | | 961,154 |
| Passed Through the Texas Department of Agriculture | | | |
| COVID-19 - NSLP - Emergency Operational Cost Reimbursement | 10.555 | | 3,063 |
| NSLP - Commodities - Noncash Assistance | 10.555 | | 99,522 |
| Total Passed Through the Texas Department of Agriculture | | | 102,585 |
| Total Child Nutrition Cluster | | | 1,063,739 |
| **TOTAL U.S. DEPARTMENT OF AGRICULTURE** | | | 1,063,739 |
| **TOTAL EXPENDITURES OF FEDERAL AWARDS** | | | $ 5,631,741 |

## CAMERON INDEPENDENT SCHOOL DISTRICT
## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
## FOR THE YEAR ENDED AUGUST 31, 2022

**Note A – Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Cameron Independent School District under programs of the federal government for the year ended August 31, 2022. The information in this 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 Cameron Independent School District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Cameron Independent School District.

**Note B – Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments Organizations,* wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note C – Indirect Cost Rate**

Cameron Independent School District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**Expenditures Reported:**

1. For all Federal programs, the District uses the fund types specified in Texas Education Agency's Financial Accountability System Resource Guide. Special Revenue Funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.

2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund, which is a Governmental Fund type. With this measurement focus, only current assets, current liabilities, and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

   The modified accrual basis of accounting is used for the Governmental Fund types and Agency Funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

   Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.

3. During the current year, the District received the following funds which are not included in the Schedule of Expenditures of Federal Awards.

| | | |
|---|---|---|
| Total expenditures of Federal Awards | $ | 5,631,741 |
| Medicaid Reimbursement (SHARS) | | 406,048 |
| Miscellaneous prepayments (non-major funds) | | 5,379 |
| Federal Revenues per Financial Statements | $ | 6,043,168 |

# APPENDIX E

# THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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## 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 "87th Regular Session"), which concluded on May 31, 2021, Senate Bill 1232 ("SB 1232" or "the bill") was enacted, and the bill became effective on September 1, 2021. SB 1232 provides for a variety of changes to the operations and management of the Fund, including the creation of the Permanent School Fund Corporation (the "PSF Corporation"), and the delegation of responsibility to manage the portion of the Fund previously under the management supervision of the State Board of Education (the "SBOE") to the PSF Corporation. SB 1232 also requires changes with respect to the management of certain investments previously made at the discretion of the Texas School Land Board (the "SLB"), including limiting the types of investments that may be made by the SLB and mandating the transfer of cash and certain other investment properties from the SLB to the PSF Corporation once the PSF Corporation is created. Certain of the authorizations of SB 1232, including the creation of the PSF Corporation have occurred, 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 United States 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/ and with the MSRB at www.emma.msrb.org. Such monthly updates regarding the Guarantee Program are also incorporated herein and made a part hereof for all purposes. In addition to the Web Site Materials, the Fund is required to make quarterly filings with the SEC under Section 13(f) of the Securities Exchange Act of 1934. Such filings, which consist of a list of the Fund's holdings of securities specified in Section 13(f), including exchange-traded (*e.g.*, NYSE) or NASDAQ-quoted stocks, equity options and warrants, shares of closed-end investment companies and certain convertible debt securities, is available from the SEC at www.sec.gov/edgar. 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. In July 2023, the PSFC Board appointed an Acting chief executive officer to perform those duties while the PSFC Board conducts a search to hire a permanent replacement for the chief executive officer who retired at the end of March. 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 87th Regular Session the LBB issued a fiscal note on SB 1232. The fiscal note stated that uncertainty exists regarding the nature of future returns and the effect of the bill on distributions from all components of the PSF to the ASF, such that the financial impact of the bill could not be determined during the legislative session. However, the fiscal note stated that TEA and the GLO projected that the changes effected by the bill will have a positive fiscal impact in terms of growth of the Fund and future Fund distributions. No assurances can be given as to future investment results for the Fund.

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**[1]

| Fiscal Year Ending | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|---|---|---|
| PSF(SBOE) Distribution | $1,021 | $839 | $839 | $1,056 | $1,056 | $1,236 | $1,236 | $1,102 | $1,102 | $1,731 |
| PSF(SLB) Distribution | $300 | $0 | $0 | $0 | $0 | $0 | $300 | $600 | $600[2] | $415 |
| Per Student Distribution | $281 | $175 | $173 | $215 | $212 | $247 | $306 | $347 | $341 | $432 |

[1] In millions of dollars. Source: PSF Annual Report for year ended August 31, 2022.

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

In November 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.

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

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

[2] 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**

| | PSF(SBOE) | PSF(SLB) | Liquid Account |
|---|---|---|---|
| **Equity Total** | 55% | 0% | 77% |
| | | | |
| **Public Equity Total** | 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% |
| **Private Equity** | 18% | 0% | 0% |
| | | | |
| **Fixed Income Total** | 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% |
| | | | |
| **Alternative Investments Total** | 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% |
| | | | |
| **Emerging Manager Program** | 1% | 0% | 0% |
| | | | |
| **Cash** | 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 |
|---|---|---|
| **Equities** | | |
| 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% |
| *Total Equity* | 37% | |
| | | |
| **Fixed Income** | | |
| 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% |
| *Total Fixed Income* | 18% | |
| | | |
| **Cash Equivalents** | 0% | |
| | | |
| **Alternatives** | | |
| 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% |
| *Total Alternatives* | 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)[1]**

| Fair Value (in millions) August 31, 2022 and 2021 | | | | |
|---|---|---|---|---|
| ASSET CLASS | August 31, 2022 | August 31, 2021 | Amount of Increase (Decrease) | Percent Change |
| EQUITY | | | | |

| | | | | |
|---|---|---|---|---|
| Domestic Small Cap | $ 2,358.4 | $ 2,597.3 | $ (238.9) | -9.2% |
| Domestic Large Cap | 4,730.4 | 6,218.7 | (1,488.3) | -23.9% |
| Total Domestic Equity | 7,088.8 | 8,816.0 | (1,727.2) | -19.6% |
| International Equity | 5,972.5 | 8,062.1 | (2,089.6) | -25.9% |
| TOTAL EQUITY | 13,061.3 | 16,878.1 | (3,816.8) | -22.6% |
| FIXED INCOME | | | | |
| 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 | - | 1,142.5 | N/A |
| Emerging Market Debt | 1,142.5 | 2,683.7 | (1,492.8) | -55.6% |
| TOTAL FIXED INCOME | 8,036.9 | 8,780.1 | (743.2) | -8.5% |
| ALTERNATIVE INVESTMENTS | | | | |
| 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 | 1,412.0 | 1,675.5 | (263.5) | -15.7% |
| TOT ALT INVESTMENTS | 16,673.0 | 16,652.1 | 20.9 | 0.1% |
| UNALLOCATED CASH | 196.5 | 262.9 | (66.4) | -25.3% |
| TOTAL PSF(SBOE) INVESTMENTS | $ 37,967.7 | $ 42,573.2 | $ (4,605.5) | -10.8% |

Source: PSF Annual Report for year ended August 31, 2022.

[1] 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[1]**

Fair Value (in millions) August 31, 2022 and 2021

| ASSET CLASS | August 31, 2022 | August 31, 2021 | Amount of Increase (Decrease) | Percent Change |
|---|---|---|---|---|
| Equity | | | | |
| Domestic Small/Mid Cap | $ 500.0 | $228.3 | $271.7 | 119.0% |
| Domestic Large Cap | 1,671.7 | 578.6 | 1,093.1 | 188.9% |
| Total Domestic Equity | 2,171.7 | 806.9 | 1,364.8 | 169.1% |
| International Equity | 1,225.5 | 392.6 | 832.9 | 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 | 208.2 | 213.9 | (5.7) | -2.7% |
| TOTAL FIXED INCOME | 1,512.4 | 1,701.8 | (189.4) | -11.1% |
| Unallocated Cash | 35.2 | 1,420.5 | (1,385.3) | -97.5% |
| Total Liquid Account Investments | $4,944.8 | $4,321.8 | $623.0 | 14.4% |

[1] 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

| Asset Class | As of 8-31-22 | As of 8-31-21 | Increase (Decrease) | Percent Change |
|---|---|---|---|---|
| Discretionary Real Assets Investments | | | | |
| Externally Managed | | | | |
| Real Assets Investment Funds[1] | | | | |
| 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 | 1,921.2 | 1,276.8 | 644.4 | 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[2] | 1,257.5 | 699.2 | 558.3 | 79.8% |
| Total PSF(SLB) Investments | $13,842.0 | $8,687.2 | $5,154.8 | 59.3% |

[1] The fair values of externally managed real assets investment funds, separate accounts, and co-investment vehicles are estimated using the most recent valuations available, adjusted for subsequent contributions and withdrawals.
[2] Cash at State Treasury represents amounts that have been deposited in the State Treasury and temporarily invested in short-term investments until called for investment by the external real assets investment funds, separate accounts, and co-investment vehicles to which PSF(SLB) has made capital commitments. Prior to September 1, 2019, PSF(SLB) was required by statute to deposit cash designated by the SLB for investment in real assets in the State Treasury until it is drawn for investment. After September 1, 2019, that cash was moved to the Liquid Account to be invested by the SBOE.

The asset allocation of the Fund's financial assets portfolio is subject to change by the 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 July 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 July 31, 2023, there were 184 active open-enrollment charter schools in the State and there were 1,103 charter school campuses authorized under such charters, though as of such date, 208 of such campuses are not currently serving students for various reasons; therefore, there are 895 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 after the IRS updated regulations relating to the PSF and similar funds.

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 will estimate the available capacity of the PSF each month and may increase or reduce the State Capacity Limit multiplier to prudently manage fund capacity and maintain the AAA credit rating of the Guarantee Program but also provide that any changes to the multiplier made by the Education Commissioner are to be ratified or rejected by the SBOE at the next meeting following the change. See "Valuation of the PSF and Guaranteed Bonds" below.

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

Changes in SBOE-determined multiplier for State Capacity Limit

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

Since December 16, 2009, the IRS Limit was a static limit set at 500% of the total cost value of the assets held by the PSF as of December 16, 2009; however, on May 10, 2023, the IRS released Notice 2023-39 (the "IRS Notice"), stating that the IRS would issue regulations amending the existing regulations to amend the calculation of the IRS limit to 500% of the total cost value of assets held by the PSF as of the date of sale of new bonds. 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 May 10, 2023, and before the effective date of future regulations or other public administrative guidance affecting funds like the PSF.

The IRS Notice changes the IRS Limit from a static limit to a dynamic limit for the Guarantee Program based upon the cost value of Fund assets, multiplied by five. As of June 30, 2023 the cost value of the Guarantee Program was $43,704,948,910 (unaudited), thereby producing an IRS Limit of $218,344,585,245 in principal amount of guaranteed bonds outstanding.

As of June 30, 2023, the estimated State Capacity Limit is $152,967,321,185, which is lower than the IRS Limit, making the State Capacity Limit 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/, 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.

With the change in the Capacity Reserve from 5% to 0.25%, effective March 1, 2023, as discussed above, and the change in the IRS Limit making the State Capacity Limit the current Capacity Limit, the net Guarantee Program capacity as of June 30, 2023 is $152,556,827,260. No representation is made as to how the capacity 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. If the amount of guaranteed bonds approaches the State Capacity Limit, the SBOE or Education Commissioner may increase the State Capacity Limit multiplier as discussed above.

**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 June 30, 2023, the Charter District Reserve Fund contained $90,293,027, which represented approximately 2.23% 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 the applicable rating section within the Official Statement to which this is attached for information regarding a district's underlying rating and the enhanced rating applied to a given series of bonds.

**Valuation of the PSF and Guaranteed Bonds**

**Permanent School Fund Valuations**

| Fiscal Year Ended 8/31 | Book Value(1) | Market Value(1) |
|---|---|---|
| 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(2) | 42,511,350,050 | 56,754,515,757 |

(1) SLB managed assets are included in the market value and book value of the Fund. In determining the market value of the PSF from time to time during a fiscal year, the 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.

**Permanent School Fund Guaranteed Bonds**

| At 8/31 | Principal Amount[1] |
|---|---|
| 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[2] |

[1] Represents original principal amount; does not reflect any subsequent accretions in value for compound interest bonds (zero coupon securities). The amount shown excludes bonds that have been refunded and released from the Guarantee Program. The TEA does not maintain records of the accreted value of capital appreciation bonds that are guaranteed under the Guarantee Program.
[2] At August 31, 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 State Capacity Limit of $152,556,827,260 (the State Capacity Limit is currently the Capacity Limit), net of the Capacity Reserve, as of June 30, 2023, 7.36% of the Guarantee Program's capacity was available to the Charter District Bond Guarantee Program. As of June 30, 2023, the amount of outstanding bond guarantees represented 70.06% of the Capacity Limit (which is currently the State Capacity Limit). June 30, 2023 values are based on unaudited data, which is subject to adjustment.

**Permanent School Fund Guaranteed Bonds by Category**[1]

| | School District Bonds | | Charter District Bonds | | Totals | |
|---|---|---|---|---|---|---|
| Fiscal Year Ended 8/31 | No. of Issues | Principal Amount ($) | No. of Issues | Principal Amount ($) | No. of Issues | Principal Amount ($) |
| 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[2] | 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 June 30, 2023 (based on unaudited data, which is subject to adjustment), there were$107,163,538,633 in principal amount of bonds guaranteed under the Guarantee Program, representing 3,424 school district issues, aggregating $103,112,917,633 in principal amount and 107 charter district issues, aggregating $4,050,621,000 in principal amount. At June 30, 2023 the projected guarantee capacity available was $30,224,526,888 (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**[1]

| Portfolio | Return | Benchmark Return[2] |
|---|---|---|
| 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 |

[1] Time weighted rates of return adjusted for cash flows for the PSF(SBOE) investment assets. Does not include GLO managed real estate or real assets. Returns are net of fees. Source: PSF Annual Report for year ended August 31, 2022.
[2] 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.

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.

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, 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.

**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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Financial Advisory Services
Provided By:

SAMCO Capital